

FINANCIAL  
STATEMENTS



posti

# Contents

|                                                                                  |          |
|----------------------------------------------------------------------------------|----------|
| <b>Financials</b>                                                                | <b>1</b> |
| Board Of Directors' report                                                       | 1        |
| Calculation of Key Figures (IFRS)                                                | 21       |
| Consolidated financial statements, IFRS                                          |          |
| Consolidated income statement and consolidated statement of comprehensive income | 23       |
| Consolidated statement of financial position                                     | 25       |
| Consolidated statement of cash flows                                             | 28       |
| Consolidated statement of changes in equity                                      | 30       |
| Notes to the consolidated financial statements                                   | 32       |
| 1. Operating segments                                                            | 50       |
| 2. Acquired businesses and business divestments                                  | 59       |
| 3. Other operating income                                                        | 66       |
| 4. Materials and services                                                        | 67       |
| 5. Employee benefits                                                             | 68       |
| 6. Other operating expenses                                                      | 69       |
| 7. Depreciation, amortization and impairment losses                              | 70       |
| 8. Financial income and expenses                                                 | 72       |
| 9. Income tax                                                                    | 74       |
| 10. Intangible assets                                                            | 75       |
| 11. Investment property                                                          | 81       |
| 12. Property, plant and equipment                                                | 82       |
| 13. Deferred tax assets and liabilities                                          | 86       |
| 14. Inventories                                                                  | 90       |
| 15. Trade and other receivables                                                  | 91       |
| 16. Assets classified as held for sale and associated liabilities                | 92       |
| 17. Equity                                                                       | 93       |
| 18. Pension liabilities                                                          | 95       |
| 19. Provisions                                                                   | 98       |
| 20. Trade and other payables                                                     | 100      |
| 21. Financial instruments and Financial risk management                          | 101      |
| 22. Lease agreements                                                             | 119      |
| 23. Pledges, commitments and other contingent liabilities                        | 122      |
| 24. Related party transactions                                                   | 123      |

---

|                                                                                 |     |
|---------------------------------------------------------------------------------|-----|
| 25. Group companies .....                                                       | 125 |
| 26. Correction of an error .....                                                | 127 |
| 27. Events after the reporting period .....                                     | 131 |
| Parent company financial statements, FAS .....                                  |     |
| Income statement of the parent company .....                                    | 132 |
| Balance sheet of the parent company .....                                       | 133 |
| Cash flow statement of the parent company .....                                 | 135 |
| Notes to the financial statements of the parent company .....                   | 137 |
| Notes 1-3 .....                                                                 | 141 |
| Notes 4-7 .....                                                                 | 142 |
| Notes 8-10 .....                                                                | 144 |
| Note 11 .....                                                                   | 147 |
| Note 12 .....                                                                   | 148 |
| Note 13 .....                                                                   | 149 |
| Notes 14-15 .....                                                               | 151 |
| Note 16 .....                                                                   | 153 |
| Note 17 .....                                                                   | 156 |
| Notes 18-20 .....                                                               | 157 |
| Note 21 .....                                                                   | 158 |
| Note 22 .....                                                                   | 160 |
| Note 23 .....                                                                   | 162 |
| Board of Directors' proposal .....                                              | 163 |
| Signatures of the Board of Directors' Report and the financial statements ..... | 164 |
| Auditor's report .....                                                          | 165 |
| Statement by the Supervisory Board .....                                        | 173 |
| Investor information .....                                                      | 174 |

# Board of Directors' Report 2016

## Market situation and business environment 2016

The Finnish economy began to improve late in the year. The confidence indicators in all main sectors showed a rising trend, and the aggregate confidence indicator rose to a level above the long-term average after the summer. Finnish GDP increased by 1.5% in January–September. Consumer confidence also rose particularly at the end of the year to a level above the long-term average. According to the Finnish Transport Agency, transport volumes in heavy traffic in Finland turned to an increase in April 2016 after a long period of decline, and they continued to increase through the latter part of the year.

The improved situation was reflected in Posti's freight and parcel volumes, which showed favorable development. Development during the year was particularly positive in cross-border trade and the B2C segment. In March, Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries.

The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continued. This is reflected in the decreasing volumes of domestic delivery products. Posti's competitors have expanded their mail delivery operations following the entry into force of the amended Postal Act in June. In addition to Posti, mail is at the moment delivered by 13 delivery service providers. The decline in paper invoices and the competitive situation were also reflected in OpusCapita, particularly in the volumes of iPost products.

In Russia, the economy has contracted over the past two years, and the depreciation of the ruble has eroded consumer purchasing power. The increase in oil prices, which began in summer 2016, has strengthened the Russian ruble. The ruble appreciated by 20.3%, which also began to be reflected in the real economy. The Bank of Finland and OECD both predict growth of approximately 1% in Russia in 2017.

Posti's universal service obligation was discontinued for domestic parcels starting from October 31, 2016, but it remains in effect for international parcels sent from Finland, weighing no more than 10 kg, throughout Finland except the Åland Islands.

By the parliament's decision in June, the Finnish State can decrease its ownership in Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August.

## Changes in management

Kaarina Ståhlberg, LL.M. (Columbia University), was appointed as VP, Legal Affairs, and a member of the Management Board, effective from March 2016.

Turkka Kuusisto, M.Sc. (Tech.), was appointed as SVP, Postal Services, effective from August 2016. Kuusisto was also appointed as a member of Posti's Executive Board.

Jani Jolkkonen, M.Sc. (Tech.), EMBA, was appointed as SVP, ICT and Digitalization, effective from August 2016. Jolkkonen also continued as a member of Posti's Executive Board.

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

## Performance improvement program

The EUR 75 million savings target of the Group's performance improvement program 2015–2016 was achieved in the first quarter of 2016. Savings were achieved in all areas of the Group, particularly through improving the efficiency of production in both postal and logistics operations and reducing ICT costs and the Group's general expenses.

Group-wide measures will continue to increase operational efficiency and achieve savings through methods including automation. In addition, the Group will continue to aim at achieving net savings in operational and general expenses and in sourcing function's purchases.

## Net sales and operating result in 2016

The Group's net sales decreased by 2.5% and amounted to EUR 1,607.6 (1,649.1) million. Net sales grew by 0.2% in Finland and declined by 16.2% in other countries. International operations accounted for 14.4% (16.8%) of net sales.

The number of working days in 2016 was higher than in the previous year by one day.

The Group's adjusted EBITDA was EUR 126.7 (128.2) million, 7.9% (7.8%).

The Group's EBITDA declined to EUR 116.0 (147.2) million, 7.2% (8.9%).

The adjusted operating result was EUR 47.1 (47.6) million, or 2.9% (2.9%) of net sales.

Special items in 2016 totaled EUR -16.4 (+7.2) million. The special items of the businesses are described in more detail below, in connection with the results analysis specific to each segment. Posti Kiinteistöt sold the Pennala logistics center in Orimattila to RBS Nordisk Renting. The net profit was recognized in special items under Other operations.

The operating result declined to EUR 30.7 (54.8) million, or 1.9% (3.3%) of net sales.

The result before taxes declined to EUR 29.5 (42.3) million.

The Group's net financing costs amounted to EUR 1.2 (12.5) million. Net financing costs were favorably affected by a reversal of impairment recognized on receivables, as well as exchange rate gains on the ruble.

Return on equity stood at 3.9% (6.2%).

Mail items covered by the universal service obligation accounted for 6% of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 147.8 (154.8) million, or 9.2% of the Group's net sales.

## Key figures of Posti Group

|                                           | 2016    | restated<br>2015* | restated<br>2014* |
|-------------------------------------------|---------|-------------------|-------------------|
| Net sales, MEUR                           | 1,607.6 | 1,649.1           | 1,867.1           |
| Adjusted EBITDA, MEUR                     | 126.7   | 128.2             | 145.1             |
| Adjusted EBITDA, %                        | 7.9     | 7.8               | 7.8               |
| EBITDA, MEUR                              | 116.0   | 147.2             | 104.0             |
| EBITDA, %                                 | 7.2     | 8.9               | 5.6               |
| Adjusted operating result, MEUR           | 47.1    | 47.6              | 58.6              |
| Adjusted operating result, %              | 2.9     | 2.9               | 3.1               |
| Operating result, MEUR                    | 30.7    | 54.8              | 13.5              |
| Operating result, %                       | 1.9     | 3.3               | 0.7               |
| Result before taxes, MEUR                 | 29.5    | 42.3              | 3.2               |
| Result for the period, MEUR               | 23.2    | 35.1              | 1.8               |
| Cash flow from operating activities       | 63.1    | 81.9              | 93.2              |
| Return on equity, % (12 months)           | 3.9     | 6.2               | 0.3               |
| Return on invested capital (12 months), % | 5.1     | 6.4               | 1.9               |
| Equity ratio, %                           | 54.9    | 46.9              | 45                |
| Gearing, %                                | -13.6   | -10.9             | 17.9              |
| Gross capital expenditure, MEUR           | 100.4   | 66.8              | 63.6              |
| Employees on average                      | 20,632  | 22,219            | 24,617            |
| Dividends, MEUR                           | 60,0**  | 18.0              | -                 |

\*) Restated due to change in the revenue recognition principle

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

## Mail, Parcel and Logistics Services

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

- Addressed letters -7% (-8%)
- Parcels +3% (+2%), of which B2C parcels +7% (+7%)
- Domestic freight measured in waybills +7% (-15%)
- Warehouse fill rate in the end of the reporting period 73% (68%)

The amount of parcels delivered by Posti grew to 33.5 (32.4) million parcels.

The number of electronic letters (Netposti) increased by 1%. The number of digital mailbox Netposti users increased by 8% and stood at 686,000 (636,000) at the end of the year.

The net sales of Mail, Parcel and Logistics Services were largely unchanged from the previous year at EUR 1,321.6 (1,337.8) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. The price increases that took effect at the start of the year compensated for part of the effect of the decline in volume. Net sales were boosted by growth in parcel services and the acquisitions of Veine and Kuljetus Kovalainen.

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

| Net sales, EUR million      | 2016  | 2015  | Change |
|-----------------------------|-------|-------|--------|
| Mail and Marketing Services | 552.4 | 571.5 | -3.4%  |
| Press Services              | 164.3 | 169.6 | -3.1%  |
| Parcel Services             | 272.2 | 270.6 | 0.6%   |
| Logistics Services          | 337.0 | 333.1 | 1.2%   |

The net sales of Mail and Marketing Services were reduced by a decline in the domestic delivery product volume. Posti's competitors have expanded their mail delivery operations following the entry into force of the amended Postal Act in June. The impact on Posti's volumes from the expansion of competitors' mail delivery operations was not yet significant in the review period. The lower rate of decline in Press Services was due to changes in customers' mailing methods. Customers have, among other changes, moved products from unaddressed direct marketing to magazines. The net sales of parcel services grew. Development was positive particularly in cross-border trade and the B2C segment. In the Baltic countries, parcel volumes increased by 26%. The number of parcels going through parcel points grew by 29%. In logistics services, the net sales of domestic freight increased due to the positive development of volumes as well as acquisitions. Freight volumes have now increased continuously since April 2016. In the warehousing business, processing volumes and fill rates increased.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 91.0 (90.3) million, 6.9% (6.8%). The factors contributing to the increase included continued operational efficiency improvement measures related to production, real estate, the retail network and administration. Price increases implemented in postal services also helped the result remain on a par with the previous year in spite of the significant decrease in volume. EBITDA declined to EUR 76.9 (80.9) million, 5.8% (6.0%), mainly due to special items related to personnel restructuring being higher than in the previous year.

In spite of net sales decreasing by 1.2%, the adjusted operating result remained on a par with the previous year at EUR 48.7 (49.2) million.

The factors contributing to the result remaining at the previous year's level included improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2016. Intensifying competition in the parcel business also had a negative impact on the result.

Special items recognized during the period amounted to EUR 14.1 (10.5) million. The majority of the special items were related to personnel restructuring in both the review period and the comparison period.

The operating result declined to EUR 34.6 (38.7) million, mainly due to higher special items.

In cash services offered to consumers, Posti adopted the pricing model used commonly in Europe, in which all domestic and foreign letter items have their own fees. The change was made in February. There were also price increases in other cash-paid postal services.

In April, Posti revised the delivery routes and extended mail delivery toward the evening. The change allows the delivery of postal items and different types of services, parcels and products more flexibly to customers' homes, including in the evening. In addition, Posti simplified the sending of letters by combining the 1st and 2nd letter classes starting from the beginning of 2017.

Posti strengthened its position in international e-commerce and established a pickup point network in the Baltic countries to serve consumers and companies at shops and kiosks in Estonia, Latvia and Lithuania. The network encompasses 1,200 item pickup points and is the largest pickup point system in the Baltic countries. Posti also joined the DHL partner network, which offers harmonized international parcel deliveries in 16 European countries.

Stockmann and Posti signed an agreement on transferring the logistics operations of Hobby Hall to Posti starting from May 1, 2016. The agreement covers the warehousing of Hobby Hall's products, online store logistics services — including dispatches and the center for product returns — and the transportation of products to the Hobby Hall store. The entire warehouse personnel of Hobby Hall were transferred to Posti as existing employees.

On June 1, 2016, Posti signed an agreement to acquire the entire share capital of Veine, a company that specializes in temperature-regulated logistics. Veine is a Finnish logistics company that offers transport, terminal, delivery and warehousing services. Its annual net sales are approximately EUR 54 million and it employs 130 people. The transaction was finalized in August 2016. The acquisition supports Posti's strategy to grow in food logistics. Together, Posti and Veine can offer competitive and nationwide food logistics solutions.

In October, Posti acquired Kuljetus Kovalainen, a company that specializes in food product transport, to continue its strategic growth in food logistics and the transport of temperature-regulated products.

The renewal of Posti's retail network has progressed according to plan. At the end of the year, Posti had a total of 1,422 service points in Finland, of which 479 were parcel points.

## Itella Russia

Measured in local currency, Itella Russia's net sales decreased by 3.9%. Net sales were negatively affected by the weak economic climate, GDP decline and the weakening of customers' demand for logistics services.

The decline was the steepest in the demand for contract logistics, for warehousing as well as handling. Demand was strongest in transport services, particularly in air and sea freight and inter-terminal transport.

Euro-denominated net sales decreased by 12.0% to EUR 104.6 (118.9) million.

The adjusted EBITDA declined to EUR 2.6 (4.1) million, 2.5% (3.5%).  
EBITDA improved to EUR 3.9 (-8.3) million, 3.7% (-7.0%).

The adjusted operating result improved to EUR -4.0 (-5.1) million. The result improved due to the release of a provision for onerous leases made in 2015, lower depreciation as well as efficiency improvement and cost reduction measures.

Warehouse fill rates declined year-on-year in Moscow as well as other regions. The fill rate for warehouses in Moscow was 75% (86%) at the end of December, while that of other areas was 82% (90%). The exceptionally low fill rate in Moscow was due to the preparing for the closing of the Krekshino warehouse during the first quarter of 2017.

In Russia, the economy has contracted over the past two years, and the depreciation of the ruble has eroded consumer purchasing power. The increase in oil prices, which began in summer 2016, strengthened the Russian ruble in the end of the year. The ruble appreciated by 20.3% from the previous year.

The operating result improved to EUR -2.7 (-25.0) million. The result of the comparison period (EUR -25.0 million) included an EUR 7.5 million for loss-making agreements and a provision of EUR 11.7 million for loss-making agreements related to the loss of customers and currency depreciation.

Itella Russia acquired the Russian courier company MaxiPost in March. MaxiPost specializes in the delivery of parcels for e-commerce operators. The company delivered approximately one million items in 2016. The MaxiPost acquisition strengthens Itella Russia's e-commerce and parcel services expertise in line with its strategy.

Itella Russia's investments amounted to EUR 4.7 (2.9) million.

## OpusCapita

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

- Electronic transactions (comparable) +13%
- iPost products -9%

OpusCapita transmitted a total of 484 million transactions. This includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 203 million transactions, which represents 42% of the total transaction volume. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continue. This was reflected in particularly in the declining volumes of iPost products.

OpusCapita's net sales decreased by 6.4% to EUR 240.1 (256.7) million. Some 59% of the net sales came from Finland, while the remaining 41% was from other countries.

The adjusted EBITDA declined to EUR 19.1 (21.6) million, 7.9% (8.4%).  
EBITDA declined to EUR 12.2 (21.4) million, 5.1% (8.4%).

The adjusted operating result declined to EUR 9.7 (14.5) million. The decline was due to the decrease in traditional print volumes, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy.

Special items amounting to EUR 11.1 (1.2) were recognized during the review period, related to corporate transactions and personnel restructuring in accordance with the new strategy.

The operating result decreased to EUR -1.4 (13.3) million.

On January 11, 2016, OpusCapita sold its business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. The transaction did not include the service centers and centers of expertise related to OpusCapita's global business that are located in the Baltic countries.

On April 25, 2016, OpusCapita acquired the Germany-based software company jCatalog, whose solutions in the areas of e-commerce, catalog management, supplier management and procurement processes complement OpusCapita's purchase to pay offering. The software company employs some 130 professionals in Europe and the United States and its net sales in 2015 amounted to approximately EUR 10 million. The acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.

## Key Figures of Segments

| EUR million                         | 2016           | restated<br>2015* | Change        |
|-------------------------------------|----------------|-------------------|---------------|
| <b>Net sales</b>                    |                |                   |               |
| Mail, Parcel and Logistics Services | 1,321.6        | 1,337.8           | -1.2%         |
| Itella Russia                       | 104.6          | 118.9             | -12.0%        |
| OpusCapita                          | 240.1          | 256.7             | -6.4%         |
| Other operations                    | 5.1            | 8.7               | -41.5%        |
| Intra-Group sales                   | -63.9          | -72.9             |               |
| <b>Posti Group</b>                  | <b>1,607.6</b> | <b>1,649.1</b>    | <b>-2.5%</b>  |
| <b>Adjusted EBITDA</b>              |                |                   |               |
| Mail, Parcel and Logistics Services | 91.0           | 90.3              | 0.7%          |
| Itella Russia                       | 2.6            | 4.1               | -37.7%        |
| OpusCapita                          | 19.1           | 21.6              | -11.8%        |
| Other operations                    | 14.1           | 12.1              | 16.3%         |
| <b>Posti Group</b>                  | <b>126.7</b>   | <b>128.2</b>      | <b>-1.1%</b>  |
| <b>EBITDA</b>                       |                |                   |               |
| Mail, Parcel and Logistics Services | 76.9           | 80.9              | -5.0%         |
| Itella Russia                       | 3.9            | -8.3              |               |
| OpusCapita                          | 12.2           | 21.4              | -43.0%        |
| Other operations                    | 23.1           | 53.2              | -56.6%        |
| <b>Posti Group</b>                  | <b>116.0</b>   | <b>147.2</b>      | <b>-21.2%</b> |
| <b>Adjusted EBITDA, %</b>           |                |                   |               |
| Mail, Parcel and Logistics Services | 6.9%           | 6.8%              |               |
| Itella Russia                       | 2.5%           | 3.5%              |               |
| OpusCapita                          | 7.9%           | 8.4%              |               |
| <b>Posti Group</b>                  | <b>7.9%</b>    | <b>7.8%</b>       |               |

**EBITDA, %**

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| Mail, Parcel and Logistics Services | 5.8%        | 6.0%        |
| Itella Russia                       | 3.7%        | -7.0%       |
| OpusCapita                          | 5.1%        | 8.4%        |
| <b>Posti Group</b>                  | <b>7.2%</b> | <b>8.9%</b> |

**Adjusted operating result**

|                                     |             |             |              |
|-------------------------------------|-------------|-------------|--------------|
| Mail, Parcel and Logistics Services | 48.7        | 49.2        | -0.9%        |
| Itella Russia                       | -4.0        | -5.1        |              |
| OpusCapita                          | 9.7         | 14.5        | -33.4%       |
| Other operations                    | -7.3        | -11.0       |              |
| <b>Posti Group</b>                  | <b>47.1</b> | <b>47.6</b> | <b>-1.1%</b> |

**Operating result**

|                                     |             |             |               |
|-------------------------------------|-------------|-------------|---------------|
| Mail, Parcel and Logistics Services | 34.6        | 38.7        | -10.5%        |
| Itella Russia                       | -2.7        | -25.0       |               |
| OpusCapita                          | -1.4        | 13.3        |               |
| Other operations                    | 0.2         | 27.8        | -99.1%        |
| <b>Posti Group</b>                  | <b>30.7</b> | <b>54.8</b> | <b>-44.0%</b> |

**Adjusted operating result, %**

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| Mail, Parcel and Logistics Services | 3.7%        | 3.7%        |
| Itella Russia                       | -3.8%       | -4.3%       |
| OpusCapita                          | 4.0%        | 5.7%        |
| <b>Posti Group</b>                  | <b>2.9%</b> | <b>2.9%</b> |

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| <b>Operating result, %</b>          |             |             |
| Mail, Parcel and Logistics Services | 2.6%        | 2.9%        |
| Itella Russia                       | -2.6%       | -21.0%      |
| OpusCapita                          | -0.6%       | 5.2%        |
| <b>Posti Group</b>                  | <b>1.9%</b> | <b>3.3%</b> |

\*) Restated due to change in the revenue recognition principle

## Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 63.1 (81.9) million.

Investments according to the statement of cash flow amounted to EUR 92.3 (55.9) million. During the year, the Group invested in the acquisitions of Veine and Kuljetus Kovalainen, which specialize in temperature-controlled transport as well as the acquisitions of the software company jCatalog and the courier company MaxiPost. The Group also invested in information systems, the transport fleet and production projects.

Proceeds from divestments totaled EUR 78.0 (136.4) million. The most significant divestments were the sale of real estate in Orimattila in September and Pirkkala in August, as well as OpusCapita's sale of its businesses serving the local markets in the Baltic countries to BaltCap in January.

At the end of the review period, liquid funds totaled EUR 159.9 (258.9) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 132.1 (290.3) million. The equity ratio was 54.9% (46.9%), and gearing was -13.6% (-10.9%).

## Research and development

Expenditure related to research and development activities in 2016 was EUR 13.9 (12.9) million, or 0.9% (0.8%) of the Group's total operating expenses.

The Mail, Parcel and Logistics Services segment piloted and launched several data services (IoT) and developed services aimed at mail carriers that utilize mobile devices. The devices allow Posti to sell services, increase the efficiency of operations as well as improve quality and customer service. The Group also carried out a renewal of the ordering channels in postal services and logistics and introduced new sorting technology in the sorting of printed products, and several supply chain outsourcing moves were also implemented. Posti also piloted and launched several new home services.

Itella Russia developed warehouse management systems and carried out an e-commerce project in partnership with a customer. The use of the voice-controlled goods picking system previously introduced at warehouses was expanded. Other development areas included the system for scanning goods at warehouses.

During the year, OpusCapita continued to invest in solutions to bring its Purchase-to-Pay and Cash Management solutions to the digital era. Some of the investments were implemented in the form of an acquisition. Research and development expenses increased significantly due to investments in new products and cloud services. The development of the communication platform used for multi-channel invoicing also continued.

## Environmental impacts

The Group's environmental impacts are mainly related to greenhouse gas emissions. Posti has made a commitment to reduce its carbon-dioxide emissions by 30% by 2020, in relation to net sales (compared to 2007). This target and the related reporting system concern all business operations in all countries of operation.

Posti's carbon neutral Posti Green concept covers all of Posti's services in Finland: postal services, parcel, transport and freight services, as well as warehousing services. With its 100% carbon neutral services, Posti is a pioneer in green logistics in Finland.

In March, Posti will publish a corporate responsibility report for 2016 that includes more detailed information on environmental responsibility.

## Share capital and shareholding

Posti Group Corporation is wholly owned by the State of Finland. Its share capital consists of 40,000,000 shares of equal value. The company holds no treasury shares and does not have subordinated loans. No loans have been granted to related parties, and no commitments have been given on their behalf. The company has not issued shares, stock options or other rights with entitlement to company shares. The Board of Directors is not authorized to issue shares, stock options, or other rights with entitlement to company shares.

## Administration and auditors

### Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 23, 2016. The meeting adopted the 2015 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors be composed of eight members. The following continued as members of the Board of Directors:

- Arto Hiltunen, M.Sc. (Econ.)
- Petri Järvinen, Director, Supply Chain, Logistics and Quality, Coop Sverige
- Petri Kokko, Director, Retail, Google Deutschland GmbH
- Jussi Kuutsa, Country Director, SRV, Russia
- Kirsi Nuotto, Senior Vice President, Human Resources, VTT
- Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance (TELA)

Board Professional Arja Talma was elected to join the Board of Directors as a new member. Arto Hiltunen continued as the Chairman of the Board of Directors.

It was decided that the Supervisory Board comprises twelve members. The following continued as members of the Supervisory Board:

- Maria Guzenina, MP (Social Democratic Party)
- Marisanna Jarva, MP, Centre Party
- Rami Lehto, MP, Finns Party
- Eeva-Maria Maijala, MP, Centre Party
- Sari Moisanen, Managing Director (interim), Sea-Lapland development centre, Left Alliance
- Mats Nylund, MP, Swedish People's Party of Finland
- Sari Raassina, MP, National Coalition Party
- Lulu Ranne, M.Sc. (Tech.), Finns Party
- Markku Rossi, MP, Centre Party
- Satu Taavitsainen, MP, Social Democratic Party
- Jani Toivola, MP, The Greens of Finland
- Kari Tolvanen, MP, Finns Party

MP Markku Rossi continued as the Chairman of the Supervisory Board and MP Jani Toivola as Vice Chairman.

In line with the Board of Directors' proposal, the Annual General Meeting decided that a dividend of EUR 18.0 million be distributed.

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

The Annual General Meeting decided that the Members of the Board of Directors receive a monthly remuneration and a meeting fee. Members of the Supervisory Board receive a meeting fee.

## Extraordinary General Meeting

MP Marisanna Jarva resigned from the Supervisory Board on October 13, 2016.

Posti Group Corporation's Extraordinary General Meeting was held in Helsinki on October 27, 2016. At the Extraordinary General Meeting, MP Juha Pylväs (Centre Party) was elected to the Supervisory Board to replace Marisanna Jarva.

## Employees

At the end of the year, the Group employed 20,497 (21,598) people. The Group's average number of personnel was 20,632 (22,219). At the end of the year, a total of 4,445 (4,724) employees worked outside of Finland. The number of employees working in Finland was 16,052 (16,874).

| Group personnel                 | 2016   | 2015   | 2014   |
|---------------------------------|--------|--------|--------|
| Salaries and wages, EUR million | 584.8  | 606.9  | 684.7  |
| Employees on December 31        | 20,497 | 21,598 | 23,289 |
| Average number of employees     | 20,632 | 22,219 | 24,617 |

The Group's personnel expenses decreased by EUR 25.8 million, or by 3.4% year-on-year. Personnel expenses included EUR 18.9 (8.5) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 4.8% year-on-year.

Salaries and wages paid by the Group decreased by EUR 22.0 million from the previous year.

Based on the Group's financial result, the Board of Directors decided that a bonus will be paid to the personnel fund.

The company entered into 289 new permanent employment contracts in Finland in 2016. Personnel reductions amounted to 1,383 (734) person-years. Out of this total, 417 (328) person-years were related to production and finance, 39 (42) person-years were reduced through voluntary resignation and pension plans, 857 (311) person-years were reduced via the Uusi polku (New path) program, and 70 (53) person-years were reduced in relation to acquisitions.

The Uusi polku program launched at the beginning of 2014 offers personnel not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of the year, 2,523 employees had applied for the program and 1,782 had been approved.

## Cooperation negotiations

On January 26, 2016, Posti started cooperation negotiations in administration, basic delivery in Operations, Sales and Customer Service and part of Group functions. The sphere of the negotiations covered a total of 7,600 employees and the reduction need was at most 860 employees. The negotiations were concluded on March 16, 2016, with the exception of the Operations unit's basic delivery in south-eastern Finland. A total of 181 employees were laid off as a result of the negotiations. In basic delivery in Operations in Southeast Finland, the negotiations covered 390 employees and the reduction need was at most 95 permanent employees. The negotiations were concluded on June 22, 2016. A total of 12 employees were laid off and seven employees were made part-time as a result of the negotiations.

OpusCapita started cooperation negotiations on February 8, 2016. The estimated reduction need was approximately 80 employees, of which at most 50 in Finland and about 30 in other countries. The final personnel reduction following the negotiations was 41 employees in Finland and 30 in other countries.

On June 13, 2016, Posti started cooperation negotiations concerning early-morning delivery in the Uusimaa region. The negotiations covered 538 employees. The final personnel reduction following the negotiations was 232 employees.

On July 4, 2016, Posti started cooperation negotiations concerning early-morning delivery in Oulu. The negotiations covered 47 employees and the reduction need was 47 employees. The final personnel reduction following the negotiations was 47 employees.

On July 28, 2016, Posti started cooperation negotiations at its warehouse in Vantaa. The negotiations covered 123 employees and the reduction need was 70 employees. A total of 28 employees were laid off as a result of the negotiations.

On August 8, 2016, OpusCapita started cooperation negotiations in its Finance and Accounting Outsourcing business unit in Finland. The negotiations covered 126 employees and the preliminary reduction need was at most 43 permanent employees. Following the negotiations, the final reduction need was 34 permanent employees in Finland. In addition, 12 temporary employment relationships were terminated.

On August 25, 2016, Posti started cooperation negotiations in warehousing services, mainly due to the bankruptcy of Anttila. The negotiations covered 588 employees. The reduction need at the start of the negotiations and at the end of the negotiations was 75 permanent employees.

On November 15, 2016, Posti started cooperation negotiations that covered all personnel of Postal Services, except the Head of Postal Services. The negotiations covered 70 people in total. The preliminary reduction need and the final reduction need following the negotiations was nine people.

## Changes in corporate structure

In January, OpusCapita Group Ltd sold its business operations serving the local markets in the Baltic countries, namely OpusCapita AS in Estonia, OpusCapita AS in Latvia and UAB OpusCapita in Lithuania.

Posti Global Oy acquired the Russian courier company OOO MaxiPost in March.

In April, OpusCapita Group Ltd acquired the Germany-based software company jCatalog Software AG and the United States-based jCatalog Software Inc.

In August, Posti acquired Veine Group, a company specializing in temperature-regulated logistics.

In October, Posti acquired Kuljetus Kovalainen Oy, a company that specializes in food product transport.

## Regulatory environment

The amended Postal Act entered into force on June 9, 2016. As a result of the amendments, nearly all of the delivery obligations were eliminated from the delivery operators that compete with Posti. Posti, however, remains subject to the five-day delivery obligation.

The Finnish Communications Regulatory Authority redefined the universal service obligation for parcels in June. According to the decision of the Finnish Communications Regulatory Authority, Posti's universal service obligation will be discontinued for domestic parcels starting from October 31, 2016, but it will remain in effect for international parcels sent from Finland, weighing no more than 10 kg, throughout Finland except the Åland Islands. The obligation applies to parcel services paid in cash.

## Legal proceedings

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

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

On September 18, 2015, the District Court of Helsinki issued a positive ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeal. The total amount of the compensations claimed in the Court of Appeal is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 54 million on December 31, 2016.

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

## Business risks

The risks and uncertainties related to Posti's business include strategic risks, operational risks, risks related to the regulatory environment and financial risks.

The key strategic risks are related to the decline in postal delivery volumes, which is progressing more rapidly than expected, as well as the general economic development in Finland and neighboring areas and other changes related to markets and the business environment, including consumer purchasing power, that will be unexpected or more extensive than anticipated. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Other strategic risks are related to Posti's competitive ability as competition intensifies in all of Posti's businesses as well as Posti's ability to execute the Group's transformation, implement its strategy and develop new business models and its corporate culture. Operational risks are primarily related to profitability and Posti's ability to implement the necessary efficiency improvement programs, the ability of personnel to cope with constant change and the expectations of productivity growth, maintaining the quality of delivery operations, the dependence of businesses on functional IT systems, and business interruptions and other disruptions. The risks related to the regulatory environment arise from the fact that Posti and its delivery operations, including the universal service obligation, are subject to regulation and supervision by several public authorities. The proposed amendments to the Finnish Postal Act, which are currently in parliamentary proceedings, represent, in Posti's view, reforms in the right direction. It is important to ensure that the finalized Postal Act and its interpretation by the authorities will not lead to a rise in delivery costs.

## Strategic risks

Weak economic development may have an impact on the activities of companies and consumers and, consequently, on the volumes of products transported by Posti and demand for warehousing services both in Finland and abroad. Turbulent exchange rates and financial markets and any related disturbances may also pose a risk to the Group's business operations.

Significant market risks include the digitization of postal services at a more rapid rate than expected and other unanticipated changes in this area, such as an unexpectedly fast decline in the volumes of letters, magazines, and newspapers. Posti strives to develop its operations continuously to minimize the impacts of this risk.

Finnish citizens will soon be required to use a digital service platform to transact with the authorities. According to the Ministry of Finance, the shift from paper letters to the digital service platform will primarily take place in 2018. This would have a negative impact on Posti's net sales and operating result.

Rigid cost structures slow the improvement of profitability, particularly in production operations in Finland. Special requirements related to the universal service obligation also limit the potential for enhanced efficiency. As volumes decline, the economic recession further complicates efforts to maintain profitability.

In logistics, unanticipated regulatory changes related to domestic transport and increasing international competition are also seen as risks, as are increasing fuel and energy prices.

In Russia, the development of the economic, social, legislative and other areas of the business environment may pose a strategic market risk for Posti. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Currency risk is managed in accordance with the financial policy confirmed by the Board of Directors. Equity investments in subsidiaries are not hedged. The Group has discontinued the hedging of the parent company's ruble-denominated receivables for the time being due to high hedging costs. The aim is to hedge local transaction risk in Russia.

Risks in Russia are managed by continuously monitoring business development, increasing the monitoring of critical processes and by establishing a solid foothold in the Russian market through the Group's own companies, employees, and effective networking. Posti seeks to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment, and regular compliance training for employees.

In OpusCapita, with the volume of paper-based transactions decreasing, and that of electronic transactions increasing rapidly, along with competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

Financial management software is being increasingly offered as cloud services. This involves the risk of whether OpusCapita is able to develop its operations and service offering quickly enough. OpusCapita's capacity to develop the outsourcing of financial processes against intensifying and increasingly international competition involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations.

## Operational and other risks

Posti's profitability is affected by seasonal variation in business. Posti seeks to balance its impact through careful planning and business diversification. Profitability is also significantly affected by the company's ability to implement efficiency improvement programs for achieving cost savings while maintaining high operational quality and carrying out the necessary investments. There are also operational risks related to Posti's ability to develop new products and services as well as product and service concepts, including digital services, and expand its offering to compensate for the loss of net sales and profit caused by the decline in letter volumes.

In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability. The Safe Workplace project is underway at Posti in Finland to further develop the management of occupational safety risks related to employees.

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti to continue to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years. Changes may cause disturbances to mail deliveries and processes, which may have a negative impact on Posti's reputation and customers' trust in the company. In addition, changes and expectations of productivity growth may have a negative impact on the personnel's commitment to the implementation of the company's strategy. Posti seeks to minimize these risks through active cooperation with employees, good change implementation planning, flexibly adjusting plans as needed, training immediate supervisors and carrying out other internal training, the Uusi polku program launched at the beginning of 2014, and professional communication.

The collective agreement of employees in the postal industry will be up for renegotiation in 2017 at the expiration of the current agreement period. In addition, there are uncertainties related to the general labor market situation in Finland, which could compromise industrial peace or even cause a threat of a strike. The aim is to minimize these risks through communication between the company's management, shop stewards and other representatives.

The protection and development of key production and warehouse facilities and the continuity of the ICT infrastructure are critical in the management of operational risks related to loss and interruption. If they materialize, for example in a fire, such risks could result in substantial losses of customer accounts and value for Posti.

Other significant business disruption risks are related to the vulnerability of information security, networks and the production infrastructure. These risks concern both operations and the corporate image.

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct financial losses and pose a strategic risk that limits business development. Posti's goal is to ensure successful integration through careful planning and monitoring.

The Group seeks to insure against all residual risks for which insurance is the best option for financial or other reasons. Insurance policies related to business continuity, property and liabilities as well as certain insurance policies related to personnel are managed centrally at the Group level. In addition to management liabilities, liability risks include risks arising from operations and products. Deductibles are determined based on the Group's risk-bearing ability.

Financial risks and their management are explained in the Notes to the Financial Statements.

## Events after the financial period

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

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

On January 10, 2017, Posti acquired HR Hoiva Oy, which produces home care and personal assistance services for municipalities, joint municipal authorities and private customers.

On January 25, 2017, Posti announced it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprises 308 employees and the reduction need at the start of the negotiations is at most 43 people.

The Government submitted its draft bill for the Postal Act to the Parliament on January 26, 2017. The legislative reform concerns Posti's universal service products. If the proposed legislative amendments were to be implemented, five-day delivery would continue in areas that do not have a delivery network maintained by newspapers, i.e. early-morning delivery of newspapers. The proposal states that, in sparsely populated areas, delivery would be implemented by means of a sourcing procedure arranged by the universal service provider. The delivery speed requirements for letters covered by the universal service obligation would be made more flexible throughout the country, and a reasonable margin would be allowed in the pricing of universal service products. The right to deviate from the requirements pertaining to delivery frequency in areas that are difficult to reach would be made more flexible. Information in the postal code system and the address register system would be opened for better utilization. Apartment buildings could shift to mail delivery to pigeonholes, subject to the housing company's decision. A further proposal is that sending items in braille to people with visual impairments would be made free of charge. The new Postal Act is scheduled to enter into force on June 1, 2017.

On February 14, 2017, Posti announced it will build a terminal of approximately 22,000 m<sup>2</sup> on Suokalliontie in Vantaa. The construction of the terminal is a response to the growth of the freight business and it updates the Group's current business premises to better correspond to operational needs. The new terminal is intended to replace several smaller terminals in the capital region.

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

## Outlook for 2017

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

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

Net sales in euros for the year are expected to increase compared to the previous year. The Group's adjusted operating result is expected to remain on par with the previous year. The operating result for 2017 will continue to include significant special items.

Capital expenditure excluding possible mergers and acquisitions is expected to increase from the previous year.

## Board of Directors' proposal for the distribution of profits

In the financial statements, the parent company's distributable funds total EUR 548,963,852.15, of which the loss for the 2016 financial year is EUR 143,182,483.20.

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

The Board of Directors proposes to the Annual General Meeting that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Board of Directors proposes that an extra dividend of EUR 35 million be distributed, both altogether EUR 60 million.

Helsinki, March 7, 2017

Posti Group Corporation  
Board of Directors

## Alternative Performance Measures

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

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

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

## Calculation of key figures (IFRS)

$$\text{Return on equity, \%} = 100 \times \frac{\text{result for the period (12m rolling)}}{\text{total equity (average of opening and closing balance of previous 12m)}}$$

$$\text{Return on invested capital, \%} = 100 \times \frac{\text{result before income tax (12m rolling)} + \text{interest and other financial expenses (12m rolling) *)}{\text{total equity + interest-bearing debt (average of opening and closing balance of prev. 12m)}}$$

\*) Interest and other financial expenses excluding unrealized losses on financial liabilities and interest rate derivatives and deducted by interest income on interest rate derivatives and unrealized gains on financial liabilities.

$$\text{Equity ratio, \%} = 100 \times \frac{\text{total equity}}{\text{total assets - advances received (current and non-current)}}$$

$$\text{Gearing, \%} = 100 \times \frac{\text{net debt}}{\text{total equity}}$$

Interest-bearing debt      Non-current and current borrowings

EBITDA      EBITDA is operating result excluding depreciation, amortization and impairment losses.

Adjusted EBITDA      Adjusted EBITDA is EBITDA excluding special items.

---

|                           |                                                                        |
|---------------------------|------------------------------------------------------------------------|
| Adjusted operating result | Adjusted operating result is operating result excluding special items. |
|---------------------------|------------------------------------------------------------------------|

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, where material items which are considered to incur outside of ordinary course of business are adjusted. These are referred as special items.

|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Special items | The Group reports separately special items which include reorganization costs, significant impairment losses on assets, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, real-estates or business operations, changes in purchase consideration for business combinations after the date of acquisition recognized in income statement, and other material items outside of ordinary course of business are defined as special items. |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                      |                                                                                                                                             |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Current interest-bearing receivables | Key figure consist of financial assests held to maturity and financial assets at fair value through profit or loss - excluding derivatives. |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|

|              |                                                                                                       |
|--------------|-------------------------------------------------------------------------------------------------------|
| Liquid funds | Liquid funds consist of cash and cash equivalents, money market investments and investments in bonds. |
|--------------|-------------------------------------------------------------------------------------------------------|

|                           |                                                                                                 |
|---------------------------|-------------------------------------------------------------------------------------------------|
| Gross capital expenditure | Investments in intangible and tangible assets, finance lease assets, and business acquisitions. |
|---------------------------|-------------------------------------------------------------------------------------------------|

# Consolidated Financial Statements

## Consolidated Income Statement and Consolidated Statement of Comprehensive Income

### Consolidated income statement

| EUR million                      | Note     | 2016           | 2015 restated  | 2014 restated  |
|----------------------------------|----------|----------------|----------------|----------------|
| <b>Net sales</b>                 | <u>1</u> | <b>1,607.6</b> | <b>1,649.1</b> | <b>1,867.1</b> |
| Other operating income           | <u>3</u> | 26.0           | 57.5           | 12.6           |
| Materials and services           | <u>4</u> | 448.6          | 437.5          | 527.4          |
| Employee benefits                | <u>5</u> | 730.8          | 756.5          | 847.8          |
| Other operating expenses         | <u>3</u> | 338.2          | 365.4          | 400.5          |
| Depreciation and amortization    | <u>7</u> | 79.2           | 80.5           | 86.0           |
| Impairment losses                | <u>7</u> | 6.1            | 11.9           | 4.4            |
| <b>Operating result (EBIT)</b>   |          | <b>30.7</b>    | <b>54.8</b>    | <b>13.5</b>    |
| Finance income                   | <u>8</u> | 12.7           | 13.9           | 26.6           |
| Finance expenses                 | <u>8</u> | 13.9           | 26.4           | 36.9           |
| <b>Result before income tax</b>  |          | <b>29.5</b>    | <b>42.3</b>    | <b>3.2</b>     |
| Income tax                       | <u>9</u> | -6.3           | -7.2           | -1.4           |
| <b>Result for the period</b>     |          | <b>23.2</b>    | <b>35.1</b>    | <b>1.8</b>     |
| Earnings per share, basic, EUR   |          | 0.58           | 0.88           | 0.04           |
| Earnings per share, diluted, EUR |          | 0.58           | 0.88           | 0.04           |

## Consolidated statement of comprehensive income

|                                                                  |             |             |              |
|------------------------------------------------------------------|-------------|-------------|--------------|
| Result for the period                                            | 23.2        | 35.1        | 1.8          |
| <b>Other comprehensive income</b>                                |             |             |              |
| <b>Items that may be reclassified to profit or loss:</b>         |             |             |              |
| Changes in the fair value of available-for-sale financial assets | 0.0         | -0.1        | 0.3          |
| Change in fair value of cash flow hedges                         | 0.0         | -           | -            |
| Translation differences                                          | 20.0        | -9.0        | -73.3        |
| Income tax relating to these items                               | 0.0         | 0.0         | -0.1         |
| <b>Items that will not be reclassified to profit or loss:</b>    |             |             |              |
| Remeasurements of post-employment benefit obligations            | 0.0         | 4.6         | -5.4         |
| Income tax relating to these items                               | 0.0         | -0.9        | 1.1          |
| <b>Comprehensive income for the period</b>                       | <b>43.2</b> | <b>29.7</b> | <b>-75.7</b> |

## Consolidated Balance Sheet

| EUR million                               | Note               | Dec 31, 2016   | Dec 31, 2015<br>restated | Dec 31, 2014<br>restated |
|-------------------------------------------|--------------------|----------------|--------------------------|--------------------------|
| <b>Non-current assets</b>                 |                    |                |                          |                          |
| Goodwill                                  | <a href="#">10</a> | 213.7          | 186.0                    | 183.1                    |
| Other intangible assets                   | <a href="#">10</a> | 60.7           | 50.7                     | 59.4                     |
| Investment property                       | <a href="#">11</a> | 9.7            | 10.3                     | 11.0                     |
| Property, plant and equipment             | <a href="#">12</a> | 360.5          | 406.0                    | 516.4                    |
| Other non-current investments             | <a href="#">21</a> | 6.1            | 6.3                      | 5.9                      |
| Non-current receivables                   | <a href="#">21</a> | 2.6            | 1.5                      | 10.5                     |
| Deferred tax assets                       | <a href="#">13</a> | 13.6           | 23.3                     | 21.1                     |
| <b>Total non-current assets</b>           |                    | <b>667.0</b>   | <b>684.2</b>             | <b>807.3</b>             |
| <b>Current assets</b>                     |                    |                |                          |                          |
| Inventories                               | <a href="#">14</a> | 4.0            | 4.8                      | 5.1                      |
| Trade and other receivables               | <a href="#">15</a> | 295.6          | 264.3                    | 270.2                    |
| Current income tax receivables            |                    | 4.2            | 1.0                      | 1.7                      |
| Current financial assets                  | <a href="#">21</a> | 132.8          | 224.1                    | 100.3                    |
| Cash and cash equivalents                 | <a href="#">21</a> | 82.0           | 130.1                    | 98.7                     |
| <b>Total current assets</b>               |                    | <b>518.6</b>   | <b>624.2</b>             | <b>476.0</b>             |
| <b>Assets classified as held for sale</b> | <a href="#">16</a> | <b>-</b>       | <b>3.6</b>               | <b>14.7</b>              |
| <b>Total assets</b>                       |                    | <b>1,185.6</b> | <b>1,311.9</b>           | <b>1,298.1</b>           |

| EUR million                                                               | Note               | Dec 31, 2016 | Dec 31, 2015<br>restated | Dec 31, 2014<br>restated |
|---------------------------------------------------------------------------|--------------------|--------------|--------------------------|--------------------------|
| <b>Equity</b>                                                             |                    |              |                          |                          |
| Share capital                                                             | <a href="#">17</a> | 70.0         | 70.0                     | 70.0                     |
| General purpose reserve                                                   | <a href="#">17</a> | 142.7        | 142.7                    | 142.7                    |
| Fair value reserve                                                        | <a href="#">17</a> | 0.1          | 0.1                      | 0.2                      |
| Translation differences                                                   | <a href="#">17</a> | -83.5        | -103.6                   | -94.6                    |
| Retained earnings                                                         |                    | 479.2        | 474.0                    | 435.2                    |
| <b>Total equity</b>                                                       |                    | <b>608.4</b> | <b>583.2</b>             | <b>553.5</b>             |
| <b>Non-current liabilities</b>                                            |                    |              |                          |                          |
| Deferred tax liabilities                                                  | <a href="#">13</a> | 26.6         | 23.1                     | 31.6                     |
| Non-current borrowings                                                    | <a href="#">21</a> | 19.8         | 126.7                    | 283.5                    |
| Other non-current payables                                                | <a href="#">20</a> | 13.9         | 10.3                     | 11.4                     |
| Advances received                                                         | <a href="#">20</a> | 16.8         | 16.6                     | 16.7                     |
| Non-current provisions                                                    | <a href="#">19</a> | 14.3         | 17.0                     | 12.6                     |
| Defined benefit pension plan liabilities                                  | <a href="#">18</a> | 11.9         | 11.6                     | 16.3                     |
| <b>Total non-current liabilities</b>                                      |                    | <b>103.3</b> | <b>205.3</b>             | <b>372.0</b>             |
| <b>Current liabilities</b>                                                |                    |              |                          |                          |
| Current borrowings                                                        | <a href="#">21</a> | 112.3        | 163.6                    | 12.0                     |
| Trade and other payables                                                  | <a href="#">20</a> | 298.1        | 282.0                    | 303.8                    |
| Advances received                                                         |                    | 60.0         | 51.7                     | 50.6                     |
| Current income tax liabilities                                            |                    | 0.0          | 14.8                     | 0.3                      |
| Current provisions                                                        | <a href="#">19</a> | 3.5          | 10.2                     | 6.0                      |
| <b>Total current liabilities</b>                                          |                    | <b>473.9</b> | <b>522.4</b>             | <b>372.6</b>             |
| <b>Liabilities associated with assets<br/>classified as held for sale</b> | <a href="#">16</a> | -            | 1.0                      | -                        |

---

|                                     |                |                |                |
|-------------------------------------|----------------|----------------|----------------|
| <b>Total liabilities</b>            | <b>577.2</b>   | <b>728.7</b>   | <b>744.6</b>   |
| <b>Total equity and liabilities</b> | <b>1,185.6</b> | <b>1,311.9</b> | <b>1,298.1</b> |

---

## Consolidated Statement of Cash Flows

| EUR million                                            | Note     | 2016         | 2015, restated | 2014, restated |
|--------------------------------------------------------|----------|--------------|----------------|----------------|
| <b>Result for the period</b>                           |          | <b>23.2</b>  | <b>35.1</b>    | <b>1.8</b>     |
| Adjustments for:                                       |          |              |                |                |
| Depreciation and amortization                          | <u>7</u> | 79.3         | 80.5           | 86.0           |
| Impairment losses                                      | <u>7</u> | 6.1          | 11.9           | 4.4            |
| Gains on sale of intangible and tangible assets        | <u>3</u> | -16.1        | -46.4          | -1.9           |
| Losses on sale of intangible and tangible assets       | <u>3</u> | 0.5          | 1.5            | 1.0            |
| Finance income                                         | <u>8</u> | -10.9        | -13.9          | -26.6          |
| Finance expense                                        | <u>8</u> | 13.9         | 25.7           | 33.1           |
| Income tax                                             | <u>9</u> | 6.3          | 7.2            | 1.4            |
| Other non-cash items                                   |          | -9.8         | 8.2            | -4.1           |
| <b>Cash flow before change in net working capital</b>  |          | <b>92.6</b>  | <b>109.8</b>   | <b>95.1</b>    |
| Change in trade and other receivables                  |          | -12.7        | 2.4            | 25.1           |
| Change in inventories                                  |          | 0.9          | 0.2            | 2.3            |
| Change in trade and other payables                     |          | 7.9          | -20.1          | -13.9          |
| <b>Change in net working capital</b>                   |          | <b>-3.9</b>  | <b>-17.5</b>   | <b>13.5</b>    |
| <b>Cash flow before financial items and income tax</b> |          | <b>88.7</b>  | <b>92.4</b>    | <b>108.6</b>   |
| Interests paid                                         |          | -12.5        | -15.6          | -21.2          |
| Interests received                                     |          | 7.7          | 7.0            | 7.6            |
| Other financial items                                  |          | -2.1         | 1.0            | 3.1            |
| Income tax paid                                        |          | -18.7        | -3.0           | -4.9           |
| <b>Cash flow from financial items and income tax</b>   |          | <b>-25.6</b> | <b>-10.6</b>   | <b>-15.4</b>   |
| <b>Cash flow from operating activities</b>             |          | <b>63.1</b>  | <b>81.9</b>    | <b>93.2</b>    |

|                                                                       |           |               |              |              |
|-----------------------------------------------------------------------|-----------|---------------|--------------|--------------|
| Purchase of intangible assets                                         |           | -14.5         | -17.7        | -11.4        |
| Purchase of property, plant and equipment                             |           | -40.9         | -34.7        | -31.5        |
| Proceeds from sale of intangible and tangible assets                  |           | 69.7          | 122.2        | 1.9          |
| Business acquisitions, net of cash acquired                           | <u>2</u>  | -36.8         | -3.5         | -3.6         |
| Proceeds from business disposals less cash and cash equivalents       | <u>2</u>  | 8.4           | 14.2         | 0.7          |
| Financial assets at fair value through profit or loss                 |           | 48.6          | -42.0        | 0.2          |
| Financial assets held to maturity                                     |           | 40.3          | -83.0        | -12.0        |
| Cash flow from other investments                                      |           | 2.0           | 4.0          | 9.5          |
| <b>Cash flow from investing activities</b>                            |           | <b>76.7</b>   | <b>-40.4</b> | <b>-46.3</b> |
| Increases in current loans                                            |           | -             | 4.3          | -            |
| Repayment of current loans                                            | <u>21</u> | -159.1        | -            | -12.5        |
| Increases in non-current loans                                        |           | -             | -            | 0.2          |
| Finance lease payments                                                | <u>22</u> | -11.6         | -12.2        | -10.9        |
| Dividends paid                                                        |           | -18.0         | -            | -            |
| <b>Cash flow from financing activities</b>                            |           | <b>-188.6</b> | <b>-8.0</b>  | <b>-23.2</b> |
| <b>Change in cash and cash equivalents</b>                            |           | <b>-48.9</b>  | <b>33.4</b>  | <b>23.7</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b>       | <u>21</u> | <b>130.1</b>  | <b>98.7</b>  | <b>81.0</b>  |
| Effect of exchange rates changes                                      |           | 0.8           | -0.3         | -5.9         |
| Cash and cash equivalents included in assets classified held for sale |           | -             | -1.8         | -            |
| <b>Cash and cash equivalents at the end of the period</b>             | <u>21</u> | <b>82.0</b>   | <b>130.1</b> | <b>98.7</b>  |

## Consolidated Statement of Changes in Equity

| EUR million                                                                                       | Share capital | General purpose reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|---------------------------------------------------------------------------------------------------|---------------|-------------------------|--------------------|-------------------------|-------------------|--------------|
| <b>Equity Jan 1, 2014</b>                                                                         | <b>70.0</b>   | <b>142.7</b>            | <b>0.0</b>         | <b>-21.3</b>            | <b>464.4</b>      | <b>655.8</b> |
| Correction of an error                                                                            |               |                         |                    |                         | -26.6             |              |
| <b>Equity Jan 1, 2014, restated</b>                                                               | <b>70.0</b>   | <b>142.7</b>            | <b>0.0</b>         | <b>-21.3</b>            | <b>437.8</b>      | <b>629.2</b> |
| Result for the period                                                                             |               |                         |                    |                         | 1.8               | 1.8          |
| Other comprehensive income:                                                                       |               |                         |                    |                         |                   |              |
| Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax |               |                         | 0.2                |                         |                   | 0.2          |
| Translation differences                                                                           |               |                         |                    | -73.3                   |                   | -73.3        |
| Remeasurements of post-employment benefit obligations, net of tax                                 |               |                         |                    |                         | -4.3              | -4.3         |
| <b>Total comprehensive income for the period</b>                                                  |               |                         | <b>0.2</b>         | <b>-73.3</b>            | <b>-2.6</b>       | <b>-75.7</b> |
| <b>Equity Dec 31, 2014, restated</b>                                                              | <b>70.0</b>   | <b>142.7</b>            | <b>0.2</b>         | <b>-94.6</b>            | <b>435.2</b>      | <b>553.5</b> |

  

| EUR million                                                                                       | Share capital | General purpose reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|---------------------------------------------------------------------------------------------------|---------------|-------------------------|--------------------|-------------------------|-------------------|--------------|
| <b>Equity Jan 1, 2015, restated</b>                                                               | <b>70.0</b>   | <b>142.7</b>            | <b>0.2</b>         | <b>-94.6</b>            | <b>435.2</b>      | <b>553.5</b> |
| Result for the period                                                                             |               |                         |                    |                         | 35.1              | 35.1         |
| Other comprehensive income:                                                                       |               |                         |                    |                         |                   |              |
| Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax |               |                         | -0.1               |                         |                   | -0.1         |
| Translation differences                                                                           |               |                         |                    | -9.0                    |                   | -9.0         |
| Remeasurements of post-employment benefit obligations, net of tax                                 |               |                         |                    |                         | 3.7               | 3.7          |
| <b>Total comprehensive income for the period</b>                                                  |               |                         | <b>-0.1</b>        | <b>-9.0</b>             | <b>38.8</b>       | <b>29.7</b>  |
| <b>Equity Dec 31, 2015, restated</b>                                                              | <b>70.0</b>   | <b>142.7</b>            | <b>0.1</b>         | <b>-103.6</b>           | <b>474.0</b>      | <b>583.2</b> |

| EUR million                                                                                       | Share capital | General purpose reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|---------------------------------------------------------------------------------------------------|---------------|-------------------------|--------------------|-------------------------|-------------------|--------------|
| <b>Equity Jan 1, 2016, restated</b>                                                               | <b>70.0</b>   | <b>142.7</b>            | <b>0.1</b>         | <b>-103.6</b>           | <b>474.0</b>      | <b>583.2</b> |
| Result for the period                                                                             |               |                         |                    |                         | 23.2              | 23.2         |
| Other comprehensive income:                                                                       |               |                         |                    |                         |                   |              |
| Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax |               |                         | 0.0                |                         |                   | 0.0          |
| Translation differences                                                                           |               |                         |                    | 20.0                    |                   | 20.0         |
| Remeasurements of post-employment benefit obligations, net of tax                                 |               |                         |                    |                         | -0.0              | -0.0         |
| <b>Total comprehensive income for the period</b>                                                  |               |                         | <b>0.0</b>         | <b>20.0</b>             | <b>23.2</b>       | <b>43.2</b>  |
| <b>Transactions with equity holders</b>                                                           |               |                         |                    |                         |                   |              |
| Dividends paid                                                                                    |               |                         |                    |                         | -18.0             | -18.0        |
| <b>Equity Dec 31, 2016</b>                                                                        | <b>70.0</b>   | <b>142.7</b>            | <b>0.1</b>         | <b>-83.5</b>            | <b>479.2</b>      | <b>608.4</b> |

# Notes to the Consolidated Financial Statements

## Company information

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

## Accounting policies

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

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

The financial statements include exceptionally comparative data for two years to increase longer term comparability, as Posti has changed its revenue recognition principles and segment reporting in 2016.

## Correction of an error

Posti has noted that its revenue recognition principle formerly applied for stamps and certain other prepaid services has been incorrect as the Group has not had reliable data available for estimating the delivery time of future performance for the prepaid services. Formerly, revenue for these prepaid services has been recognized at the point of customer purchase and not as the service has been rendered in accordance with IAS 18. During 2016, as part of Posti's adoption process of IFRS 15 "Revenue from Contracts with Customers", Posti has invested in data-analysis as well as statistics and calculation models based on which Posti has been able to make a reliable estimate of the timing for revenue recognition. Posti has changed the revenue recognition principle for stamps, franking machines and prepaid envelopes in December 2016. The correction was done retrospectively as of January 1, 2014.

New revenue recognition principle for prepaid services:

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

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

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

The impact of the correction of the error on previously reported figures for years 2015 and 2014 is presented in the [note 26](#).

## Consolidation Principles

### Subsidiaries

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

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

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

## Associates

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

The Group's share of associates' results is presented separately before operating profit in the consolidated income statement.

## Joint operations

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

## Foreign currency translation

### Functional and presentation currency

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

## Transaction and balances

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

## Group companies

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

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

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

## Revenue recognition

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

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

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

Revenue from the delivery of letters, publications, and direct marketing is recognized when the service has been performed. Where the payments are received for a service to be provided over a specified period of time (such as post office boxes), payments received are recognized as deferred revenue and released to the income statement over the period that the service is performed.

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

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

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

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

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

OpusCapita's net sales consist primarily of the volume-based invoicing of document processing automatization services, software solutions, and financial management services. Revenue is recognized when the service has been performed. Annual licenses related to software solutions are recognized over the license period.

## Government grants

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

## Employee benefits

### Pensions

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

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

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

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

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

## Income taxes

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

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

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

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

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

## Intangible assets

### Business combinations and goodwill

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

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

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

## Research and development expenditure

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

## Other intangible assets

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

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

## Property, plant and equipment

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

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

The expected useful lives of PPE are as follows:

|                             |             |
|-----------------------------|-------------|
| Production buildings        | 8–25 years  |
| Office buildings            | 25–40 years |
| Structures                  | 15 years    |
| Production equipment        | 3–13 years  |
| Vehicles                    | 3–5 years   |
| Storage shelves and systems | 5–13 years  |
| Other tangible assets       | 3–10 years  |

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

## Assets held for sale

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

## Investment property

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

## Impairment testing

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

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

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

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

## Leases

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

### The Group as lessee

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

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

## Inventories

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

## Financial assets and liabilities

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

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

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

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

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

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

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

## Derivative contracts and hedge accounting

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

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

Changes in the fair value of derivatives that qualify for fair-value hedges as well as changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized in the income statement under financial items. If hedge accounting criteria are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to the income statement during maturity of the derivative. Fair-value hedge accounting has been applied in accordance with Posti's risk management policy to hedge Posti's fixed-rate loans.

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

Certain derivative instruments while entered into for risk management purposes do not qualify hedge accounting. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities as well as electricity derivatives which were utilized in previous periods. In addition, hedge accounting for interest rate swaps was discontinued as of 1 July, 2015. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

## Cash and cash equivalents

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

## Provisions and contingent liabilities

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

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

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

## Fair Value Measurement

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

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

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

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

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

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

## Critical accounting estimates and judgments in applying accounting policies

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

## Impairment testing of Posti's cash generating unit Itella Russia

Itella Russia offers its customers comprehensive logistics solutions comprised of warehousing, freight and e-commerce last-mile delivery in all significant economic regions in Russia. The Russian economy is largely driven by raw material exports and depends heavily on oil prices which hit a ten year-low in early 2016 and remains at a low level, despite subsequent recovery. Fluctuations of oil prices also affect the Russian ruble ("RUB" or the "ruble") that in its turn determines the purchasing power of imported goods. The Ukraine crisis and related sanctions have, in turn, affected the Russian economy and weakened Russia's growth and growth prospects. Also property prices in the real estate market have decreased. As the market situation in Russia continues to be difficult, conducting business in Russia is subject to uncertainties and challenges especially in relation to Posti's ability to predict with certainty the development of Itella Russia's logistics operations in the long-term.

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

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

## **Goodwill impairment testing in Posti's cash generating unit OpusCapita**

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

The determination of impairments of goodwill and other intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in Posti's businesses, increased cost of capital, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. When determining the values in use for the cash generating units, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations. The most significant assumptions in goodwill impairment testing comprise of growth in net sales, development of EBIT margin, determination of the discount rate (WACC), and long-term growth rate used after the five-year forecast period. The carrying amount of goodwill at subject to impairment testing at OpusCapita as at 31 December 2016 was EUR 122.7 million (31 December 2015: EUR 107.1 million and 31 December 2014: EUR 104.1 million). Further details on goodwill impairment testing, including a sensitivity analysis, are included in [note 10](#).

## Deferred revenue

The revenue recognition method for certain prepaid services, including stamps, franking machines and prepaid envelopes involves material uncertainty due to several assumptions included in the method. The valuation of estimated deferred revenue is based on statistical models, which are based on historical sales and usage volumes as well as on surveys performed by third parties. The key assumptions for the models are the estimated delivery volumes by payment type and their seasonality, the size and change rate of the stamp inventories held by customers and retailers. There is uncertainty in the volumes of stamps held but not used by the customers which are estimated on the basis of surveys and in the valuation of these stamps estimated by the management based on the statistical model. Also the volumes of unused prepaid envelopes are based on the statistical model and include uncertainty. The usage of franking machines during the year and the used amount at the reporting date include uncertainty as Posti receives the usage data only when the customer recharges the machine. Therefore, the deferred revenue is estimated based on the statistical model. If the assumptions used turned out to impact the estimated volumes of prepaid products held negatively, it could increase the liability in the balance sheet respectively.

As at December 31, 2016 deferred revenue for these services amounted to EUR 27.0 million (December 31, 2015 EUR 28.3 million and December 31, 2014 EUR 27.1 million). Refer to [note 20](#) for details on deferred revenue.

## Uncertainty regarding the utilization of deferred tax assets

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

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

As at December 31, 2016 Posti had unused tax losses for which it has not recognized deferred tax assets of EUR 153.0 million (December 31, 2015 EUR 139.9 million and December 31, 2014 EUR 135.1 million). Refer to [note 13](#) for detail on deferred tax assets and liabilities.

## Provisions – onerous contracts

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

## Contingent liabilities

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

The Group is involved in a dispute regarding refund of value added taxes in Finland. Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the plaintiffs. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99.2 million, and the interests claimed amount to approximately EUR 54.1 million on December 31, 2016. At this point in time, it is not possible to assess how or when the case will be resolved. No provision has been recognized in the consolidated statements of financial position as Posti considers the allegations made by the plaintiffs are without merit. It is expected to take several years until all of the final court orders are rendered in the matter. The outcome of the process may have a material adverse effect on Posti's financial position, results of operations and cash flows. For more information on this case, see [note 23](#).

## Application of new or amended IFRS standards

The amendments to IFRS standards effective as of 1 January, 2016 had no impact on Group's financial statements.

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

**IFRS 15 Revenue from contracts with customers.** The new standard shall be applied for the annual reporting periods beginning on or after 1 January, 2018. The new standard defines a five-step model to recognize revenue based on contracts with the customers and replaces the current standards IAS 18 and IAS 11 as well as their interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The standard also entails increased disclosures on revenue from customer contracts. Group is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected, among others:

- Regarding certain OpusCapita services the identification of separate performance obligations can affect the timing of the recognition of revenue. OpusCapita contracts including implementation services and software licenses are under review. If implementation services are not separate service obligations, the revenue should be recognized over the contract period. License revenue should be recognized either when the license is granted to the customer or over the contract period, depending on the nature of the license. Currently OpusCapita recognizes implementation service revenue when the implementation work is performed and license revenue over the contract period.
- Accounting for long term transport services in Itella Russia segment is under review and the timing of the recognition of revenue for these services could be affected. The impact is expected to be immaterial.
- Warehousing service contracts are being reviewed with respect to whether the contract contains a lease as defined under IFRS 16 and regarding the appropriate timing of the revenue recognition.
- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as an asset under IFRS 15 and depreciated over the contract period. Group currently recognizes some minor items such as service level agreement payments as an expense and expects to recognize them as a deduction of net sales according to IFRS 15. The impact of these changes is expected to be minor.

Management is also reviewing certain contracts for principal versus agent considerations. The result of this review may impact whether Group is recognizing revenue in the gross amount (acting as a principal) or in the net amount (acting as an agent), but it has no impact in the Group operating profit. The contracts under review are in Mail, Parcel and Logistics Services and Itella Russia segment.

At this stage, Posti is not able to estimate the impact of the new rules on the consolidated financial statements. The Group is in the process of making detailed assessments of the impact over the course of 2017 and will give more detailed information on financial impact and decisions regarding accounting elections on transition in the interim reports during 2017. Moreover, as the transition process proceeds, it is possible that other areas to be affected will be discovered.

The Group will adopt the new standard on 1 January, 2018.

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

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

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

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

As at the December 31, 2016, the Group has non-cancellable operating lease commitments of EUR 326.8 million (see [note 22](#)). However, the Group has not yet determined to what extent these commitments and other cancellable leases will result in the recognition of an asset and a liability for future payments and how this will affect the Group's income statement and classification of cash flows as judgement will be required to determine the lease period that Posti expects to maintain under the cancellable leases or leases with extension options. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases.

The standard becomes effective for years commencing on or after 1, January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

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

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

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

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

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

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

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

IFRS 9 is effective from 1 January, 2018 which is also the initial application date for the Group.

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

# 1. Operating segments

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

The Postal Services operating segment and the Parcel and Logistics Services operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services. Beginning from the last quarter of 2016, Posti reports its result of operations according to the following reportable segments: Mail, Parcel and Logistics Services; Itella Russia and OpusCapita. The new aggregated reportable segment for the most part shares common operative functions, such as production, retail network and customer service. These functions represent the majority of the combined segment's expenses. The aggregated operating segments are similar in terms of their financial characteristics, services, production processes, customers and distribution channels.

In connection with the change in reporting segments, the Group has also changed its principles for the allocation of the Group's support functions to the businesses. More costs of support functions have now been allocated to the businesses and reportable segments. The changes in the segment reporting are presented retrospectively starting from 1 January, 2014 to increase longer term comparability.

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

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

## **Mail, Parcel and Logistics Services**

### Postal Services

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

### Parcel and Logistics Services

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

### **Itella Russia**

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

### **OpusCapita**

OpusCapita provides companies with extended purchase-to-pay and order-to-cash solutions. OpusCapita offers a global ecosystem where buyers, suppliers, banks and other parties connect, transact and grow. Service offering includes also outsourcing services for financial management and documentation flows. OpusCapita operates in Finland, Scandinavia, Baltics, Poland, Germany and USA. OpusCapita has more than 11,000 corporate customers and software users approximately in 50 countries.

### **Other functions and unallocated items**

In addition to operating segments, Posti has group headquarters, centralized support functions as well as real-estate company Posti Kiinteistöt which owns the facilities in Finland and offers facility management services to the businesses. These centralized Group functions and related corporate level costs including financing are reported under other functions and unallocated items.

### Adjusted EBITDA and adjusted operating result

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

### 2016

| EUR million                                                                    | Mail,<br>Parcel<br>and<br>Logistics<br>Services | Itella<br>Russia | Opus-<br>Capita | Seg-<br>ments<br>total | Other<br>functions<br>and un-<br>allocated | Elimi-<br>nations | Group<br>total |
|--------------------------------------------------------------------------------|-------------------------------------------------|------------------|-----------------|------------------------|--------------------------------------------|-------------------|----------------|
| External sales                                                                 | 1,272.2                                         | 104.6            | 230.7           | 1,607.5                | 0.1                                        |                   | 1,607.6        |
| Inter-segment sales                                                            | -49.4                                           | 0.0              | -9.4            | -58.9                  | -5.0                                       | -63.9             |                |
| Net sales                                                                      | 1,321.6                                         | 104.6            | 240.1           | 1,666.4                | 5.1                                        | -63.9             | 1,607.6        |
| <b>EBITDA</b>                                                                  | <b>76.9</b>                                     | <b>3.9</b>       | <b>12.2</b>     | <b>93.0</b>            | <b>23.1</b>                                |                   | <b>116.0</b>   |
| <b>Special items included in EBITDA:</b>                                       |                                                 |                  |                 |                        |                                            |                   |                |
| Personnel restructuring costs                                                  | 14.7                                            | 0.4              | 3.1             | 18.2                   | 0.8                                        |                   | 18.9           |
| Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+) | 0.0                                             | 0.0              | -2.8            | -2.8                   | -10.6                                      |                   | -13.4          |
| Onerous contracts                                                              | 0.0                                             | -1.7             | 1.6             | 0.0                    | 0.0                                        |                   | 0.0            |
| Changes in contingent purchase considerations                                  | 0.0                                             | 0.0              | 4.1             | 4.1                    | 0.0                                        |                   | 4.1            |
| Other                                                                          | -0.6                                            | 0.0              | 0.8             | 0.2                    | 0.9                                        |                   | 1.1            |
| <b>Special items included in EBITDA total</b>                                  | <b>14.1</b>                                     | <b>-1.3</b>      | <b>6.8</b>      | <b>19.7</b>            | <b>-9.0</b>                                |                   | <b>10.7</b>    |
| <b>Adjusted EBITDA</b>                                                         | <b>91.0</b>                                     | <b>2.6</b>       | <b>19.1</b>     | <b>112.6</b>           | <b>14.1</b>                                |                   | <b>126.7</b>   |

|                                                                            |             |             |             |             |             |              |
|----------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <b>Operating result</b>                                                    | <b>34.6</b> | <b>-2.7</b> | <b>-1.4</b> | <b>30.5</b> | <b>0.2</b>  | <b>30.7</b>  |
| <b>Special items included in operating result:</b>                         |             |             |             |             |             |              |
| Special items included in EBITDA                                           | 14.1        | -1.3        | 6.8         | 19.7        | -9.0        | 10.7         |
| Impairment losses                                                          | 0.0         | 0.0         | 4.3         | 4.3         | 1.4         | 5.7          |
| <b>Special items total</b>                                                 | <b>14.1</b> | <b>-1.3</b> | <b>11.1</b> | <b>23.9</b> | <b>-7.5</b> | <b>16.4</b>  |
| <b>Adjusted operating result</b>                                           | <b>48.7</b> | <b>-4.0</b> | <b>9.7</b>  | <b>54.4</b> | <b>-7.3</b> | <b>47.1</b>  |
| Financial income and expense                                               |             |             |             |             |             | -1.2         |
| <b>Profit/loss for the period before taxes</b>                             |             |             |             |             |             | <b>29.5</b>  |
| Assets                                                                     | 537.4       | 153.5       | 202.4       | 893.3       | 299.9       | -7.6 1,185.6 |
| Non-current assets classified as held for sale                             |             |             |             |             |             | 0.0          |
| Liabilities                                                                | 329.6       | 23.0        | 47.5        | 400.1       | 184.6       | -7.6 577.2   |
| Liabilities associated with non-current assets classified as held for sale |             |             |             |             |             | 0.0          |
| Capital expenditure                                                        | 31.6        | 4.7         | 38.5        | 74.8        | 25.6        | 100.4        |
| Depreciation and amortization                                              | 42.2        | 6.5         | 9.4         | 58.1        | 21.2        | 79.2         |
| Impairment losses                                                          | 0.1         | 0.0         | 4.3         | 4.4         | 1.6         | 6.1          |
| Personnel at period-end                                                    | 15,455      | 2,389       | 2,051       | 19,895      | 602         | 20,497       |

**2015, restated**

| <b>EUR million</b>                                                             | <b>Mail,<br/>Parcel<br/>and<br/>Logistics<br/>Services</b> | <b>Itella<br/>Russia</b> | <b>Opus-<br/>Capita</b> | <b>Seg-<br/>ments<br/>total</b> | <b>Other<br/>functions<br/>and un-<br/>allocated</b> | <b>Elimi-<br/>nations</b> | <b>Group<br/>total</b> |
|--------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------|-------------------------|---------------------------------|------------------------------------------------------|---------------------------|------------------------|
| External sales                                                                 | 1,285.2                                                    | 118.8                    | 245.2                   | 1,649.2                         | -0.1                                                 |                           | 1,649.1                |
| Inter-segment sales                                                            | -52.6                                                      | 0.0                      | -11.5                   | -64.1                           | -8.7                                                 | -72.9                     |                        |
| Net sales                                                                      | 1,337.8                                                    | 118.9                    | 256.7                   | 1,713.3                         | 8.7                                                  | -72.9                     | 1,649.1                |
| <b>EBITDA</b>                                                                  | <b>80.9</b>                                                | <b>-8.3</b>              | <b>21.4</b>             | <b>94.1</b>                     | <b>53.2</b>                                          |                           | <b>147.2</b>           |
| <b>Special items included in EBITDA:</b>                                       |                                                            |                          |                         |                                 |                                                      |                           |                        |
| Personnel restructuring costs                                                  | 6.9                                                        | 0.6                      | 0.9                     | 8.4                             | 0.0                                                  |                           | 8.5                    |
| Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+) | 1.2                                                        | 0.0                      | 0.0                     | 1.2                             | -40.8                                                |                           | -39.6                  |
| Onerous contracts                                                              | 0.7                                                        | 11.7                     | 0.0                     | 12.4                            | 0.0                                                  |                           | 12.4                   |
| Changes in contingent purchase considerations                                  | 0.0                                                        | 0.0                      | -1.3                    | -1.3                            | 0.0                                                  |                           | -1.3                   |
| Other                                                                          | 0.6                                                        | 0.0                      | 0.5                     | 1.1                             | -0.2                                                 |                           | 0.9                    |
| <b>Special items included in EBITDA total</b>                                  | <b>9.4</b>                                                 | <b>12.4</b>              | <b>0.2</b>              | <b>22.0</b>                     | <b>-41.0</b>                                         |                           | <b>-19.1</b>           |
| <b>Adjusted EBITDA</b>                                                         | <b>90.3</b>                                                | <b>4.1</b>               | <b>21.6</b>             | <b>116.0</b>                    | <b>12.1</b>                                          |                           | <b>128.2</b>           |
| <b>Operating result</b>                                                        | <b>38.7</b>                                                | <b>-25.0</b>             | <b>13.3</b>             | <b>27.0</b>                     | <b>27.8</b>                                          |                           | <b>54.8</b>            |
| <b>Special items included in operating result:</b>                             |                                                            |                          |                         |                                 |                                                      |                           |                        |
| Special items included in EBITDA                                               | 9.4                                                        | 12.4                     | 0.2                     | 22.0                            | -41.0                                                |                           | -19.1                  |
| Impairment losses                                                              | 1.1                                                        | 7.5                      | 1.1                     | 9.6                             | 2.3                                                  |                           | 11.9                   |
| <b>Special items total</b>                                                     | <b>10.5</b>                                                | <b>19.9</b>              | <b>1.2</b>              | <b>31.6</b>                     | <b>-38.8</b>                                         |                           | <b>-7.2</b>            |
| <b>Adjusted operating result</b>                                               | <b>49.2</b>                                                | <b>-5.1</b>              | <b>14.5</b>             | <b>58.6</b>                     | <b>-11.0</b>                                         |                           | <b>47.6</b>            |

---

|                              |       |
|------------------------------|-------|
| Financial income and expense | -12.5 |
|------------------------------|-------|

|                                                |             |
|------------------------------------------------|-------------|
| <b>Profit/loss for the period before taxes</b> | <b>42.3</b> |
|------------------------------------------------|-------------|

|                                                                            |        |       |       |        |       |      |         |
|----------------------------------------------------------------------------|--------|-------|-------|--------|-------|------|---------|
| Assets                                                                     | 552.4  | 126.1 | 172.7 | 851.2  | 462.2 | -5.1 | 1,311.9 |
| Non-current assets classified as held for sale                             |        |       | 3.6   |        |       |      | 3.6     |
| Liabilities                                                                | 312.6  | 27.0  | 36.1  | 375.7  | 357.2 | -5.1 | 728.7   |
| Liabilities associated with non-current assets classified as held for sale |        |       | 1.0   |        |       |      | 1.0     |
| Capital expenditure                                                        | 29.1   | 2.9   | 15.4  | 47.4   | 19.4  |      | 66.8    |
| Depreciation and amortization                                              | 41.1   | 9.2   | 7.1   | 57.4   | 23.1  |      | 80.5    |
| Impairment losses                                                          | 1.1    | 7.5   | 1.1   | 9.6    | 2.3   |      | 11.9    |
| Personnel at period-end                                                    | 16,200 | 2,646 | 2,178 | 21,024 | 574   |      | 21,598  |

**2014, restated**

| <b>EUR million</b>                                                             | <b>Mail,<br/>Parcel<br/>and<br/>Logistics<br/>Services</b> | <b>Itella<br/>Russia</b> | <b>Opus-<br/>Capita</b> | <b>Seg-<br/>ments<br/>total</b> | <b>Other<br/>functions<br/>and un-<br/>allocated</b> | <b>Elimi-<br/>nations</b> | <b>Group<br/>total</b> |
|--------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------|-------------------------|---------------------------------|------------------------------------------------------|---------------------------|------------------------|
| External sales                                                                 | 1,448.0                                                    | 171.7                    | 246.8                   | 1,866.5                         | 0.6                                                  |                           | 1,867.1                |
| Inter-segment sales                                                            | -52.2                                                      | -0.4                     | -12.8                   | -65.4                           | -39.2                                                | -104.6                    |                        |
| Net sales                                                                      | 1,500.2                                                    | 172.0                    | 259.6                   | 1,931.9                         | 39.9                                                 | -104.6                    | 1,867.1                |
| <b>EBITDA</b>                                                                  | <b>58.5</b>                                                | <b>16.2</b>              | <b>19.9</b>             | <b>94.7</b>                     | <b>9.3</b>                                           |                           | <b>104.0</b>           |
| <b>Special items included in EBITDA:</b>                                       |                                                            |                          |                         |                                 |                                                      |                           |                        |
| Personnel restructuring costs                                                  | 22.7                                                       | 0.1                      | 2.5                     | 25.3                            | 0.6                                                  |                           | 25.8                   |
| Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+) | -1.3                                                       | 0.0                      | 0.0                     | -1.3                            | 0.0                                                  |                           | -1.3                   |
| Onerous contracts                                                              | 0.8                                                        | 0.0                      | 0.6                     | 1.4                             | 0.0                                                  |                           | 1.4                    |
| Other                                                                          | 4.6                                                        | 0.0                      | 3.6                     | 8.1                             | 7.0                                                  |                           | 15.1                   |
| <b>Special items included in EBITDA total</b>                                  | <b>26.8</b>                                                | <b>0.1</b>               | <b>6.6</b>              | <b>33.5</b>                     | <b>7.6</b>                                           |                           | <b>41.0</b>            |
| <b>Adjusted EBITDA</b>                                                         | <b>85.3</b>                                                | <b>16.3</b>              | <b>26.6</b>             | <b>128.2</b>                    | <b>16.9</b>                                          |                           | <b>145.1</b>           |
| <b>Operating result</b>                                                        | <b>16.9</b>                                                | <b>2.4</b>               | <b>12.7</b>             | <b>31.9</b>                     | <b>-18.4</b>                                         |                           | <b>13.5</b>            |
| <b>Special items included in operating result:</b>                             |                                                            |                          |                         |                                 |                                                      |                           |                        |
| Special items included in EBITDA                                               | 26.8                                                       | 0.1                      | 6.6                     | 33.5                            | 7.6                                                  |                           | 41.0                   |
| Impairment losses                                                              | 3.2                                                        |                          | 0.7                     | 3.9                             |                                                      |                           | 3.9                    |
| <b>Special items total</b>                                                     | <b>30.0</b>                                                | <b>0.1</b>               | <b>7.3</b>              | <b>37.4</b>                     | <b>7.6</b>                                           |                           | <b>44.9</b>            |
| <b>Adjusted operating result</b>                                               | <b>46.9</b>                                                | <b>2.5</b>               | <b>20.0</b>             | <b>69.4</b>                     | <b>-10.8</b>                                         |                           | <b>58.6</b>            |

|                              |       |
|------------------------------|-------|
| Financial income and expense | -10.4 |
|------------------------------|-------|

|                                                |            |
|------------------------------------------------|------------|
| <b>Profit/loss for the period before taxes</b> | <b>3.2</b> |
|------------------------------------------------|------------|

|                                                |       |       |       |         |       |      |         |
|------------------------------------------------|-------|-------|-------|---------|-------|------|---------|
| Assets                                         | 714.6 | 149.4 | 171.5 | 1,035.5 | 253.3 | -5.4 | 1,298.1 |
| Non-current assets classified as held for sale |       |       |       |         | 14.7  |      | 14.7    |
| Liabilities                                    | 337.5 | 22.2  | 42.1  | 401.8   | 348.2 | -5.4 | 744.6   |

|                               |        |       |       |        |      |  |        |
|-------------------------------|--------|-------|-------|--------|------|--|--------|
| Capital expenditure           | 32.8   | 3.7   | 10.9  | 47.3   | 16.3 |  | 63.6   |
| Depreciation and amortization | 37.9   | 13.8  | 6.6   | 58.3   | 27.7 |  | 86.0   |
| Impairment losses             | 3.7    | 0.0   | 0.7   | 4.4    | 0.0  |  | 4.4    |
| Personnel at period-end       | 17,500 | 2,920 | 2,292 | 22,712 | 577  |  | 23,289 |

### Geographical areas

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

### 2016

| EUR million        | Finland | Scandinavia | Russia | Other countries | Total          |
|--------------------|---------|-------------|--------|-----------------|----------------|
| Net sales          | 1,261.9 | 133.2       | 104.6  | 107.7           | <b>1,607.6</b> |
| Non-current assets | 294.2   | 5.0         | 110.5  | 27.3            | <b>437.0</b>   |

**2015**

| <b>EUR million</b> | <b>Finland</b> | <b>Scan-<br/>dinavia</b> | <b>Russia</b> | <b>Other<br/>count-<br/>ries</b> | <b>Total</b>   |
|--------------------|----------------|--------------------------|---------------|----------------------------------|----------------|
| Net sales          | 1,264.1        | 140.4                    | 118.5         | 126.1                            | <b>1,649.1</b> |
| Non-current assets | 362.4          | 5.3                      | 90.8          | 15.0                             | <b>473.5</b>   |

**2014**

| <b>EUR million</b> | <b>Finland</b> | <b>Scan-<br/>dinavia</b> | <b>Russia</b> | <b>Other<br/>count-<br/>ries</b> | <b>Total</b>   |
|--------------------|----------------|--------------------------|---------------|----------------------------------|----------------|
| Net sales          | 1,367.2        | 211.5                    | 171.8         | 116.5                            | <b>1,867.1</b> |
| Non-current assets | 456.8          | 19.3                     | 114.9         | 16.4                             | <b>607.4</b>   |

**Revenue streams**

| <b>EUR million</b> | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    |
|--------------------|----------------|----------------|----------------|
| Sales of services  | 1,583.4        | 1,625.4        | 1,840.3        |
| Sales of goods     | 14.6           | 13.5           | 16.4           |
| Sales of licenses  | 9.7            | 10.2           | 10.5           |
| <b>Total</b>       | <b>1,607.6</b> | <b>1,649.1</b> | <b>1,867.1</b> |

## 2. Acquired and divested businesses

### Acquired businesses 2016

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

#### Assets acquired

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

#### Liabilities acquired

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

#### Components of purchase consideration

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

**Purchase consideration – cash out flow****EUR million**

|                                                      |              |             |             |             |              |
|------------------------------------------------------|--------------|-------------|-------------|-------------|--------------|
| Purchase price paid in cash                          | 31.2         | 0.4         | 4.3         | 1.8         | <b>37.7</b>  |
| Cash and cash equivalents of the acquired subsidiary | 3.0          | 0.0         | 0.9         | 0.0         | <b>4.0</b>   |
| <b>Net outflow of cash – investing activities</b>    | <b>-28.2</b> | <b>-0.4</b> | <b>-3.4</b> | <b>-1.7</b> | <b>-33.7</b> |

In the consolidated statement of cash flows the net outflow of cash totaling EUR 36.8 million includes also payments of deferred purchase considerations during the period.

**MaxiPost**

Posti Group's subsidiary, Posti Global Ltd, acquired a Russian courier company OOO MaxiPost on 17th March, 2016. MaxiPost offers courier services to Russian companies, employing approximately 250 people.

The acquisition cost was EUR 1.1 million, of which the contingent earn-out component reconized in liabilities is EUR 0.7 million. The goodwill arising from the acquisition totals EUR 1.2 million. The acquisition related transaction costs are included in other operating expenses in the income statement and in operating cash flow in the statement of cash flows.

**jCatalog**

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

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

**Veine**

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

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

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

**Kovalainen**

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

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

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

**Business and subsidiary divestments in 2016**

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

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

### Acquired businesses 2015

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

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

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

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

#### Assets acquired

| EUR million                   | Fair value |
|-------------------------------|------------|
| Intangible assets             | 2.5        |
| Property, plant and equipment | 0.0        |
| Receivables                   | 1.0        |
| Cash and cash equivalents     | 0.4        |
| <b>Assets acquired</b>        | <b>4.0</b> |

#### Assumed liabilities

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

**Components of purchase consideration****EUR million**

|                                   |            |
|-----------------------------------|------------|
| Purchase price                    | 4.4        |
| Contingent consideration          | 1.4        |
| <b>Total consideration</b>        | <b>5.8</b> |
| Fair value of net assets acquired | 2.2        |
| <b>Goodwill</b>                   | <b>3.6</b> |

**Purchase consideration – cash out flow****EUR million**

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

**Business divestments in 2015**

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

**Acquired businesses 2014**

Posti Group's subsidiary, OpusCapita Group, acquired the Norwegian based financial accounting outsourcing company Norian Group on 1 October, 2014. The acquisition strengthened OpusCapita's position as the leading service provider in the Nordic countries.

The acquisition cost was EUR 5.0 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.9 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. In the acquisition, 175 employees were transferred to OpusCapita.

Goodwill arising from the acquisition, totaling EUR 4.2 million, is generated by the substantial synergies in products, services and clientele. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2014, the Group's net sales in 2014 would have been EUR 8,0 million higher and its results would have decreased by EUR 0.5 million.

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

**Assets acquired**

| EUR million                   | Fair value |
|-------------------------------|------------|
| Intangible assets             | 1.2        |
| Property, plant and equipment | 0.2        |
| Deferred tax assets           | 0.1        |
| Receivables                   | 1.8        |
| Cash and cash equivalents     | 0.0        |
| <b>Assets acquired</b>        | <b>3.3</b> |

**Assumed liabilities**

| EUR million                          |            |
|--------------------------------------|------------|
| Deferred tax liability               | 0.4        |
| Non-current liabilities              | 0.4        |
| Trade payables and other liabilities | 1.9        |
| <b>Assumed liabilities</b>           | <b>2.6</b> |
| <b>Net assets acquired</b>           | <b>0.7</b> |

**Components of purchase consideration**

| EUR million                       |            |
|-----------------------------------|------------|
| Purchase price                    | 3.1        |
| Contingent consideration          | 1.9        |
| <b>Total consideration</b>        | <b>5.0</b> |
| Fair value of net assets acquired | 0.7        |
| <b>Goodwill</b>                   | <b>4.2</b> |

**Purchase consideration – cash out flow****EUR million**

|                                                      |             |
|------------------------------------------------------|-------------|
| Purchase price paid in cash                          | 3.7         |
| Cash and cash equivalents of the acquired subsidiary | 0.0         |
| <b>Net outflow of cash – investing activities</b>    | <b>-3.6</b> |

**Business divestments in 2014**

The Group sold its Mediapankki-business to Multiprint Oy on 1 September, 2014. The transaction did not have a material effect on Group's financial statements.

### 3. Other operating income

| EUR million                                    | 2016        | 2015        | 2014        |
|------------------------------------------------|-------------|-------------|-------------|
| Gains on sale of property, plant and equipment | 13.1        | 42.8        | 1.1         |
| Rental income                                  | 5.5         | 5.7         | 6.4         |
| Rents from investment property                 | 1.9         | 1.7         | 1.8         |
| Gains on sale of subsidiaries and businesses   | 3.0         | 3.6         | 1.3         |
| Other items                                    | 2.6         | 3.7         | 2.0         |
| <b>Total</b>                                   | <b>26.0</b> | <b>57.5</b> | <b>12.6</b> |

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

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

## 4. Materials and services

| EUR million                          | 2016         | 2015<br>restated | 2014<br>restated |
|--------------------------------------|--------------|------------------|------------------|
| Production materials                 | 20.5         | 21.1             | 20.8             |
| Subcontracting and external services | 170.0        | 170.4            | 247.1            |
| Mail transport and delivery services | 213.5        | 207.5            | 214.1            |
| Freight and transport                | 43.7         | 36.4             | 44.3             |
| Other production cost                | 1.0          | 2.1              | 1.1              |
| <b>Total</b>                         | <b>448.6</b> | <b>437.5</b>     | <b>527.4</b>     |

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

## 5. Employee benefits

| EUR million                           | 2016         | 2015         | 2014         |
|---------------------------------------|--------------|--------------|--------------|
| Wages and salaries                    | 584.8        | 606.9        | 684.7        |
| Pensions (defined contribution plans) | 95.9         | 98.4         | 103.3        |
| Pensions (defined benefit plans)      | 0.3          | 0.4          | 0.6          |
| Other social expenses                 | 49.8         | 50.9         | 59.3         |
| <b>Total</b>                          | <b>730.8</b> | <b>756.5</b> | <b>847.8</b> |

### Employee benefits

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

Employee benefit expense includes EUR 18.9 million (2015: 8.5, 2014: 25.8) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and Group's various profitability improvement programs.

Group's employees are involved in the Group's profit sharing scheme. In Finland, the annual profit bonuses are transferred to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group's financial success. The profit share is determined on the basis of Group's result. The proposed profit share to be distributed for 2016 is EUR 1.6 million (2015: 0.0, 2014: 1.0).

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

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

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

## 6. Other operating expenses

| EUR million                                         | 2016         | 2015         | 2014         |
|-----------------------------------------------------|--------------|--------------|--------------|
| Rents and leases                                    | 104.6        | 128.4        | 119.3        |
| Voluntary employee expenses                         | 16.4         | 17.1         | 20.2         |
| Losses on disposal of property, plant and equipment | 0.5          | 1.5          | 1.0          |
| IT operating costs                                  | 67.4         | 64.2         | 85.4         |
| Facility maintenance                                | 38.4         | 42.4         | 45.4         |
| Other production costs                              | 37.1         | 36.0         | 59.9         |
| Office, marketing and travel                        | 40.1         | 42.1         | 49.8         |
| Other operating items                               | 33.6         | 33.7         | 19.5         |
| <b>Total</b>                                        | <b>338.2</b> | <b>365.4</b> | <b>400.5</b> |

Other operating expenses include expenses on leased premises, vehicles and other equipment, voluntary personnel expenses, IT operating costs, facility maintenance expenses related to premises and vehicles and other operating expenses containing, expenses related to fuels and lubricants and other production expenses, sales commissions paid to non-employees as well as other sales and marketing costs, administration, traveling and entertainment expenses.

Posti Group other operating expenses and employee benefits include EUR 8.4 million research and development costs (2015: 8.3, 2014: 7.6). Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 5.5 million (2015: 4.6, 2014: 3.6).

Office expenses includes auditor fees as follows:

|                     |            |            |            |
|---------------------|------------|------------|------------|
| <b>Auditor fees</b> |            |            |            |
| Audit               | 0.5        | 0.6        | 0.5        |
| Tax advisory        | 0.0        | 0.0        | 0.0        |
| Other services      | 0.3        | 0.1        | 0.1        |
| <b>Total</b>        | <b>0.8</b> | <b>0.7</b> | <b>0.6</b> |

## 7. Depreciation, amortization and impairment losses

| EUR million                                                   | 2016        | 2015        | 2014        |
|---------------------------------------------------------------|-------------|-------------|-------------|
| <b>Amortization on intangible assets</b>                      |             |             |             |
| Development costs                                             | 1.4         | 0.9         | 0.5         |
| Intangible rights                                             | 16.9        | 15.2        | 17.1        |
| <b>Total</b>                                                  | <b>18.3</b> | <b>16.1</b> | <b>17.7</b> |
| <b>Impairment losses on intangible assets</b>                 |             |             |             |
| Impairment losses on intangible rights                        | 4.3         | 8.6         | 2.1         |
| <b>Total</b>                                                  | <b>4.3</b>  | <b>8.6</b>  | <b>2.1</b>  |
| <b>Depreciation on tangible assets</b>                        |             |             |             |
| Buildings and structures                                      | 14.4        | 17.3        | 22.4        |
| Investment properties                                         | 0.3         | 0.2         | 0.7         |
| Machinery and equipment                                       | 32.2        | 33.6        | 33.7        |
| Assets leased under finance lease                             | 13.3        | 12.4        | 10.6        |
| Other tangible assets                                         | 0.7         | 0.8         | 1.0         |
| <b>Total</b>                                                  | <b>61.0</b> | <b>64.4</b> | <b>68.4</b> |
| <b>Impairment losses on tangible assets</b>                   |             |             |             |
| Impairment losses on machinery and equipment                  | 0.3         | 0.0         | -           |
| Impairment losses on land and water                           | -           | 0.3         | -           |
| Impairment losses on buildings                                | 1.5         | 2.9         | 2.4         |
| <b>Total</b>                                                  | <b>1.8</b>  | <b>3.3</b>  | <b>2.4</b>  |
| <b>Total depreciation, amortization and impairment losses</b> | <b>85.3</b> | <b>92.4</b> | <b>90.4</b> |

Impairment losses on intangible assets in 2016 relate to capitalized development costs of OpusCapita's software products. In 2015, the majority of impairment losses relate to the customer portfolio of Itella Russia, which was booked to zero. The fair value of intangible assets is determined based on data that is not based on verifiable market data (Level 3).

Goodwill is not amortized but is tested for impairment annually and whenever there are indications for impairment. No impairment losses on goodwill were determined for years 2016, 2015 and 2014.

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

## 8. Finance income and expenses

### Financial income

| EUR million                                                                    | 2016        | 2015        | 2014        |
|--------------------------------------------------------------------------------|-------------|-------------|-------------|
| Dividend income                                                                | 0.2         | 0.1         | 0.1         |
| Interest income                                                                |             |             |             |
| Financial assets at fair value through profit or loss                          | 4.8         | 5.8         | 5.7         |
| Loans and receivables                                                          | 0.9         | 1.3         | 1.7         |
| Assets held to maturity                                                        | 0.7         | 0.6         | 0.0         |
| Financial assets available-for-sale                                            | -           | 0.0         | 0.0         |
| Gains on disposal of financial assets at fair value through profit or loss     | 0.0         | 0.0         | 0.0         |
| Gains on disposal of available-for-sale assets                                 | -           | -           | 0.0         |
| Changes in fair value of financial assets at fair value through profit or loss |             |             |             |
| Investments                                                                    | -           | -           | 0.5         |
| Exchange rate gains                                                            |             |             |             |
| Interest-bearing receivables and liabilities                                   | 5.2         | 1.2         | 2.0         |
| Currency derivatives, non-hedge accounting                                     | 0.3         | 3.6         | 15.5        |
| Change in fair value of loans                                                  | 0.5         | 1.3         | 1.0         |
| <b>Total</b>                                                                   | <b>12.7</b> | <b>13.9</b> | <b>26.6</b> |

| <b>Financial expense</b>                                                       |             |             |             |
|--------------------------------------------------------------------------------|-------------|-------------|-------------|
| <b>EUR million</b>                                                             | <b>2016</b> | <b>2015</b> | <b>2014</b> |
| Interest expense                                                               |             |             |             |
| Financial liabilities at amortized cost                                        | 11.5        | 12.8        | 12.9        |
| Financial liabilities at fair value through profit or loss                     | 0.7         | 1.3         | 3.4         |
| Other financial expenses on financial liabilities at amortized cost            | 0.7         | 0.8         | 0.8         |
| Losses on disposal of financial assets at fair value through profit or loss    | 0.3         | -           | 0.2         |
| Losses on disposal of available-for-sale assets                                | -           | -           | 0.2         |
| Changes in fair value of financial assets at fair value through profit or loss |             |             |             |
| Investments                                                                    | 0.5         | 0.9         | -           |
| Interest rate derivatives, non-hedge accounting                                | 1.9         | 1.0         | -           |
| Interest rate derivatives, hedge accounting                                    | -           | 0.9         | 0.9         |
| Exchange rate losses                                                           |             |             |             |
| Interest-bearing receivables and liabilities                                   | 0.4         | 2.9         | 13.3        |
| Currency derivatives, non-hedge accounting                                     | 0.3         | 2.8         | 5.2         |
| Impairment on loans and receivables                                            | -2.5        | 3.0         | -           |
| <b>Total</b>                                                                   | <b>13.9</b> | <b>26.4</b> | <b>36.9</b> |

## 9. Income tax

| EUR million              | 2016       | 2015<br>restated | 2014<br>restated |
|--------------------------|------------|------------------|------------------|
| Current tax expense      | 4.4        | 18.3             | 1.6              |
| Taxes for previous years | -3.8       | -0.1             | 1.0              |
| Deferred tax             | 5.7        | -11.0            | -1.2             |
| <b>Total</b>             | <b>6.3</b> | <b>7.2</b>       | <b>1.4</b>       |

The Group's current tax expense for the year is affected by the significant tax-deductible expense in 2016 related to the cumulative adjustment in revenue recognition of prepaid services. For further information, please see [note 26](#).

In 2016, the adjustments to taxes from previous years related to a tax case in Finland. For further information regarding uncertain tax positions, please see [note 13](#).

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

|                                                           |            |            |            |
|-----------------------------------------------------------|------------|------------|------------|
| Profit or loss before tax and associates' results         | 29.5       | 42.3       | 3.2        |
| Income tax at parent company's tax rate of 20%            | 5.9        | 8.5        | 0.6        |
| Difference in foreign subsidiaries tax rates              | -0.2       | 0.1        | -1.8       |
| Non-deductible expenses and other differences             | 0.5        | 1.0        | 0.9        |
| Tax-exempt income                                         | -2.5       | -4.7       | -2.4       |
| Adjustments in taxes from previous years                  | 2.4        | 1.0        | 1.0        |
| Effect of changes of tax rates on deferred tax            | -          | 0.0        | -2.6       |
| Unrecognized deferred tax asset on losses for the period  | 1.5        | 4.4        | 5.6        |
| Changes in deferred tax assets for previous years' losses | -1.3       | -3.1       | -          |
| <b>Income tax</b>                                         | <b>6.3</b> | <b>7.2</b> | <b>1.4</b> |
| Effective tax rate                                        | 21.5%      | 17.0%      | 44.0%      |

## 10. Intangible assets

2016

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

**2015, restated**

| EUR million                                                       | Goodwill     | Intangible rights | Develop-ment costs | Advances paid and work in progress | Total other intangible assets |
|-------------------------------------------------------------------|--------------|-------------------|--------------------|------------------------------------|-------------------------------|
| Cost January 1                                                    | 246.2        | 218.9             | 29.1               | 9.2                                | 257.3                         |
| Translation differences and other adjustments                     | -0.2         | -4.9              |                    |                                    | -4.9                          |
| Acquired businesses                                               | 3.1          | 2.6               |                    |                                    | 2.6                           |
| Sale of businesses                                                |              |                   |                    |                                    | 0.0                           |
| Additions                                                         |              | 8.4               | 0.1                | 8.1                                | 16.6                          |
| Disposals                                                         |              | -6.7              |                    |                                    | -6.7                          |
| Transfers between items                                           |              | 1.0               | 1.1                | -2.1                               | 0.0                           |
| <b>Cost December 31</b>                                           | <b>249.1</b> | <b>219.4</b>      | <b>30.3</b>        | <b>15.2</b>                        | <b>264.9</b>                  |
| Accumulated amortization and impairment losses January 1          | -63.1        | -168.9            | -25.6              | -3.4                               | -197.9                        |
| Translation differences and other adjustments                     |              | 1.9               |                    |                                    | 1.9                           |
| Sale of businesses                                                |              |                   |                    |                                    | 0.0                           |
| Amortization for the financial period                             |              | -15.2             | -0.9               |                                    | -16.1                         |
| Impairments                                                       |              | -7.6              | -1.054             |                                    | -8.6                          |
| Accumulated amortization on disposals and transfers               |              | 6.6               |                    |                                    | 6.6                           |
| <b>Accumulated amortization and impairment losses December 31</b> | <b>-63.1</b> | <b>-183.3</b>     | <b>-27.5</b>       | <b>-3.4</b>                        | <b>-214.2</b>                 |
| <b>Carrying amount on January 1</b>                               | <b>183.1</b> | <b>50.0</b>       | <b>3.5</b>         | <b>5.9</b>                         | <b>59.4</b>                   |
| <b>Carrying amount on December 31</b>                             | <b>186.0</b> | <b>36.1</b>       | <b>2.7</b>         | <b>11.9</b>                        | <b>50.7</b>                   |

**2014, restated**

| EUR million                                   | Goodwill | Intangible rights | Develop-ment costs | Advances paid and work in progress | Total other intangible assets |
|-----------------------------------------------|----------|-------------------|--------------------|------------------------------------|-------------------------------|
| Cost January 1                                | 238.3    | 238.1             | 26.1               | 9.1                                | 273.3                         |
| Translation differences and other adjustments | 3.7      | -16.8             |                    |                                    | -16.8                         |

|                                                                   |              |               |              |             |               |
|-------------------------------------------------------------------|--------------|---------------|--------------|-------------|---------------|
| Acquired businesses                                               | 4.2          | 1.1           |              |             | 1.1           |
| Additions                                                         |              | 4.2           |              | 8.3         | 12.4          |
| Disposals                                                         |              | -12.7         |              |             | -12.7         |
| Transfers between items                                           |              | 5.1           | 3.0          | -8.1        | 0.0           |
| <b>Cost December 31</b>                                           | <b>246.2</b> | <b>218.9</b>  | <b>29.1</b>  | <b>9.2</b>  | <b>257.3</b>  |
| Accumulated amortization and impairment losses January 1          | -58.3        | -174.7        | -25.1        | -3.4        | -203.2        |
| Translation differences and other adjustments                     | -4.8         | 10.6          |              |             | 10.6          |
| Amortization for the financial period                             |              | -16.0         | -0.5         |             | -16.6         |
| Impairments                                                       |              | -1.4          |              |             | -1.4          |
| Accumulated amortization on disposals and transfers               |              | 12.7          |              |             | 12.7          |
| <b>Accumulated amortization and impairment losses December 31</b> | <b>-63.1</b> | <b>-168.9</b> | <b>-25.6</b> | <b>-3.4</b> | <b>-197.9</b> |
| <b>Carrying amount on January 1</b>                               | <b>180.0</b> | <b>63.4</b>   | <b>1.0</b>   | <b>5.8</b>  | <b>70.1</b>   |
| <b>Carrying amount on December 31</b>                             | <b>183.1</b> | <b>50.0</b>   | <b>3.5</b>   | <b>5.9</b>  | <b>59.4</b>   |

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

### Goodwill and impairment testing

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

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

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

| EUR million                        | 2016         | 2015         | 2014 *)      |
|------------------------------------|--------------|--------------|--------------|
| Postal Services                    | 44.1         | 44.1         | 44.1         |
| OpusCapita                         | 122.7        | 107.1        | 104.1        |
| Parcel and Transportation Services | 32.7         | 21.8         | 22.0         |
| Supply Chain Solutions             | 12.9         | 12.9         | 12.9         |
| MaxiPost                           | 1.2          | 0.0          | 0.0          |
| <b>Total</b>                       | <b>213.7</b> | <b>186.0</b> | <b>183.1</b> |

\*) Restated to correspond the revised CGU-structure

### The result of the goodwill impairment testing in 2016

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. The impairment tests did not result in recognition of impairment.

### Impairment testing and sensitivity analysis

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

The terminal value beyond five years of cash-generating units is based on a moderate growth rate expectation of 1.0% (2015: 1.0%, 2014: 1.0%) with the exception of Postal Services where the estimated terminal growth rate is -5% (2015: -5%, 2014: -5%) due to expected decline in paper delivery volumes and MaxiPost where the rate is 3% (2015 and 2014: n/a) to reflect the higher inflation in Russia.

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

### The key outcomes and the parameters used in testing

#### 2016

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

#### 2015

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

**2014**

|                                    | <b>Value-in-use<br/>exceeds<br/>carrying<br/>amount,<br/>MEUR</b> | <b>EBIT<br/>margin<br/>average,<br/>%</b> | <b>Terminal<br/>growth<br/>rate, %</b> | <b>Discount<br/>rate, %</b> | <b>Terminal<br/>year<br/>EBIT<br/>margin,<br/>%</b> |
|------------------------------------|-------------------------------------------------------------------|-------------------------------------------|----------------------------------------|-----------------------------|-----------------------------------------------------|
| Postal Services                    | 229                                                               | 8.3                                       | -5.0                                   | 6.9                         | 5.0                                                 |
| OpusCapita                         | 359                                                               | 9.8                                       | 2.0                                    | 7.6                         | 10.5                                                |
| Parcel and Transportation Services | 109                                                               | -2.2                                      | 2.0                                    | 6.8                         | 3.0                                                 |
| Supply Chain Solutions             | 29                                                                | 7.7                                       | 2.0                                    | 7.0                         | 7.8                                                 |

Comparative data for 2014 restated to correspond the revised CGU-structure in 2015.

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

|                        | <b>Discount<br/>rate, %</b> | <b>Terminal<br/>year<br/>EBIT<br/>margin,<br/>%</b> |
|------------------------|-----------------------------|-----------------------------------------------------|
| Supply Chain Solutions | 8.4                         | 4.3                                                 |
| OpusCapita             | 12.5                        | 4.5                                                 |

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

# 11. Investment property

| EUR million                                                       | 2016        | 2015        | 2014        |
|-------------------------------------------------------------------|-------------|-------------|-------------|
| Cost January 1                                                    | 16.1        | 16.1        | 17.3        |
| Disposals                                                         | -           | -           | -1.2        |
| <b>Cost December 31</b>                                           | <b>16.1</b> | <b>16.1</b> | <b>16.1</b> |
| Accumulated depreciation and impairment losses January 1          | -5.7        | -5.1        | -4.9        |
| Depreciation for the period                                       | -0.6        | -0.6        | -0.7        |
| Accumulated depreciation on disposals                             | -           | -           | 0.5         |
| <b>Accumulated depreciation and impairment losses December 31</b> | <b>-6.3</b> | <b>-5.7</b> | <b>-5.1</b> |
| <b>Carrying amount on January 1</b>                               | <b>10.3</b> | <b>11.0</b> | <b>12.4</b> |
| <b>Carrying amount on December 31</b>                             | <b>9.7</b>  | <b>10.3</b> | <b>11.0</b> |

On December 31, 2016, the fair value of investment property totaled EUR 15.1 (2015: 17.9, 2014: 17.9) million. Fair values are based on an external real estate agents' appraisals. In 2016 rental income from investment property totaled EUR 1.9 (2015: 1.7, 2014: 1.8) million and maintenance charges amounted to EUR 0.6 (2015: 0.5, 2014: 0.4) million.

## 12. Property, plant and equipment

2016

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

**2015**

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

**2014**

| <b>EUR million</b>                                                | <b>Land and water</b> | <b>Buildings and structures</b> | <b>Machinery and equipment</b> | <b>Other tangible assets</b> | <b>Advances paid and work in progress</b> | <b>Total</b>   |
|-------------------------------------------------------------------|-----------------------|---------------------------------|--------------------------------|------------------------------|-------------------------------------------|----------------|
| Cost on January 1                                                 | 83.0                  | 617.7                           | 455.2                          | 11.9                         | 10.1                                      | 1,177.9        |
| Translation differences and other adjustments                     | -12.1                 | -66.9                           | -26.7                          | -0.1                         | -1.4                                      | -107.3         |
| Acquired businesses                                               |                       |                                 | 0.2                            |                              |                                           | 0.2            |
| Additions                                                         |                       | 8.8                             | 10.1                           | 0.7                          | 27.2                                      | 46.9           |
| Disposals                                                         | -4.2                  | -12.5                           | -44.1                          | -0.0                         |                                           | -60.8          |
| Transfers between items                                           |                       |                                 | 25.4                           |                              | -25.4                                     | 0.0            |
| <b>Cost on December 31</b>                                        | <b>66.8</b>           | <b>547.1</b>                    | <b>419.9</b>                   | <b>12.5</b>                  | <b>10.5</b>                               | <b>1,056.9</b> |
| Accumulated depreciation and impairment losses January 1          | -0.2                  | -256.6                          | -287.2                         | -8.5                         |                                           | -552.4         |
| Translation differences and other adjustments                     |                       | 17.0                            | 21.5                           | 0.1                          |                                           | 38.5           |
| Depreciation for the period                                       |                       | -20.8                           | -42.9                          | -1.0                         |                                           | -64.7          |
| Impairment                                                        |                       | -2.3                            |                                |                              |                                           | -2.3           |
| Accumulated depreciation on disposals and transfers               |                       | -1.9                            | 42.3                           |                              |                                           | 40.4           |
| <b>Accumulated depreciation and impairment losses December 31</b> | <b>-0.2</b>           | <b>-264.5</b>                   | <b>-266.4</b>                  | <b>-9.4</b>                  |                                           | <b>-540.5</b>  |
| <b>Carrying amount on January 1</b>                               | <b>82.8</b>           | <b>361.1</b>                    | <b>168.0</b>                   | <b>3.4</b>                   | <b>10.1</b>                               | <b>625.5</b>   |
| <b>Carrying amount on December 31</b>                             | <b>66.6</b>           | <b>282.6</b>                    | <b>153.6</b>                   | <b>3.2</b>                   | <b>10.5</b>                               | <b>516.4</b>   |

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

## 2016

| EUR million                      | Machinery and equipment |
|----------------------------------|-------------------------|
| Cost on 31 Dec                   | 87.0                    |
| Accumulated depreciation 31 Dec  | -56.7                   |
| <b>Carrying amount on 31 Dec</b> | <b>30.4</b>             |

## 2015

| EUR million                      | Machinery and equipment |
|----------------------------------|-------------------------|
| Cost on 31 Dec                   | 83.9                    |
| Accumulated depreciation 31 Dec  | -45.7                   |
| <b>Carrying amount on 31 Dec</b> | <b>38.2</b>             |

## 2014

| EUR million                      | Machinery and equipment |
|----------------------------------|-------------------------|
| Cost on 31 Dec                   | 74.4                    |
| Accumulated depreciation 31 Dec  | -31.6                   |
| <b>Carrying amount on 31 Dec</b> | <b>42.7</b>             |

In 2016, additions to assets leased under finance leases totaled EUR 5.9 million (2015: 10.0, 2014: 14.4).

## 13. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

### Deferred tax assets 2016

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

### Deferred tax liabilities 2016

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

**Deferred tax assets 2015, restated**

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

**Deferred tax liabilities 2015, restated**

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

**Deferred tax assets 2014, restated**

| <b>EUR million</b>                                 | <b>1 Jan</b> | <b>Trans-<br/>lation<br/>differ-<br/>ence</b> | <b>Acquired/<br/>Divested<br/>subsidi-<br/>aries</b> | <b>Recorded<br/>through<br/>profit<br/>or loss</b> | <b>Recorded<br/>through other<br/>comprehensive<br/>income</b> | <b>Other<br/>changes</b> | <b>31<br/>Dec</b> |
|----------------------------------------------------|--------------|-----------------------------------------------|------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------|--------------------------|-------------------|
| Pension obligations                                | 2.3          | 0.0                                           | 0.0                                                  | -0.1                                               | 1.1                                                            |                          | 3.2               |
| Unused tax losses                                  | 11.2         | -3.5                                          |                                                      | -1.8                                               |                                                                |                          | 5.9               |
| Impairment on real estate shares                   | 2.6          |                                               |                                                      |                                                    |                                                                |                          | 2.6               |
| Restructuring provision                            | 2.9          | -0.2                                          |                                                      | -0.1                                               |                                                                |                          | 2.6               |
| Change in revenue recognition for prepaid services | 6.6          |                                               |                                                      | -1.6                                               |                                                                |                          | 5.1               |
| Other temporary differences                        | 1.6          | -0.1                                          |                                                      | -0.1                                               |                                                                | 0.3                      | 1.7               |
| <b>Total</b>                                       | <b>27.2</b>  | <b>-3.8</b>                                   | <b>0.0</b>                                           | <b>-3.7</b>                                        | <b>1.1</b>                                                     | <b>0.3</b>               | <b>21.1</b>       |

**Deferred tax liabilities 2014, restated**

| <b>EUR million</b>                                                      | <b>1 Jan</b> | <b>Trans-<br/>lation<br/>differ-<br/>ence</b> | <b>Acquired/<br/>Divested<br/>subsidi-<br/>aries</b> | <b>Recorded<br/>through<br/>profit<br/>or loss</b> | <b>Other<br/>changes</b> | <b>31<br/>Dec</b> |
|-------------------------------------------------------------------------|--------------|-----------------------------------------------|------------------------------------------------------|----------------------------------------------------|--------------------------|-------------------|
| Fair value measurement of intangible and tangible assets in acquisition | 24.3         | -7.4                                          | 0.4                                                  | -1.8                                               |                          | 15.4              |
| Accumulated depreciation in excess of plan                              | 14.2         |                                               |                                                      | -3.3                                               |                          | 10.9              |
| Other temporary differences                                             | 5.2          | -0.6                                          | 0.0                                                  | 0.2                                                | 0.4                      | 5.2               |
| <b>Total</b>                                                            | <b>43.7</b>  | <b>-8.0</b>                                   | <b>0.4</b>                                           | <b>-5.0</b>                                        | <b>0.4</b>               | <b>31.6</b>       |

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

Deferred tax assets for unused tax losses decreased in 2016 when the Finnish tax authorities accepted utilization of certain foreign tax losses in the Group's parent company. Simultaneously, the Group recognized deferred tax assets for unused tax losses in Scandinavia totaling EUR 3.2 million as profitability in the Scandinavian business improved in 2016.

On December 31, 2016, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 153.0 (2015: 139.9 2014: 135.1) million, mainly arising from businesses outside Finland. The majority of these losses do not expire.

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

## 14. Inventories

| EUR million                      | 2016       | 2015       | 2014       |
|----------------------------------|------------|------------|------------|
| Materials and supplies           | 0.1        | 0.6        | 0.7        |
| Goods                            | 3.2        | 3.1        | 3.8        |
| Advance payments for inventories | 0.7        | 1.0        | 0.6        |
| <b>Total</b>                     | <b>4.0</b> | <b>4.7</b> | <b>5.1</b> |

## 15. Trade and other receivables

| EUR million                                 | 2016         | 2015<br>restated | 2014<br>restated |
|---------------------------------------------|--------------|------------------|------------------|
| Finance lease receivables                   | 0.0          | 0.1              | 0.1              |
| Loan receivables                            | 0.0          | 0.1              | 0.1              |
| Trade receivables                           | 225.5        | 190.8            | 195.3            |
| Trade receivables from associated companies | 0.3          | 0.6              | 0.6              |
| Accrued income and prepayments              | 63.4         | 70.2             | 71.7             |
| Other receivables                           | 6.4          | 2.5              | 2.5              |
| <b>Total</b>                                | <b>295.6</b> | <b>264.3</b>     | <b>270.2</b>     |

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

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

The largest item under accrued income and prepayments includes EUR 29.6 million (2015: 29.3, 2014: 28.4) accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

## 16. Assets classified as held for sale and associated liabilities

### Assets classified as held for sale

| EUR million                   | 2016     | 2015       | 2014        |
|-------------------------------|----------|------------|-------------|
| Property, plant and equipment | -        | 0.2        | 14.7        |
| Other non-current assets      | -        | 0.1        | -           |
| Trade and other receivables   | -        | 1.5        | -           |
| Cash and cash equivalents     | -        | 1.8        | -           |
| <b>Total</b>                  | <b>-</b> | <b>3.6</b> | <b>14.7</b> |

### Liabilities associated with assets classified as held for sale

|                                      |          |            |          |
|--------------------------------------|----------|------------|----------|
| Trade payables and other liabilities | -        | 1.0        | -        |
| <b>Total</b>                         | <b>-</b> | <b>1.0</b> | <b>-</b> |

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

Real estates used in warehouse business in Scandinavia classified as held for sale 2014 were sold during 2015.

# 17. Equity

## Shares and shareholders

| EUR million             | 2016         | 2015<br>restated | 2014<br>restated |
|-------------------------|--------------|------------------|------------------|
| Share capital           | 70.0         | 70.0             | 70.0             |
| General purpose reserve | 142.7        | 142.7            | 142.7            |
| Fair value reserve      | 0.1          | 0.1              | 0.2              |
| Translation differences | -83.5        | -103.6           | -94.6            |
| Retained earnings       | 479.2        | 474.0            | 435.2            |
| <b>Total equity</b>     | <b>608.4</b> | <b>583.2</b>     | <b>553.5</b>     |

### Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2016, 2015 and 2014 which are all held by the Finnish State. The shares do not have a nominal value. Posti Group Corporation's share capital amounts to EUR 70,000,000 for all periods presented. All issued shares have been paid in full.

### General purpose reserve

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

### Fair value reserve

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

### Translation difference

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

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

### Distributable funds

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

| EUR million                      | 2016         | 2015         | 2014         |
|----------------------------------|--------------|--------------|--------------|
| General purpose reserve          | 142.7        | 142.7        | 142.7        |
| Retained earnings                | 406.3        | 567.4        | 566.1        |
| <b>Total distributable funds</b> | <b>549.0</b> | <b>710.1</b> | <b>708.8</b> |

## 18. Pension liabilities

### Main characteristics of the defined benefit pension plans

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

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

### Defined benefit pension liabilities in the balance sheet

| EUR million                        | 2016        | 2015        | 2014        |
|------------------------------------|-------------|-------------|-------------|
| Present value of funded obligation | 80.2        | 77.0        | 92.3        |
| Fair value of plan assets          | -68.3       | -65.4       | -76.1       |
| <b>Deficit</b>                     | <b>11.9</b> | <b>11.6</b> | <b>16.3</b> |

### Defined benefit pension expenses in the income statement

| Income statement     |            |            |            |
|----------------------|------------|------------|------------|
| EUR million          | 2016       | 2015       | 2014       |
| Current service cost | 0.0        | 0.1        | 0.3        |
| Interest expense     | 0.3        | 0.3        | 0.3        |
| <b>Total</b>         | <b>0.3</b> | <b>0.4</b> | <b>0.6</b> |

**Statement of comprehensive income**

| <b>EUR million</b>                 | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|------------------------------------|-------------|-------------|-------------|
| Actuarial gains (-) and losses (+) | 0.0         | -4.6        | 5.4         |

**Changes in the present value of the pension obligation**

| <b>EUR million</b>                                                       | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--------------------------------------------------------------------------|-------------|-------------|-------------|
| Obligation at the beginning of the period                                | 77.0        | 92.3        | 80.6        |
| Current service cost                                                     | 0.0         | 0.1         | 0.3         |
| Interest expense                                                         | 1.7         | 1.6         | 0.5         |
| Paid benefits                                                            | -5.3        | -5.7        | -5.8        |
| Acquired in business combinations                                        | 0.0         | -           | 0.3         |
| Actuarial gains (-) and losses (+) on changes in financial assumptions   | 8.4         | -7.4        | 13.3        |
| Actuarial gains (-) and losses (+) on changes in demographic assumptions | 0.0         | -2.7        | -           |
| Experience-based gains (-) and losses (+)                                | -1.5        | -1.0        | 3.2         |
| <b>Obligation at the end of the period</b>                               | <b>80.2</b> | <b>77.0</b> | <b>92.3</b> |

**Changes in the fair value of the plan assets**

| <b>EUR million</b>                                            | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---------------------------------------------------------------|-------------|-------------|-------------|
| Fair value of the plan assets at the beginning of the period  | 65.4        | 76.1        | 69.4        |
| Interest income                                               | 1.4         | 1.3         | 0.1         |
| Paid benefits                                                 | -5.3        | -5.7        | -5.8        |
| Employer contributions                                        | 0.1         | 0.3         | 1.3         |
| Actual return on plan assets less interest income             | 6.8         | -6.6        | 11.0        |
| <b>Fair value of the plan assets at the end of the period</b> | <b>68.3</b> | <b>65.4</b> | <b>76.1</b> |

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.1 million.

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years.

### Key actuarial assumptions and sensitivity analysis

|                                     | 2016      | 2015 | 2014 |
|-------------------------------------|-----------|------|------|
| Discount rate                       | 1.01–1.51 | 2.25 | 1.75 |
| Future pension increase expectation | 1.7–1.9   | 1.7  | 2.1  |

| EUR million           | Change in assumption | Change in defined benefit liability |       |                        |        |
|-----------------------|----------------------|-------------------------------------|-------|------------------------|--------|
|                       |                      | Increase in assumption              |       | Decrease in assumption |        |
| Discount rate         | 0.25%                | -0.5                                | -3.9% | 0.5                    | 4.2%   |
| Pension increase rate | 0.25%                | 1.8                                 | 15.5% | -1.8                   | -14.8% |

| EUR million              | Increase by one year |      | Decrease by one year |       |
|--------------------------|----------------------|------|----------------------|-------|
|                          |                      |      |                      |       |
| Life expectancy at birth | 1.0                  | 8.3% | -0.9                 | -7.9% |

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

## 19. Provisions

### 2016

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

### 2015

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

### 2014

| EUR million                      | Restructuring provision | Provision for damage | Onerous contracts | Other      | Total       |
|----------------------------------|-------------------------|----------------------|-------------------|------------|-------------|
| Carrying amount on 1 Jan         | 12.6                    | 14.4                 | 0.0               | 0.7        | 27.8        |
| Translation difference           |                         | -5.4                 |                   |            | -5.4        |
| Increase in provisions           | 6.4                     |                      |                   | 2.7        | 9.0         |
| Used provisions                  | -2.7                    | -7.5                 |                   | -0.1       | -10.3       |
| Unused amounts reversed          | -2.6                    |                      |                   |            | -2.6        |
| <b>Carrying amount on 31 Dec</b> | <b>13.7</b>             | <b>1.6</b>           | <b>0.0</b>        | <b>3.3</b> | <b>18.6</b> |

| EUR million           | 2016        | 2015        | 2014        |
|-----------------------|-------------|-------------|-------------|
| Long-term provisions  | 14.3        | 17.0        | 12.6        |
| Short-term provisions | 3.5         | 10.2        | 6.0         |
| <b>Total</b>          | <b>17.8</b> | <b>27.3</b> | <b>18.6</b> |

### Restructuring provisions

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

### Onerous contracts

Provisions for onerous contracts relate to Russian real-estate leases and customer agreements as well as OpusCapita's customer agreements. Provisions have been recognized to the amount of expected obligations exceeding the income arising from the contracts. The provisions are regularly reviewed as the amount of expected obligations are dependent on the anticipated costs for fulfilling the contracts which vary over time. Part of the provisions recognized for Russian leases are also dependent on the exchange rate of the Russian ruble against the US dollar.

## 20. Trade and other payables

### Other non-current payables

| EUR million                          | 2016        | 2015<br>restated | 2014<br>restated |
|--------------------------------------|-------------|------------------|------------------|
| Advances received (deferred revenue) | 16.8        | 16.6             | 16.7             |
| Other liabilities                    | 7.7         | 6.2              | 6.5              |
| Other accrued expenses               | 6.1         | 4.1              | 4.9              |
| <b>Total</b>                         | <b>30.6</b> | <b>26.9</b>      | <b>28.0</b>      |

### Current trade and other payables

| EUR million                                   | 2016         | 2015<br>restated | 2014<br>restated |
|-----------------------------------------------|--------------|------------------|------------------|
| Financial liabilities measured at fair value: |              |                  |                  |
| Derivative contracts, non-hedge accounting    |              | 0.9              | 0.9              |
| Derivative contracts, hedge accounting        | 0.0          | -                | -                |
| Financial liabilities at amortized cost:      |              |                  |                  |
| Trade payables                                | 70.9         | 59.5             | 51.0             |
| Advances received and deferred revenue        | 60.0         | 51.7             | 50.6             |
| Accrued personnel expenses                    | 119.2        | 125.0            | 148.0            |
| Other accrued expenses and deferred income    | 53.0         | 47.9             | 47.7             |
| Other liabilities                             | 54.9         | 48.7             | 56.3             |
| <b>Current trade and other payables</b>       | <b>358.1</b> | <b>333.7</b>     | <b>354.4</b>     |

Advances received includes deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section "Revenue recognition." The total amount of non-current and current liability is EUR 27.0 (2015: 28.3, 2014: 27.1) million.

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 19.1 (2015: 23.9, 2014: 10.0) million. The remaining items comprise ordinary accruals of expenses.

## 21. Financial instruments and Financial risk management

### Financial assets and liabilities

2016

| EUR million                                | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Assets held to maturity | Financial assets available-for-sale | Financial liabilities at amortized cost | Carrying value | Fair value   | Level |
|--------------------------------------------|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------------------|-----------------------------------------|----------------|--------------|-------|
| <b>Financial assets – non-current</b>      |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Other non-current investments              |                                                                       |                       |                         | 6.1                                 |                                         | 6.1            | 6.1          | 3     |
| Non-current receivables                    |                                                                       | 2.6                   |                         |                                     |                                         | 2.6            | 2.6          |       |
| <b>Non-current financial assets</b>        | <b>0.0</b>                                                            | <b>2.6</b>            | <b>0.0</b>              | <b>6.1</b>                          | <b>0.0</b>                              | <b>8.7</b>     | <b>8.7</b>   |       |
| <b>Financial assets – current</b>          |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Trade and other receivables                |                                                                       | 295.6                 |                         |                                     |                                         | 295.6          | 295.6        |       |
| Equity fund investments                    |                                                                       |                       |                         | 0.2                                 |                                         | 0.2            | 0.2          | 3     |
| Currency derivatives, non-hedge accounting | 0.0                                                                   |                       |                         |                                     |                                         | 0.0            | 0.0          | 2     |
| Money market investments                   | 43.5                                                                  |                       |                         |                                     |                                         | 43.5           | 43.5         | 2     |
| Investments in quoted bonds                | 25.5                                                                  |                       |                         |                                     |                                         | 25.5           | 25.5         | 1     |
| Investments in unquoted bonds              | 8.8                                                                   |                       |                         |                                     |                                         | 8.8            | 8.8          | 2     |
| Debt certificates                          |                                                                       |                       | 54.7                    |                                     |                                         | 54.7           | 54.7         |       |
| <b>Current financial assets</b>            | <b>77.9</b>                                                           | <b>295.6</b>          | <b>54.7</b>             | <b>0.2</b>                          | <b>0.0</b>                              | <b>428.4</b>   | <b>428.4</b> |       |
| Money market investments                   | 11.5                                                                  |                       |                         |                                     |                                         | 11.5           | 11.5         | 2     |
| Cash and bank                              |                                                                       | 70.5                  |                         |                                     |                                         | 70.5           | 70.5         |       |
| <b>Cash and cash equivalents</b>           | <b>11.5</b>                                                           | <b>70.5</b>           |                         |                                     |                                         | <b>82.0</b>    | <b>82.0</b>  |       |

|                                                    |             |              |             |            |            |              |              |
|----------------------------------------------------|-------------|--------------|-------------|------------|------------|--------------|--------------|
| <b>Total financial assets</b>                      | <b>89.3</b> | <b>368.8</b> | <b>54.7</b> | <b>6.3</b> | <b>0.0</b> | <b>519.1</b> | <b>519.1</b> |
| <b>Financial liabilities – non-current</b>         |             |              |             |            |            |              |              |
| Bonds                                              |             |              |             |            |            | 0.0          | 0.0          |
| Finance lease liabilities                          |             |              |             |            |            | 19.4         | 19.4         |
| Other                                              |             |              |             |            |            | 0.4          | 0.4          |
| <b>Non-current borrowings</b>                      |             |              |             |            |            | <b>19.8</b>  | <b>19.8</b>  |
| <b>Financial liabilities – current</b>             |             |              |             |            |            |              |              |
| Bonds                                              |             |              |             |            |            | 99.9         | 99.9         |
| Finance lease liabilities                          |             |              |             |            |            | 12.3         | 12.3         |
| Other                                              |             |              |             |            |            | 0.2          | 0.2          |
| <b>Current borrowings</b>                          |             |              |             |            |            | <b>112.3</b> | <b>112.3</b> |
| Foreign currency derivatives, non-hedge accounting | 0.0         |              |             |            |            | 0.0          | 0.0          |
| Foreign currency derivatives, hedge accounting     | 0.0         |              |             |            |            | 0.0          | 0.0          |
| Electricity derivatives, non-hedge accounting      |             |              |             |            |            | 0.0          | 0.0          |
| Trade payables and other liabilities               |             |              |             |            |            | 125.9        | 125.9        |
| <b>Other current financial liabilities</b>         | <b>0.0</b>  |              |             |            |            | <b>125.9</b> | <b>125.9</b> |
| <b>Total financial liabilities</b>                 | <b>0.0</b>  |              |             |            |            | <b>257.9</b> | <b>257.9</b> |

## 2015

| EUR million                                     | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Assets held to maturity | Financial assets available-for-sale | Financial liabilities at amortized cost | Carrying value | Fair value   | Level |
|-------------------------------------------------|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------------------|-----------------------------------------|----------------|--------------|-------|
| <b>Financial assets – non-current</b>           |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Other non-current investments                   |                                                                       |                       |                         | 6.2                                 |                                         | 6.2            | 6.2          | 3     |
| Non-current receivables                         |                                                                       | 1.5                   |                         |                                     |                                         | 1.5            | 1.5          |       |
| <b>Non-current financial assets</b>             | <b>0.0</b>                                                            | <b>1.5</b>            | <b>0.0</b>              | <b>6.2</b>                          | <b>0.0</b>                              | <b>7.7</b>     | <b>7.7</b>   |       |
| <b>Financial assets – current</b>               |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Trade and other receivables                     |                                                                       | 194.1                 |                         |                                     |                                         | 194.1          | 194.1        |       |
| Equity fund investments                         |                                                                       |                       |                         | 0.2                                 |                                         | 0.2            | 0.2          | 3     |
| Interest-rate derivatives, non-hedge accounting | 1.9                                                                   |                       |                         |                                     |                                         | 1.9            | 1.9          | 2     |
| Currency derivatives, non-hedge accounting      | 0.1                                                                   |                       |                         |                                     |                                         | 0.1            | 0.1          | 2     |
| Money market investments                        | 81.4                                                                  |                       |                         |                                     |                                         | 81.4           | 81.4         | 2     |
| Investments in quoted bonds                     | 35.8                                                                  |                       |                         |                                     |                                         | 35.8           | 35.8         | 1     |
| Investments in unquoted bonds                   | 9.7                                                                   |                       |                         |                                     |                                         | 9.7            | 9.7          | 2     |
| Debt certificates                               |                                                                       |                       | 95.0                    |                                     |                                         | 95.0           | 95.0         |       |
| <b>Current financial assets</b>                 | <b>128.9</b>                                                          |                       | <b>95.0</b>             | <b>0.2</b>                          |                                         | <b>224.1</b>   | <b>224.1</b> |       |
| Money market investments                        | 42.0                                                                  |                       |                         |                                     |                                         | 42.0           | 42.0         | 2     |
| Cash and bank                                   |                                                                       | 88.1                  |                         |                                     |                                         | 88.1           | 88.1         |       |
| <b>Cash and cash equivalents</b>                | <b>42.0</b>                                                           | <b>88.1</b>           |                         |                                     |                                         | <b>130.1</b>   | <b>130.1</b> |       |
| <b>Total financial assets</b>                   | <b>170.9</b>                                                          | <b>283.7</b>          | <b>95.0</b>             | <b>6.4</b>                          | <b>0.0</b>                              | <b>556.0</b>   | <b>556.0</b> |       |

|                                                    |            |            |            |            |                          |
|----------------------------------------------------|------------|------------|------------|------------|--------------------------|
| <b>Financial liabilities – non-current</b>         |            |            |            |            |                          |
| Bonds                                              |            |            |            |            | 99.8 99.8 104.1          |
| Finance lease liabilities                          |            |            |            |            | 26.4 26.4 26.4           |
| Other                                              |            |            |            |            | 0.5 0.5 0.5              |
| <b>Non-current borrowings</b>                      |            |            |            |            |                          |
|                                                    |            |            |            |            | <b>126.7 126.7 131.0</b> |
| <b>Financial liabilities – current</b>             |            |            |            |            |                          |
| Bonds                                              |            |            |            |            | 150.4 150.4 154.0        |
| Finance lease liabilities                          |            |            |            |            | 13.2 13.2 13.2           |
| Other                                              |            |            |            |            | 0.0 0.0 0.0              |
| <b>Current borrowings</b>                          |            |            |            |            |                          |
|                                                    |            |            |            |            | <b>163.6 163.6 167.2</b> |
| Foreign currency derivatives, non-hedge accounting | 0.0        |            |            |            | 0.0 0.0 2                |
| Electricity derivatives, non-hedge accounting      | 0.9        |            |            |            | 0.9 0.9 1                |
| Trade payables and other liabilities               |            |            |            |            | 108.2 108.2 108.2        |
| <b>Other current financial liabilities</b>         |            |            |            |            |                          |
|                                                    | <b>0.9</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>108.2 109.1 109.1</b> |
| <b>Total financial liabilities</b>                 |            |            |            |            |                          |
|                                                    | <b>0.9</b> |            |            |            | <b>398.5 399.4 407.3</b> |

As at December 31, 2015 assets classified as held for sale contained cash and banks EUR 1.8 (2014: 0.0) million.

## 2014

| EUR million                                | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Assets held to maturity | Financial assets available-for-sale | Financial liabilities at amortized cost | Carrying value | Fair value   | Level |
|--------------------------------------------|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------------------|-----------------------------------------|----------------|--------------|-------|
| <b>Financial assets – non-current</b>      |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Other non-current investments              |                                                                       |                       |                         | 5.9                                 |                                         | 5.9            | 5.9          | 3     |
| Non-current receivables                    | 3.9                                                                   |                       |                         |                                     |                                         | 3.9            | 3.9          | 2     |
| <b>Non-current financial assets</b>        |                                                                       | 6.6                   |                         |                                     |                                         | 6.6            | 6.6          |       |
| <b>Financial assets – current</b>          |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Trade and other receivables                |                                                                       | 198.4                 |                         |                                     |                                         | 198.4          | 198.4        |       |
| Equity fund investments                    |                                                                       |                       |                         | 0.3                                 |                                         | 0.3            | 0.3          | 3     |
| Currency derivatives, non-hedge accounting | 2.2                                                                   |                       |                         |                                     |                                         | 2.2            | 2.2          | 2     |
| Money market investments                   | 44.1                                                                  |                       |                         |                                     |                                         | 44.1           | 44.1         | 2     |
| Investments in quoted bonds                | 32.0                                                                  |                       |                         |                                     |                                         | 32.0           | 32.0         | 1     |
| Investments in unquoted bonds              | 9.7                                                                   |                       |                         |                                     |                                         | 9.7            | 9.7          | 2     |
| Debt certificates                          |                                                                       |                       | 12.0                    |                                     |                                         | 12.0           | 12.0         |       |
| <b>Current financial assets</b>            | <b>88.0</b>                                                           |                       | <b>12.0</b>             | <b>0.3</b>                          |                                         | <b>100.3</b>   | <b>100.3</b> |       |
| Money market investments                   | 60.2                                                                  |                       |                         |                                     |                                         | 60.2           | 60.2         | 2     |
| Cash and bank                              |                                                                       | 38.6                  |                         |                                     |                                         | 38.6           | 38.6         |       |
| <b>Cash and cash equivalents</b>           | <b>60.2</b>                                                           | <b>38.6</b>           |                         |                                     |                                         | <b>98.7</b>    | <b>98.7</b>  |       |
| <b>Total financial assets</b>              | <b>152.0</b>                                                          | <b>243.6</b>          | <b>12.0</b>             | <b>6.2</b>                          | <b>0.0</b>                              | <b>413.7</b>   | <b>413.7</b> |       |

**Financial liabilities – non-current**

|                           |  |       |       |       |
|---------------------------|--|-------|-------|-------|
| Bonds                     |  | 251.3 | 251.3 | 263.6 |
| Finance lease liabilities |  | 32.1  | 32.1  | 32.1  |
| Other                     |  | 0.1   | 0.1   | 0.1   |

**Non-current borrowings 283.5 283.5 295.9****Financial liabilities – current**

|                           |  |      |      |      |
|---------------------------|--|------|------|------|
| Bonds                     |  | 0.0  | 0.0  | 0.0  |
| Finance lease liabilities |  | 11.8 | 11.8 | 11.8 |
| Other                     |  | 0.2  | 0.2  | 0.2  |

**Current borrowings 12.0 12.0 12.0**

|                                                    |     |       |       |       |   |
|----------------------------------------------------|-----|-------|-------|-------|---|
| Foreign currency derivatives, non-hedge accounting | 0.2 |       | 0.2   | 0.2   | 2 |
| Electricity derivatives, non-hedge accounting      | 0.6 |       | 0.6   | 0.6   | 1 |
| Trade payables                                     |     | 107.5 | 107.5 | 107.5 |   |

**Other current financial liabilities 0.9 107.5 108.3 108.3****Total financial liabilities 0.9 403.0 403.8 416.2****Hierarchy levels**

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

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

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

Investments in money markets instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information such as interest yield and issuer's credit spread (Level 2). The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. Posti is not able to provide a description of the valuation techniques and the inputs used in the fair value measurement of investments in equity funds due to the fact that inputs are not developed by Posti but a third party when measuring fair value. The fair value of currency forward contracts is calculated by valuing forward contracts at the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market prices on the reporting date.

No transfers between fair value hierarchy levels 1 and 2 were made during 2016, 2015 or 2014. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

### Reconciliation of Level 3 financial assets

#### 2016

| EUR million                                                                                  | Shares and investments<br>in equity funds |
|----------------------------------------------------------------------------------------------|-------------------------------------------|
| <b>Carrying amount 1 Jan</b>                                                                 | 6.4                                       |
| Profits and losses:                                                                          |                                           |
| In income statement                                                                          |                                           |
| In other comprehensive income                                                                | 0.0                                       |
| Additions                                                                                    |                                           |
| Exercises                                                                                    | -0.1                                      |
| <b>Carrying amount 31 Jan</b>                                                                | <b>6.3</b>                                |
| <b>Total profits and losses recognized on assets held at the end of the reporting period</b> |                                           |
| In financial income and expenses                                                             | 0.0                                       |

**2015**

| <b>EUR million</b>                                                                           | <b>Shares and investments<br/>in equity funds</b> |
|----------------------------------------------------------------------------------------------|---------------------------------------------------|
| <b>Carrying amount 1 Jan</b>                                                                 | <b>6.2</b>                                        |
| Profits and losses:                                                                          |                                                   |
| In income statement                                                                          | 0.0                                               |
| In other comprehensive income                                                                | -0.1                                              |
| Additions                                                                                    | 0.4                                               |
| Exercises                                                                                    | 0.0                                               |
| <b>Carrying amount 31 Jan</b>                                                                | <b>6.4</b>                                        |
| <b>Total profits and losses recognized on assets held at the end of the reporting period</b> |                                                   |
| In financial income and expenses                                                             | 0.0                                               |

**2014**

| <b>EUR million</b>                                                                           | <b>Shares and investments<br/>in equity funds</b> |
|----------------------------------------------------------------------------------------------|---------------------------------------------------|
| <b>Carrying amount 1 Jan</b>                                                                 | <b>6.6</b>                                        |
| Profits and losses:                                                                          |                                                   |
| In income statement                                                                          | -0.2                                              |
| In other comprehensive income                                                                | 0.3                                               |
| Exercises                                                                                    | -0.5                                              |
| <b>Carrying amount 31 Jan</b>                                                                | <b>6.2</b>                                        |
| <b>Total profits and losses recognized on assets held at the end of the reporting period</b> |                                                   |
| In financial income and expenses                                                             | 0.0                                               |

## Financial risk management

### Principles of risk management

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

### Risk management organization

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

## Market risks

### Foreign Currency risk

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

Due to high volatility of the ruble, the Group has taken the development of the Russian ruble and ruble markets under particular observation. As defined in the Group's treasury policy, equity investments in Russian subsidiaries are not hedged. Due to high hedging costs the Group has for the time being ceased hedging of the ruble-denominated receivables of the parent company and the local operative transaction risks has been hedged according to prevailing market conditions. In 2016 Itella Russia's USD denominated lease payments have been hedged from time to time with 3–6 months time horizon. The average size of individual hedges have been 2.2 MUSD.

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

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

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

| 2014                           | EUR-companies |      |      |      |     | RUB-companies |
|--------------------------------|---------------|------|------|------|-----|---------------|
|                                | EUR million   | RUB  | SEK  | NOK  | PLN | USD           |
| Trade receivables and payables | -0.2          | 0.2  | -0.2 | 0.0  | 0.4 | 0.5           |
| Loans and bank accounts *)     | 11.8          | 3.1  | 0.3  | 1.6  | 0.4 | 0.0           |
| Derivatives **)                | -11.8         | -3.0 | -0.3 | -1.5 |     |               |
| Open position                  | -0.2          | 0.2  | -0.2 | 0.1  | 0.8 | 0.5           |

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

\*\*) Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on balance sheet items denominated in other than functional currencies of the Group companies on the balance sheet date. The analysis includes solely the currency risks related to the financial instruments. Based on the analysis, strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR -3.9 (2015: -1.7, 2014: -0.7) million on the Group's profit before tax. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR +0.3 (2015: 0.0, 2014: 0.1) million on the Group's profit before tax.

#### Major translation risk positions on the balance sheet date

##### Net investment

| <b>EUR million</b> | <b>RUB</b> | <b>SEK</b> | <b>NOK</b> | <b>PLN</b> |
|--------------------|------------|------------|------------|------------|
| 2016               | 99.7       | 25.1       | 7.2        | 7.1        |
| 2015               | 83.0       | 18.4       | 5.6        | 6.9        |
| 2014               | 120.4      | 23.8       | 16.2       | 6.8        |

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

### Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. The average interest-rate fixing period for the debt portfolio is determined in the financing policy. The objective of interest rate risk management related to liquid funds is to minimize the effect of interest rate movements on the fair value of the funds. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged through interest rate swaps, interest rate options and forward rate agreements.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 132.1 (2015: 290.3, 2014: 295.5) million and interest-bearing receivables to EUR 215.1 (2015: 353.8, 2014: 196.5) million. On the balance sheet date, all of the Group's interest-bearing loans were subject to fixed interest rates. The loans were partly hedged by an interest-rate swap. The Group has applied fair value hedge accounting to the interest-rate swap hedging the loan until 30 June, 2015, after which hedge accounting ceased to meet effectiveness criteria. Consequently, group discontinued hedge accounting as of July 1, 2015.

### Interest-bearing receivables and debt according to interest rate fixing

#### 2016

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

**2015**

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

**2014**

| <b>EUR million</b>            | <b>Less<br/>than<br/>1 year</b> | <b>1–5<br/>years</b> | <b>More<br/>than<br/>5 years</b> | <b>Total</b> |
|-------------------------------|---------------------------------|----------------------|----------------------------------|--------------|
| Interest-bearing receivables  | -162.7                          | -33.8                |                                  | -196.5       |
| Bonds                         |                                 | 251.3                |                                  | 251.3        |
| Finance lease liabilities     | 11.8                            | 32.1                 |                                  | 43.9         |
| Other liabilities             | 0.2                             | 0.1                  |                                  | 0.3          |
| Net debt                      | -150.8                          | 249.7                |                                  | 98.9         |
| Impact of interest-rate swaps | 70.0                            | -70.0                |                                  | 0.0          |
| <b>Total</b>                  | <b>-80.8</b>                    | <b>179.7</b>         |                                  | <b>98.9</b>  |

A change of 1 percentage point in the interest rate at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.1 (2015: -0.1, 2014: -0.3) million.

## Electricity price risk

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

## Derivative contracts

### 2016

| EUR million                                              | Nominal<br>value | Net<br>fair value | Positive<br>fair value | Negative<br>fair value |
|----------------------------------------------------------|------------------|-------------------|------------------------|------------------------|
| Foreign currency forward contracts, non-hedge accounting | 4.6              | 0.0               | 0.0                    | 0.0                    |
| Foreign currency forward contracts, hedge accounting     | 3.4              | 0.0               | -                      | 0.0                    |

### 2015

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

### 2014

| EUR million                                      | Nominal<br>value | Net<br>fair value | Positive<br>fair value | Negative<br>fair value |
|--------------------------------------------------|------------------|-------------------|------------------------|------------------------|
| Currency forward contracts, non-hedge accounting | 47.9             | 1.9               | 2.2                    | -0.2                   |
| Interest rate swaps, hedge accounting            | 70.0             | 3.9               | 3.9                    | -                      |
| Electricity derivatives, non-hedge accounting    | 4.1              | -0.6              | 0.0                    | -0.6                   |

**Offsetting of financial instruments**

| <b>Derivative assets</b>                                            | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---------------------------------------------------------------------|-------------|-------------|-------------|
| Derivative assets, reported as gross amount                         | 0.0         | 2.0         | 6.0         |
| Related derivative liabilities subject to master netting agreements | 0.0         | 0.0         | 0.2         |
| Net amount                                                          | <b>0.0</b>  | <b>1.9</b>  | <b>5.8</b>  |

| <b>Derivative liabilities</b>                                       | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---------------------------------------------------------------------|-------------|-------------|-------------|
| Derivative liabilities, reported as gross amount                    | 0.1         | 0.9         | 0.9         |
| Related derivative liabilities subject to master netting agreements | 0.0         | 0.0         | 0.2         |
| Net amount                                                          | <b>0.0</b>  | <b>0.9</b>  | <b>0.6</b>  |

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

**Liquidity risk**

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

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 309.9 (2015: 408.8, 2014: 334.5) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200.0 (2015: 200.0, 2014: 200.0) million.

**Contractual cash flows from financial liabilities and derivatives. Payments include interest payments****2016**

| <b>EUR million</b>        | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021–</b> | <b>Total</b> |
|---------------------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Bonds                     | 104.6       |             |             |             |              | <b>104.6</b> |
| Finance lease liabilities | 13.0        | 18.8        | 0.6         | 0.2         | 0.2          | <b>32.8</b>  |
| Other liabilities         | 0.2         | 0.4         |             |             |              | <b>0.5</b>   |

|                                             |              |             |            |            |            |              |
|---------------------------------------------|--------------|-------------|------------|------------|------------|--------------|
| Trade payables                              | 70.9         |             |            |            |            | <b>70.9</b>  |
| Derivatives:                                |              |             |            |            |            |              |
| Currency derivatives, cash flows payable    | -0.1         |             |            |            |            | <b>-0.1</b>  |
| Currency derivatives, cash flows receivable | 0.0          |             |            |            |            | <b>0.0</b>   |
| <b>Total</b>                                | <b>188.5</b> | <b>19.2</b> | <b>0.6</b> | <b>0.2</b> | <b>0.2</b> | <b>208.8</b> |

**2015**

| <b>EUR million</b>                          | <b>2016</b>  | <b>2017</b>  | <b>2018</b> | <b>2019</b> | <b>2020–</b> | <b>Total</b> |
|---------------------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|
| Bonds                                       | 161.2        | 104.6        |             |             |              | <b>265.8</b> |
| Finance lease liabilities                   | 14.2         | 27.1         | 0.1         | 0.0         | 0.2          | <b>41.6</b>  |
| Other liabilities                           | 0.0          | 0.5          |             |             |              | <b>0.6</b>   |
| Trade payables                              | 54.8         |              |             |             |              | <b>54.8</b>  |
| Derivatives:                                |              |              |             |             |              |              |
| Interest rate derivatives (net settled)     | -2.2         |              |             |             |              | <b>-2.2</b>  |
| Currency derivatives, cash flows payable    | 0.0          |              |             |             |              | <b>0.0</b>   |
| Currency derivatives, cash flows receivable | -0.1         |              |             |             |              | <b>-0.1</b>  |
| Electricity derivatives                     | 0.7          | 0.2          |             |             |              | <b>0.9</b>   |
| <b>Total</b>                                | <b>228.7</b> | <b>132.4</b> | <b>0.1</b>  | <b>0.0</b>  | <b>0.2</b>   | <b>361.4</b> |

**2014**

| <b>EUR million</b>                          | <b>2015</b> | <b>2016</b>  | <b>2017</b>  | <b>2018</b> | <b>2019–</b> | <b>Total</b> |
|---------------------------------------------|-------------|--------------|--------------|-------------|--------------|--------------|
| Bonds                                       | 11.2        | 161.2        | 104.6        |             |              | <b>277.0</b> |
| Finance lease liabilities                   | 13.1        | 33.3         | 0.0          | 0.0         | 0.7          | <b>47.1</b>  |
| Other liabilities                           | 0.0         | 0.1          |              |             |              | <b>0.2</b>   |
| Trade payables                              | 51.0        |              |              |             |              | <b>51.0</b>  |
| Derivatives:                                |             |              |              |             |              |              |
| Interest rate derivatives (net settled)     | -2.1        | -2.1         |              |             |              | <b>-4.2</b>  |
| Currency derivatives, cash flows payable    | 0.1         |              |              |             |              | <b>0.1</b>   |
| Currency derivatives, cash flows receivable | -2.5        |              |              |             |              | <b>-2.5</b>  |
| Electricity derivatives                     | 0.4         | 0.2          | 0.0          |             |              | <b>0.6</b>   |
| <b>Total</b>                                | <b>71.3</b> | <b>192.7</b> | <b>104.7</b> | <b>0.0</b>  | <b>0.7</b>   | <b>369.3</b> |

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

### Credit and counterparty risk

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

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The book value of trade receivables corresponds to the maximum amount of the credit risk associated with them. Credit losses recognized were EUR 1.0 (2015: 0.7, 2014: 1.5) million.

### Aging of trade receivables:

| EUR million          | 2016         | 2015         | 2014         |
|----------------------|--------------|--------------|--------------|
| Not yet due          | 199.3        | 164.8        | 174.8        |
| 1–30 days overdue    | 19.0         | 21.4         | 15.9         |
| 31–60 days overdue   | 2.0          | 3.0          | 3.0          |
| 61–90 days overdue   | 1.0          | 1.6          | 0.8          |
| 91–180 days overdue  | 1.9          | 0.0          | 0.6          |
| 181–365 days overdue | 3.6          | 0.0          | 0.1          |
| <b>Total</b>         | <b>226.8</b> | <b>190.8</b> | <b>195.3</b> |

## Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2016, 2015 and 2014. The Group's loan agreements do not contain financial covenants.

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

| <b>Net debt</b>                         | <b>2016</b>  | <b>2015,<br/>restated</b> | <b>2014,<br/>restated</b> |
|-----------------------------------------|--------------|---------------------------|---------------------------|
| Interest-bearing liabilities            | 132.1        | 290.3                     | 295.5                     |
| Cash and cash equivalents               | 82.0         | 130.1                     | 98.7                      |
| Investments in maturities over 3 months | 77.9         | 128.8                     | 85.8                      |
| Term deposits                           | 54.7         | 95.0                      | 12.0                      |
| <b>Total</b>                            | <b>-82.5</b> | <b>-63.6</b>              | <b>98.9</b>               |
| Equity ratio, %                         | 54.9         | 46.9                      | 45.0                      |
| Gearing, %                              | -13.6        | -10.9                     | 17.9                      |

## 22. Lease agreements

### Finance leases

#### Finance lease liabilities: minimum lease payments

| EUR million                  | 2016        | 2015        | 2014        |
|------------------------------|-------------|-------------|-------------|
| Less than 1 year             | 13.0        | 14.2        | 13.1        |
| 1–5 years                    | 19.6        | 27.1        | 33.3        |
| More than 5 years            | 0.2         | 0.2         | 0.7         |
| Minimum lease payments total | 32.8        | 41.6        | 47.1        |
| Future interest expenses     | -1.1        | -2.1        | -3.2        |
| <b>Total</b>                 | <b>31.6</b> | <b>39.5</b> | <b>43.9</b> |

#### Present value of minimum lease payments

| EUR million       | 2016        | 2015        | 2014        |
|-------------------|-------------|-------------|-------------|
| Less than 1 year  | 12.3        | 13.2        | 11.8        |
| 1–5 years         | 19.2        | 26.4        | 32.1        |
| More than 5 years | 0.2         | -           | 0.0         |
| <b>Total</b>      | <b>31.6</b> | <b>39.6</b> | <b>43.9</b> |

Finance leases consist mainly of leased transport, production and IT-equipment. Duration of leasing contracts is typically 3–10 years.

**Finance lease receivables: minimum lease income**

| EUR million            | 2016       | 2015       | 2014       |
|------------------------|------------|------------|------------|
| Less than 1 year       | 0.0        | 0.1        | 0.1        |
| 1–5 years              | 0.0        | 0.1        | 0.2        |
| Minimum lease income   | 0.0        | 0.2        | 0.3        |
| Future interest income | 0.0        | -0.0       | -0.0       |
| <b>Total</b>           | <b>0.0</b> | <b>0.2</b> | <b>0.2</b> |

**Maturity of finance lease receivables**

| EUR million      | 2016       | 2015       | 2014       |
|------------------|------------|------------|------------|
| Less than 1 year | 0.0        | 0.1        | 0.1        |
| 1–5 years        | 0.0        | 0.1        | 0.2        |
| <b>Total</b>     | <b>0.0</b> | <b>0.2</b> | <b>0.2</b> |

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

## Operating leases

### Maturity of minimum lease payments

| EUR million       | 2016         | 2015         | 2014         |
|-------------------|--------------|--------------|--------------|
| Less than 1 year  | 76.3         | 71.5         | 78.5         |
| 1–5 years         | 155.4        | 154.7        | 145.5        |
| More than 5 years | 95.0         | 79.5         | 39.9         |
| <b>Total</b>      | <b>326.8</b> | <b>305.7</b> | <b>263.8</b> |

The income statement includes EUR 104.6 (2015: 128.4, 2014: 119.3) million expenses for operating lease agreements. The Group has leased e.g. premises, office equipment and vehicles. The lease period for office equipment and vehicles varies between 2 and 5 years and that for premises until 12 years.

### Maturity of minimum lease payment receivables

| EUR million       | 2016       | 2015       | 2014       |
|-------------------|------------|------------|------------|
| Less than 1 year  | 1.6        | 2.0        | 1.4        |
| 1–5 years         | 0.2        | 0.6        | 0.3        |
| More than 5 years | 0.0        | 0.0        | 2.0        |
| <b>Total</b>      | <b>1.8</b> | <b>2.6</b> | <b>3.7</b> |

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

## 23. Pledges, commitments and other contingent liabilities

| EUR million                   | 2016       | 2015        | 2014        |
|-------------------------------|------------|-------------|-------------|
| Pledges given for own behalf: |            |             |             |
| Bank guarantees               | 3.9        | 6.0         | 7.5         |
| Guarantees                    | 4.2        | 3.9         | 4.0         |
| Pledges                       | 0.2        | 0.9         | 0.8         |
| <b>Total</b>                  | <b>8.3</b> | <b>10.9</b> | <b>12.2</b> |

### Litigation

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

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

On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99.2 million, and the interests claimed amount to approximately EUR 54.1 million on December 31, 2016.

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

### Other contingent liabilities

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

## 24. Related party transactions

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

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

### Transactions with related parties

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

| EUR million                             | 2016 | 2015 | 2014 |
|-----------------------------------------|------|------|------|
| Net sales                               | 2.5  | 2.5  | 2.8  |
| Trade receivables and other receivables | 0.3  | 0.6  | 0.6  |

### Salaries and fees of the management

| EUR million                 | 2016       | 2015       | 2014       |
|-----------------------------|------------|------------|------------|
| President & CEO             | 0.7        | 0.6        | 0.6        |
| Executive Board (excl. CEO) | 2.2        | 2.1        | 1.5        |
| Board of Directors          | 0.4        | 0.3        | 0.3        |
| Supervisory Board           | 0.0        | 0.0        | 0.0        |
| <b>Total</b>                | <b>3.3</b> | <b>3.0</b> | <b>2.4</b> |

**The management's pension commitments**

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

| EUR million                           | 2016 | 2015 | 2014 |
|---------------------------------------|------|------|------|
| Pensions – Defined contribution plans | 0.2  | 0.2  | 0.1  |
| Pensions – Defined benefit plans      | 0.0  | 0.0  | 0.3  |

**The Board of Directors' salaries and fees**

| EUR thousand                 | 2016         | 2015         | 2014         |
|------------------------------|--------------|--------------|--------------|
| Arto Hiltunen (chairman)     | 63.6         | 52.8         | 55.8         |
| Petri Järvinen *)            | 45.0         | 33.6         | 28.4         |
| Petri Kokko *)               | 44.4         | 33.0         | 29.0         |
| Jussi Kuutsa                 | 46.8         | 33.6         | 36.6         |
| Timo Löyttyniemi **)         | -            | -            | 7.7          |
| Kirsi Nuotto ***)            | 45.0         | 26.4         | -            |
| Ilpo Nuutinen **)            | -            | -            | 8.3          |
| Päivi Pesola *****)          | 14.2         | 36.6         | 39.6         |
| Marja Pokela **)             | 46.8         | 33.6         | 29.0         |
| Arja Talma *****)            | 33.3         |              |              |
| Maarit Toivanen-Koivisto **) | -            | -            | 8.3          |
| Riitta Savonlahti *****)     | -            | 7.8          | 36.0         |
| Suvi-Anne Siimes             | 45.0         | 33.6         | 36.0         |
| <b>Total</b>                 | <b>384.1</b> | <b>291.0</b> | <b>314.6</b> |

\*) Board member from 25 March 2014

\*\*) Board member until 25 March 2014

\*\*\*) Board member from 18 March 2015

\*\*\*\*\*) Board member until 18 March 2015

\*\*\*\*\*) Board member from 23 March 2016

\*\*\*\*\*) Board member until 23 March 2016

## 25. Group companies

The Group's parent company is Posti Group Corporation.

| Subsidiaries December 31 2016     | Group's holding % | Country       |
|-----------------------------------|-------------------|---------------|
| Global Mail FP Oy                 | 100               | Finland       |
| GSB Logistics Ltd                 | 100               | Cyprus        |
| Itella Estonia OÜ                 | 100               | Estonia       |
| Itella Logistics AB               | 100               | Sweden        |
| Itella Logistics SIA              | 100               | Latvia        |
| Itella Logistics UAB              | 100               | Lithuania     |
| jCatalog inc.                     | 100               | United States |
| Kuljetus Kovalainen Oy            | 100               | Finland       |
| NLC International Corporation Ltd | 100               | Cyprus        |
| OOO Itella                        | 100               | Russia        |
| OOO Itella Connexions             | 100               | Russia        |
| OOO Itella Express                | 100               | Russia        |
| OOO Kapstroyontazh                | 100               | Russia        |
| OOO MaxiPost                      | 100               | Russia        |
| OOO NLC-Bataisk                   | 100               | Russia        |
| OOO NLC-Ekaterinburg              | 100               | Russia        |
| OOO NLC-Samara                    | 100               | Russia        |
| OOO RED-Krekshino                 | 100               | Russia        |
| OOO Rent-Center                   | 100               | Russia        |
| OOO Terminal Lesnoy               | 100               | Russia        |
| OOO Terminal Sibir                | 100               | Russia        |
| OpusCapita AB                     | 100               | Sweden        |
| OpusCapita Accounting UAB         | 100               | Lithuania     |
| OpusCapita Competence Center OÜ   | 100               | Estonia       |
| OpusCapita Competence Center SIA  | 100               | Latvia        |
| OpusCapita GmbH                   | 100               | Germany       |
| OpusCapita Group Oy               | 100               | Finland       |
| OpusCapita Inkasso AS             | 100               | Norway        |

|                                |     |          |
|--------------------------------|-----|----------|
| OpusCapita IT Solution AS      | 100 | Norway   |
| OpusCapita Kredithanterarna AB | 100 | Sweden   |
| OpusCapita Regnskap AS         | 100 | Norway   |
| OpusCapita s.r.o.              | 100 | Slovakia |
| OpusCapita Services GmbH       | 100 | Germany  |
| OpusCapita Software GmbH       | 100 | Germany  |
| OpusCapita Sp. z o.o.          | 100 | Poland   |
| Posti Global Oy                | 100 | Finland  |
| Posti Kiinteistöt Oy           | 100 | Finland  |
| Posti Kuljetus Oy              | 100 | Finland  |
| Posti Oy                       | 100 | Finland  |
| Svenska Fakturaköp AB          | 100 | Sweden   |
| Veine Jyväskylä Oy             | 100 | Finland  |
| Veine Oy                       | 100 | Finland  |
| Veine Seinäjoki Oy             | 100 | Finland  |
| Veine Tampere Oy               | 100 | Finland  |

| <b>Associated companies 31 Dec 2016</b> | <b>Group's holding %</b> | <b>Country</b> |
|-----------------------------------------|--------------------------|----------------|
| BPO4U AB                                | 50                       | Sweden         |

## 26. Correction of an error

As described in the accounting policies, Posti has noted that its revenue recognition principle formerly applied for stamps and certain other prepaid services has been incorrect. Posti has changed the revenue recognition principle for stamps, franking machines and prepaid envelopes in 2016. The correction was done retrospectively as of January 1, 2014.

The impact of the correction on previously reported figures for years 2015 and 2014 is as follows:

### Consolidated Income Statement Jan 1–Dec 31 2014

| EUR million             | Reported | Restatement | Restated |
|-------------------------|----------|-------------|----------|
| Net sales               | 1,858.7  | 8.4         | 1,867.1  |
| Materials and services  | 526.7    | 0.7         | 527.4    |
| Operating profit (EBIT) | 5.8      | 7.8         | 13.5     |
| Income tax              | 0.2      | -1.6        | -1.4     |
| Result for the period   | -4.4     | 6.2         | 1.8      |

### Consolidated statement of comprehensive income Jan 1–Dec 31 2014

|                                     |       |     |       |
|-------------------------------------|-------|-----|-------|
| Result for the period               | -4.4  | 6.2 | 1.8   |
| Comprehensive income for the period | -81.9 | 6.2 | -75.7 |

### Consolidated Income Statement Jan 1–Dec 31 2015

| EUR million             | Reported | Restatement | Restated |
|-------------------------|----------|-------------|----------|
| Net sales               | 1,650.3  | -1.1        | 1,649.1  |
| Materials and services  | 437.6    | -0.1        | 437.5    |
| Operating profit (EBIT) | 55.9     | -1.0        | 54.8     |
| Income tax              | -7.4     | 0.2         | -7.2     |
| Result for the period   | 36.0     | -0.8        | 35.1     |

**Consolidated statement of comprehensive income Jan 1–Dec 31 2015**

|                                     |      |      |      |
|-------------------------------------|------|------|------|
| Result for the period               | 36.0 | -0.8 | 35.1 |
| Comprehensive income for the period | 30.5 | -0.8 | 29.7 |

**Consolidated Balance Sheet Jan 1 2014**

| EUR million                    | Reported | Restatement | Restated |
|--------------------------------|----------|-------------|----------|
| Deferred tax assets            | 20.6     | 6.6         | 27.2     |
| Total non-current assets       | 927.4    | 6.6         | 934.0    |
| Trade and other receivables    | 311.0    | 2.3         | 313.3    |
| Total current assets           | 488.2    | 2.4         | 490.5    |
| Total assets                   | 1,415.6  | 9.0         | 1,424.6  |
| Retained earnings              | 464.4    | -26.6       | 437.8    |
| Total equity                   | 655.8    | -26.6       | 629.2    |
| Advances received, non current | 0.0      | 16.8        | 16.8     |
| Total non-current liabilities  | 362.8    | 16.8        | 379.6    |
| Advances received, current     | 33.7     | 18.8        | 52.4     |
| Total current liabilities      | 324.2    | 18.8        | 342.9    |
| Total equity and liabilities   | 1,415.6  | 9.0         | 1,424.6  |

**Consolidated Balance Sheet Dec 31 2014**

| <b>EUR million</b>             | <b>Reported</b> | <b>Restatement</b> | <b>Restated</b> |
|--------------------------------|-----------------|--------------------|-----------------|
| Deferred tax assets            | 16.0            | 5.1                | 21.1            |
| Total non-current assets       | 802.2           | 5.1                | 807.3           |
| Trade and other receivables    | 268.5           | 1.7                | 270.2           |
| Total current assets           | 474.3           | 1.7                | 476.0           |
| Total assets                   | 1,291.3         | 6.8                | 1,298.1         |
| Retained earnings              | 455.6           | -20.4              | 435.2           |
| Total equity                   | 573.8           | -20.4              | 553.5           |
| Advances received, non current | 0.0             | 16.7               | 16.7            |
| Total non-current liabilities  | 355.4           | 16.7               | 372.0           |
| Advances received, current     | 40.1            | 10.5               | 50.5            |
| Total current liabilities      | 303.8           | 10.5               | 314.3           |
| Total equity and liabilities   | 1,291.3         | 6.8                | 1,298.1         |

**Consolidated Balance Sheet Dec 31 2015**

| <b>EUR million</b>             | <b>Reported</b> | <b>Restatement</b> | <b>Restated</b> |
|--------------------------------|-----------------|--------------------|-----------------|
| Deferred tax assets            | 18.0            | 5.3                | 23.3            |
| Total non-current assets       | 678.9           | 5.3                | 684.2           |
| Trade and other receivables    | 262.5           | 1.8                | 264.3           |
| Total current assets           | 622.4           | 1.8                | 624.2           |
| Total assets                   | 1,304.8         | 7.1                | 1,311.9         |
| Retained earnings              | 495.2           | -21.2              | 474.0           |
| Total equity                   | 604.4           | -21.2              | 583.2           |
| Advances received, non current | 0.0             | 16.6               | 16.6            |
| Total non-current liabilities  | 188.6           | 16.6               | 205.3           |
| Advances received, current     | 40.1            | 11.6               | 51.7            |
| Total current liabilities      | 282.0           | 11.6               | 293.6           |
| Total equity and liabilities   | 1,304.8         | 7.1                | 1,311.9         |

**Consolidated Statement of Cash Flows Jan 1–Dec 31 2014**

| <b>EUR million</b>                             | <b>Reported</b> | <b>Restatement</b> | <b>Restated</b> |
|------------------------------------------------|-----------------|--------------------|-----------------|
| Result for the period                          | -4.4            | 6.2                | 1.8             |
| Cash flow before change in net working capital | 87.3            | 7.8                | 95.1            |
| Change in net working capital                  | 21.3            | -7.9               | 13.5            |
| Cash flow from operating activities            | 93.2            | 0.0                | 93.2            |

**Consolidated Statement of Cash Flows Jan 1–Dec 31 2015**

| <b>EUR million</b>                             | <b>Reported</b> | <b>Restatement</b> | <b>Restated</b> |
|------------------------------------------------|-----------------|--------------------|-----------------|
| Result for the period                          | 36.0            | -0.8               | 35.1            |
| Cash flow before change in net working capital | 110.7           | -1.0               | 109.8           |
| Change in net working capital                  | -18.2           | 0.8                | -17.5           |
| Cash flow from operating activities            | 81.9            | 0.0                | 81.9            |

## 27. Events after the reporting period

On January 10, 2017, Posti acquired HR Hoiva, which produces home care and personal assistance services for municipalities, joint municipal authorities and private customers.

On January 25, 2017, Posti announced it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprises 308 employees and the reduction need at the start of the negotiations is at most 43 people.

The Government submitted its draft bill for the Postal Act to the Parliament on January 26, 2017. The legislative reform concerns Posti's universal service products. If the proposed legislative amendments were to be implemented, five-day delivery would continue in areas that do not have a delivery network maintained by newspapers, i.e. early-morning delivery of newspapers. The proposal states that, in sparsely populated areas, delivery would be implemented by means of a sourcing procedure arranged by the universal service provider. The delivery speed requirements for letters covered by the universal service obligation would be made more flexible throughout the country, and a reasonable margin would be allowed in the pricing of universal service products. The right to deviate from the requirements pertaining to delivery frequency in areas that are difficult to reach would be made more flexible. Information in the postal code system and the address register system would be opened for better utilization. Apartment buildings could shift to mail delivery to pigeonholes, subject to the housing company's decision. A further proposal is that sending items in braille to people with visual impairments would be made free of charge. The new Postal Act is scheduled to enter into force on June 1, 2017.

On February 14, 2017, Posti announced it will build a terminal of approximately 22,000 m<sup>2</sup> on Suokalliontie in Vantaa. The construction of the terminal is a response to the growth of the freight business and it updates the Group's current business premises to better correspond to operational needs. The new terminal is intended to replace several smaller terminals in the capital region.

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

# Parent Company's Financial Statements, FAS

## Income Statement of the Parent Company

| EUR                                              | Note      | 2016                   | 2015                   |
|--------------------------------------------------|-----------|------------------------|------------------------|
| <b>Net sales</b>                                 | <u>1</u>  | <b>11,322,161.77</b>   | <b>14,183,630.38</b>   |
| Other operating income                           | <u>2</u>  | 799,578.38             | 1,078,437.18           |
| Materials and services                           | <u>3</u>  | -4,689.38              | -9,643.17              |
| Personnel expenses                               | <u>4</u>  | -10,371,681.37         | -8,496,775.34          |
| Depreciation, amortization and impairment losses | <u>5</u>  | -1,085,094.86          | -2,793,007.63          |
| Other operating expenses                         | <u>6</u>  | -15,558,220.01         | -39,681,163.03         |
| <b>Operating profit/loss</b>                     |           | <b>-14,897,945.47</b>  | <b>-35,718,521.61</b>  |
| Financial income and expenses                    | <u>8</u>  | -149,514,688.78        | -68,001,943.10         |
| <b>Profit/loss before appropriations</b>         |           | <b>-164,412,634.25</b> | <b>-103,720,464.71</b> |
| Group contributions                              | <u>9</u>  | 28,500,000.00          | 111,700,000.00         |
| <b>Profit/loss before income tax</b>             |           | <b>-135,912,634.25</b> | <b>7,979,535.29</b>    |
| Income tax                                       | <u>10</u> | -7,269,848.95          | -6,613,937.79          |
| <b>Profit/loss for the financial period</b>      |           | <b>-143,182,483.20</b> | <b>1,365,597.50</b>    |

## Balance Sheet of the Parent Company

| EUR                             | Note               | 31 Dec 2016           | 31 Dec 2015             |
|---------------------------------|--------------------|-----------------------|-------------------------|
| <b>ASSETS</b>                   |                    |                       |                         |
| <b>Non-current assets</b>       |                    |                       |                         |
| Intangible assets               | <a href="#">11</a> | 2,498,200.72          | 2,416,664.45            |
| Tangible assets                 | <a href="#">12</a> | 2,016,633.56          | 2,019,640.42            |
| Investments                     | <a href="#">13</a> | 594,115,671.14        | 756,634,325.94          |
| <b>Total non-current assets</b> |                    | <b>598,630,505.42</b> | <b>761,070,630.81</b>   |
| <b>Current assets</b>           |                    |                       |                         |
| Non-current receivables         | <a href="#">14</a> | 97,263,571.33         | 72,520,046.60           |
| Current receivables             | <a href="#">15</a> | 55,127,618.37         | 168,557,335.76          |
| Current investments             | <a href="#">16</a> | 144,227,058.16        | 264,085,421.32          |
| Cash and bank                   |                    | 13,816.36             | 528,684.91              |
| <b>Total current assets</b>     |                    | <b>296,632,064.22</b> | <b>505,691,488.59</b>   |
| <b>Total assets</b>             |                    | <b>895,262,569.64</b> | <b>1,266,762,119.40</b> |

|                                      |                       |                         |
|--------------------------------------|-----------------------|-------------------------|
| <b>EQUITY AND LIABILITIES</b>        |                       |                         |
| <b>Equity</b>                        | <u>17</u>             |                         |
| Share capital                        | 70,000,000.00         | 70,000,000.00           |
| Fair value reserve                   | 88,688.32             | 68,325.12               |
| Other reserves                       | 142,703,761.93        | 142,703,761.93          |
| Retained earnings                    | 549,442,573.42        | 566,076,975.92          |
| Profit/loss for the financial period | -143,182,483.20       | 1,365,597.50            |
| <b>Total equity</b>                  | <b>619,052,540.47</b> | <b>780,214,660.47</b>   |
| <b>Provisions</b>                    | <u>18</u>             | <b>675,856.90</b>       |
| <b>Liabilities</b>                   |                       |                         |
| Non-current                          | <u>20</u>             | 6,148,486.04            |
| Current                              | <u>21</u>             | 269,385,686.23          |
| <b>Total liabilities</b>             |                       | <b>275,534,172.27</b>   |
| <b>Total equity and liabilities</b>  |                       | <b>895,262,569.64</b>   |
|                                      |                       | <b>1,266,762,119.40</b> |

## Cash Flow Statement of the Parent Company

| EUR                                                                         | 2016                  | 2015                  |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Cash flow from operations</b>                                            |                       |                       |
| Profit/loss before appropriations                                           | -164,412,634.25       | -103,720,464.71       |
| Adjustments:                                                                |                       |                       |
| Depreciation and amortization                                               | 1,085,094.86          | 2,793,007.63          |
| Gains or losses on disposal of fixed assets                                 | 1,363,391.44          | -775,543.66           |
| Financial income (-) and expense (+)                                        | -9,317,845.84         | -28,093,805.06        |
| Impairment losses on non-current investments                                | 158,832,534.62        | 96,095,748.16         |
| Loss on merger                                                              | 0.00                  | 23,275,219.49         |
| Other adjustments                                                           | -574,500.77           | -335,207.50           |
| <b>Cash flow before change in working capital</b>                           | <b>-13,023,959.94</b> | <b>-10,761,045.65</b> |
| Interest-free current receivables, increase (-), decrease (+)               | -6,258,705.31         | -2,722,692.20         |
| Interest-free non-current receivables, increase (-), decrease (+)           | 106,507.61            | 310,980.08            |
| Inventories, increase (-), decrease (+)                                     | 4,386.96              | -1,536.76             |
| Interest-free current liabilities, increase (+), decrease (-)               | 1,252,486.20          | -25,468,153.15        |
| Interest-free non-current liabilities, increase (+), decrease (-)           | 2,029,882.61          | -493,491.12           |
| <b>Change in working capital</b>                                            | <b>-2,865,441.93</b>  | <b>-28,374,893.15</b> |
| <b>Cash flow from operating activities before financial items and taxes</b> | <b>-15,889,401.87</b> | <b>-39,135,938.80</b> |
| Interests paid                                                              | -12,529,507.63        | -12,854,661.42        |
| Interests received                                                          | 9,566,978.65          | 8,461,182.39          |
| Other financial items                                                       | 630,990.33            | 2,294,733.43          |
| Income tax paid                                                             | -15,621,385.37        | -46,130.33            |
| <b>Cash flow from financial items and taxes</b>                             | <b>-17,952,924.02</b> | <b>-2,144,875.93</b>  |

|                                                                           |                        |                       |
|---------------------------------------------------------------------------|------------------------|-----------------------|
| <b>Cash flow from operating activities (A)</b>                            | <b>-33,842,325.89</b>  | <b>-41,280,814.73</b> |
| Investments in tangible and intangible assets                             | -1,163,624.27          | -585,914.63           |
| Proceeds from sale of tangible and intangible assets                      | 0.00                   | 6,268,723.62          |
| Other investments                                                         | -2,500.00              | -28,999,783.81        |
| Proceeds from sale of other investments                                   | 4,958,977.54           | 10,829,350.99         |
| Loans granted                                                             | -48,982,813.77         | -23,072,780.93        |
| Repayments of loan receivables                                            | 22,501,839.66          | 47,592,248.12         |
| Dividends received                                                        | 192,416.00             | 25,788,047.50         |
| <b>Cash flow from investing activities (B)</b>                            | <b>-22,495,704.84</b>  | <b>37,819,890.86</b>  |
| Increases in current loans                                                | 0.00                   | 90,630,776.38         |
| Repayment of current loans                                                | -64,641,007.62         | 0.00                  |
| Repayment of non-current loans                                            | -149,698,500.00        | 0.00                  |
| Dividends paid                                                            | -18,000,000.00         | 0.00                  |
| Group contributions received and paid                                     | 111,700,000.00         | 53,900,000.00         |
| <b>Cash flow from financing activities (C)</b>                            | <b>-120,639,507.62</b> | <b>144,530,776.38</b> |
| <b>Change in cash and cash equivalents (A+B+C)</b>                        | <b>-176,977,538.35</b> | <b>141,069,852.51</b> |
| Change in group cash pool                                                 | 56,604,306.64          | -31,896,200.73        |
| Cash and cash equivalents received in merger                              | 0.00                   | -2,854,856.94         |
| <b>Change in cash and cash equivalents</b>                                | <b>-120,373,231.71</b> | <b>106,318,794.84</b> |
| <b>Cash and cash equivalents at the beginning of the financial period</b> | <b>264,614,106.23</b>  | <b>158,295,311.39</b> |
| <b>Cash and cash equivalents at the end of the financial period</b>       | <b>144,240,874.52</b>  | <b>264,614,106.23</b> |

# Accounting Policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish Accounting legislation.

## Revenue recognition and net sales

Offering services of short duration generates a major part of Posti Group Corporation's revenues. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes, discounts and exchange rate differences.

## Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services, such as income from administration services. Government grants mainly refer to product and business development grants, which are recognized as other operating income.

## Valuation of fixed assets

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

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

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

|                         |           |
|-------------------------|-----------|
| Machinery and equipment | 3–5 years |
|-------------------------|-----------|

Land and water are not subject to depreciation.

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

## Maintenance and renovation expenditure

Normal repair, maintenance and servicing costs are expensed as incurred with the exception of large renovation expenditures which have been capitalized as part of the acquisition cost.

## Leasing

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

## Cash in hand and at banks

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

## Pension schemes

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

## Provisions

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

## Income taxes

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

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

## Foreign currency transactions

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

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

## Financial assets and liabilities

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

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

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

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

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

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

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

## Derivative contracts and hedge accounting

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

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

Changes in the fair value of derivatives that qualify for fair-value hedges as well as changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized in the income statement under financial items. If hedge accounting criteria are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to the income statement during maturity of the derivative. Fair-value hedge accounting has been applied in accordance with Posti Group's risk management policy to hedge the Company's fixed-rate loans.

Certain derivative instruments while entered into for risk management purposes do not qualify hedge accounting. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. In addition, hedge accounting for interest rate swaps was discontinued as of as of 1 July, 2015. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

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

## 1. Net sales by geographical location

|                 | 2016                 | 2015                 |
|-----------------|----------------------|----------------------|
| Finland         | 10,550,621.80        | 13,542,859.46        |
| Russia          | 771,539.97           | 651,897.92           |
| Other countries | 0.00                 | -11,127.00           |
| <b>Total</b>    | <b>11,322,161.77</b> | <b>14,183,630.38</b> |

## 2. Other operating income

|                                                 | 2016              | 2015                |
|-------------------------------------------------|-------------------|---------------------|
| Gains on sale of intangible and tangible assets | 629,442.43        | 833,701.33          |
| Rental income                                   | 64,211.47         | 67,043.64           |
| Other operating income                          | 105,924.48        | 177,692.21          |
| <b>Total</b>                                    | <b>799,578.38</b> | <b>1,078,437.18</b> |

## 3. Materials and services

|                                       | 2016            | 2015            |
|---------------------------------------|-----------------|-----------------|
| Purchases during the financial period | 3,301.34        | 1,329.53        |
| External services                     | 1,388.04        | 8,313.64        |
| <b>Total</b>                          | <b>4,689.38</b> | <b>9,643.17</b> |

## 4. Personnel expenses

|                                                                | 2016                 | 2015                |
|----------------------------------------------------------------|----------------------|---------------------|
| Wages and salaries                                             | 9,929,167.40         | 7,944,462.31        |
| Pension expenses                                               | 88,870.56            | -110,433.70         |
| Other social expenses                                          | 353,643.41           | 662,746.73          |
| <b>Total</b>                                                   | <b>10,371,681.37</b> | <b>8,496,775.34</b> |
| <b>Management remuneration</b>                                 |                      |                     |
| President and CEO                                              | 668,902.00           | 579,875.74          |
| Executive Board (excl. CEO)                                    | 1,582,426.05         | 601,688.79          |
| Board of Directors                                             | 384,153.23           | 291,067.74          |
| Supervisory Board                                              | 25,193.65            | 27,700.00           |
| <b>Total</b>                                                   | <b>2,660,674.93</b>  | <b>1,500,332.27</b> |
| <b>Average number of personnel during the financial period</b> |                      |                     |
| Administrative employees                                       | 55                   | 61                  |
| <b>Total</b>                                                   | <b>55</b>            | <b>61</b>           |

## 5. Depreciation, amortization and impairment losses

|                         | 2016                | 2015                |
|-------------------------|---------------------|---------------------|
| Intangible rights       | 1,082,088.00        | 2,788,070.30        |
| Machinery and equipment | 3,006.86            | 4,937.33            |
| <b>Total</b>            | <b>1,085,094.86</b> | <b>2,793,007.63</b> |

## 6. Other operating expenses

|                                    | 2016                 | 2015                 |
|------------------------------------|----------------------|----------------------|
| Rents and leases                   | 575,095.32           | 657,595.85           |
| Losses on sale of fixed assets     | 1,992,833.87         | 58,157.67            |
| Personnel related costs            | 236,861.53           | 174,889.47           |
| Travelling expenses                | 123,351.89           | 120,105.09           |
| Marketing expenses                 | 740,539.65           | 1,710,796.06         |
| Entertainment expenses             | 25,498.15            | 74,773.44            |
| Facility maintenance expenses      | 13,126.37            | 32,484.02            |
| Office and administrative expenses | 3,686,552.08         | 3,302,100.89         |
| IT operating costs                 | 6,951,260.28         | 9,142,107.23         |
| Loss on merger                     | 0.00                 | 23,275,219.49        |
| Other operating expenses           | 1,213,100.87         | 1,132,933.82         |
| <b>Total</b>                       | <b>15,558,220.01</b> | <b>39,681,163.03</b> |

## 7. Auditors' remuneration

|                | 2016              | 2015              |
|----------------|-------------------|-------------------|
| Audit          | 157,167.31        | 218,354.84        |
| Tax advisory   | 13,406.11         | 0.00              |
| Other services | 269,289.63        | 73,971.47         |
| <b>Total</b>   | <b>439,863.05</b> | <b>292,326.31</b> |

## 8. Financial income and expenses

| Financial income                                                               | 2016                 | 2015                 |
|--------------------------------------------------------------------------------|----------------------|----------------------|
| Dividend income                                                                | 192,416.00           | 25,788,047.50        |
| Interest income                                                                |                      |                      |
| Financial assets at fair value through profit or loss                          | 4,845,837.34         | 5,769,795.22         |
| Loans and receivables                                                          | 5,762,352.44         | 3,359,271.68         |
| Assets held to maturity                                                        | 735,916.86           | 628,205.26           |
| Financial assets available-for-sale                                            | -                    | 7,033.00             |
| Other financial income from Group companies                                    | 1,286,775.83         | 590,331.88           |
| Gains on disposal of financial assets at fair value through profit or loss     | 33,285.84            | 23,078.42            |
| Changes in fair value of financial assets at fair value through profit or loss |                      |                      |
| Investments                                                                    | -                    | 3,104.78             |
| Exchange rate gains                                                            |                      |                      |
| Interest-bearing receivables and liabilities                                   | 7,343,792.52         | 534,580.94           |
| Currency derivatives, non-hedge accounting                                     | 292,102.90           | 3,583,620.42         |
| Change in fair value of loans                                                  | 539,259.54           | 1,275,505.98         |
| <b>Total</b>                                                                   | <b>21,031,739.27</b> | <b>25,788,047.50</b> |

| <b>Financial expense</b>                                                       |                       |                       |
|--------------------------------------------------------------------------------|-----------------------|-----------------------|
| Interest expense                                                               |                       |                       |
| Financial liabilities at amortized cost                                        | 10,547,512.47         | 11,770,492.19         |
| Financial liabilities at fair value through profit or loss                     | 740,366.27            | 1,304,842.82          |
| Other financial expenses on financial liabilities at amortized cost            | 687,239.86            | 674,487.41            |
| Losses on disposal of financial assets at fair value through profit or loss    | 333,720.00            | -                     |
| Changes in fair value of financial assets at fair value through profit or loss |                       |                       |
| Investments                                                                    | 515,136.36            | 855,054.61            |
| Interest rate derivatives, non-hedge accounting                                | 1,897,236.73          | 1,018,607.36          |
| Interest rate derivatives, hedge accounting                                    | -                     | 945,611.93            |
| Exchange rate losses                                                           |                       |                       |
| Interest-bearing receivables and liabilities                                   | 407,210.37            | 3,475,641.50          |
| Currency derivatives, non-hedge accounting                                     | 283,320.66            | 2,834,289.51          |
| Impairment on loans and receivables                                            | 155,134,685.33        | 86,685,490.85         |
| <b>Total</b>                                                                   | <b>170,546,428.05</b> | <b>109,564,518.18</b> |

|                                                           | <b>2016</b> | <b>2015</b> |
|-----------------------------------------------------------|-------------|-------------|
| Change in fair value recognized in the fair value reserve | 25,454.00   | -122,678.58 |
| of which deferred tax                                     | -5,090.80   | 24,535.72   |

## 9. Group contributions

|                                 | <b>2016</b>          | <b>2015</b>           |
|---------------------------------|----------------------|-----------------------|
| Group contributions received    | 28,500,000.00        | 111,700,000.00        |
| Group contributions distributed | 0.00                 | 0.00                  |
| <b>Total</b>                    | <b>28,500,000.00</b> | <b>111,700,000.00</b> |

## 10. Income tax

|                                   | 2016                | 2015                |
|-----------------------------------|---------------------|---------------------|
| Income tax on group contributions | 5,700,000.00        | 22,340,000.00       |
| Income tax on business activities | -1,858,840.27       | -8,284,600.39       |
| Income tax from previous years    | -3,821,614.59       | -15,602.83          |
| Change in deferred tax assets     | 7,250,303.81        | -7,425,858.99       |
| <b>Total</b>                      | <b>7,269,848.95</b> | <b>6,613,937.79</b> |

# 11. Intangible assets

| <b>Intangible rights</b>               | <b>2016</b>          | <b>2015</b>          |
|----------------------------------------|----------------------|----------------------|
| Cost 1 Jan                             | 25,763,723.84        | 28,656,231.10        |
| Additions                              | 70,719.39            | 356,711.45           |
| Disposals                              | -249,958.08          | -3,580,918.71        |
| Transfers between items                | 0.00                 | 331,700.00           |
| <b>Cost 31 Dec</b>                     | <b>25,584,485.15</b> | <b>25,763,723.84</b> |
| Accumulated amortization 1 Jan         | 23,347,059.39        | 23,548,655.05        |
| Accumulated amortization on disposals  | -249,958.08          | -1,899,665.96        |
| Amortization for the financial period  | 1,082,088.00         | 1,698,070.30         |
| <b>Accumulated amortization 31 Dec</b> | <b>24,179,189.31</b> | <b>23,347,059.39</b> |
| <b>Book value 31 Dec</b>               | <b>1,405,295.84</b>  | <b>2,416,664.45</b>  |
| <b>Prepayments</b>                     |                      |                      |
| Cost 1 Jan                             | 2,478,953.26         | 3,728,556.57         |
| Additions                              | 1,092,904.88         | 226,754.84           |
| Disposals                              | 0.00                 | -1,144,658.15        |
| Transfers between items                | 0.00                 | -331,700.00          |
| <b>Cost 31 Dec</b>                     | <b>3,571,858.14</b>  | <b>2,478,953.26</b>  |
| Accumulated impairment 1 Jan           | 2,478,953.26         | 1,388,953.26         |
| Impairment                             | 0.00                 | 1,090,000.00         |
| <b>Accumulated impairment 31 Dec</b>   | <b>2,478,953.26</b>  | <b>2,478,953.26</b>  |
| <b>Book value 31 Dec</b>               | <b>1,092,904.88</b>  | <b>0.00</b>          |
| <b>Total intangible assets</b>         | <b>2,498,200.72</b>  | <b>2,416,664.45</b>  |

## 12. Tangible assets

| Land and water                                      | 2016                | 2015                |
|-----------------------------------------------------|---------------------|---------------------|
| Cost 1 Jan                                          | 891,396.01          | 891,396.01          |
| <b>Cost 31 Dec</b>                                  | <b>891,396.01</b>   | <b>891,396.01</b>   |
| <b>Book value 31 Dec</b>                            | <b>891,396.01</b>   | <b>891,396.01</b>   |
| <b>Machinery and equipment</b>                      |                     |                     |
| Cost 1 Jan                                          | 76,654.54           | 12,584,317.33       |
| Additions                                           | 0.00                | 2,448.34            |
| Disposals                                           | 0.00                | -12,510,111.13      |
| Transfers between items                             | 0.00                | 0.00                |
| <b>Cost 31 Dec</b>                                  | <b>76,654.54</b>    | <b>76,654.54</b>    |
| Accumulated depreciation 1 Jan                      | 72,013.26           | 9,134,374.35        |
| Accumulated depreciation on disposals and transfers | 0.00                | -9,067,298.42       |
| Depreciation for the financial period               | 3,006.86            | 4,937.33            |
| <b>Accumulated depreciation 31 Dec</b>              | <b>75,020.12</b>    | <b>72,013.26</b>    |
| <b>Book value 31 Dec</b>                            | <b>1,634.42</b>     | <b>4,641.28</b>     |
| <b>Other tangible assets</b>                        |                     |                     |
| Cost 1 Jan                                          | 1,189,127.90        | 1,189,127.90        |
| Disposals                                           | 0.00                | 0.00                |
| <b>Cost 31 Dec</b>                                  | <b>1,189,127.90</b> | <b>1,189,127.90</b> |
| Accumulated depreciation 1 Jan                      | 65,524.77           | 65,524.77           |
| <b>Accumulated depreciation 31 Dec</b>              | <b>65,524.77</b>    | <b>65,524.77</b>    |
| <b>Book value 31 Dec</b>                            | <b>1,123,603.13</b> | <b>1,123,603.13</b> |
| <b>Total tangible assets</b>                        | <b>2,016,633.56</b> | <b>2,019,640.42</b> |

## 13. Investments

| <b>Shares in Group companies</b>      | <b>2016</b>           | <b>2015</b>           |
|---------------------------------------|-----------------------|-----------------------|
| Cost 1 Jan                            | 964,154,191.07        | 1,032,517,581.18      |
| Additions                             | 2,637,243.77          | 32,079,105.74         |
| Disposals                             | -6,423,770.65         | -100,442,495.85       |
| <b>Cost 31 Dec</b>                    | <b>960,367,664.19</b> | <b>964,154,191.07</b> |
| Accumulated impairment losses 1 Jan   | 241,990,659.54        | 239,527,042.73        |
| Impairment losses                     | 158,793,529.59        | 92,736,279.13         |
| Reversals of impairments              | -411,401.67           | -90,272,662.32        |
| <b>Book value 31 Dec</b>              | <b>559,994,876.73</b> | <b>722,163,531.53</b> |
| <b>Shares in associated companies</b> |                       |                       |
| Cost 1 Jan                            | 513,245.14            | 513,245.14            |
| Disposals                             | -513,245.14           |                       |
| <b>Cost 31 Dec</b>                    | <b>0.00</b>           | <b>513,245.14</b>     |
| Share of profits or losses 1 Jan      | 1,310,984.87          | 1,310,984.87          |
| Accumulated impairment losses 1 Jan   | -1,017,739.73         | -1,097,739.73         |
| Impairment losses                     | 0.00                  | 80,000.00             |
| Reversal of impairment losses         | -293,245.14           | 0.00                  |
| <b>Book value 31 Dec</b>              | <b>0.00</b>           | <b>220,000.00</b>     |
| <b>Other shares and holdings</b>      |                       |                       |
| Cost 1 Jan                            | 6,609,762.48          | 6,660,306.40          |
| Additions                             | 0.00                  | 28,560.00             |
| Disposals                             | -367,378.77           | -79,103.92            |
| <b>Cost 31 Dec</b>                    | <b>6,242,383.71</b>   | <b>6,609,762.48</b>   |
| Accumulated impairment losses 1 Jan   | 869,968.07            | 660,676.07            |
| Impairment losses                     | 40,000.00             | 209,292.00            |
| Reversal of impairment losses         | -277,378.77           | 0.00                  |
| <b>Book value 31 Dec</b>              | <b>5,609,794.41</b>   | <b>5,739,794.41</b>   |

|                                         |                       |                       |
|-----------------------------------------|-----------------------|-----------------------|
| <b>Receivables from Group companies</b> |                       |                       |
| <b>Capital loan receivables</b>         |                       |                       |
| Cost 1 Jan                              | 28,511,000.00         | 28,511,000.00         |
| Repayments                              | 0.00                  | 0.00                  |
| <b>Cost 31 Dec</b>                      | <b>28,511,000.00</b>  | <b>28,511,000.00</b>  |
| Accumulated impairment losses 1 Jan     | 0.00                  | 0.00                  |
| Reversals of impairment losses          | 0.00                  | 0.00                  |
| <b>Book value 31 Dec</b>                | <b>28,511,000.00</b>  | <b>28,511,000.00</b>  |
| <b>Receivables from others</b>          |                       |                       |
| <b>Capital loan receivables</b>         |                       |                       |
| Cost 1 Jan                              | 0.00                  | 3,070,177.03          |
| Additions                               | 0.00                  | 0.00                  |
| <b>Cost 31 Dec</b>                      | <b>0.00</b>           | <b>3,070,177.03</b>   |
| Impairment losses                       | 0.00                  | 3,070,177.03          |
| <b>Book value 31 Dec</b>                | <b>0.00</b>           | <b>0.00</b>           |
| <b>Total investments</b>                | <b>594,115,671.14</b> | <b>756,634,325.94</b> |

## 14. Non-current receivables

| Receivables from Group companies     | 2016                 | 2015                 |
|--------------------------------------|----------------------|----------------------|
| Loan receivables                     | 95,388,643.96        | 63,288,307.81        |
| <b>Total</b>                         | <b>95,388,643.96</b> | <b>63,288,307.81</b> |
| <b>Receivables from others</b>       |                      |                      |
| Loan receivables                     | 861,122.19           | 861,122.19           |
| Other receivables                    | 2,646.94             | 109,154.55           |
| Deferred tax assets                  | 1,011,158.24         | 8,261,462.05         |
| Other accrued income and prepayments | 0.00                 | 0.00                 |
| <b>Total</b>                         | <b>1,874,927.37</b>  | <b>9,231,738.79</b>  |
| <b>Total non-current receivables</b> | <b>97,263,571.33</b> | <b>72,520,046.60</b> |

## 15. Current receivables

| Receivables from Group companies | 2016                 | 2015                  |
|----------------------------------|----------------------|-----------------------|
| Trade receivables                | 9,298,994.75         | 82,213.75             |
| Loan receivables                 | 407,402.82           | 351,790.61            |
| Interest receivables             | 10,284,392.87        | 5,913,140.44          |
| Other receivables                | 2,379.09             | 41,298,749.45         |
| Prepayments and accrued income   | 28,561,389.17        | 111,700,000.00        |
| <b>Total</b>                     | <b>48,554,558.70</b> | <b>159,345,894.25</b> |
| <b>Receivables from others</b>   |                      |                       |
| Trade receivables                | 53,222.89            | -2,167.80             |
| Other receivables                | 1,090,106.83         | 293,262.97            |
| Prepayments and accrued income   | 5,429,729.95         | 8,920,346.34          |
| <b>Total</b>                     | <b>6,573,059.67</b>  | <b>9,211,441.51</b>   |

|                                                    |                      |                       |
|----------------------------------------------------|----------------------|-----------------------|
| <b>Total current receivables</b>                   | <b>55,127,618.37</b> | <b>168,557,335.76</b> |
| <b>Key items in prepayments and accrued income</b> |                      |                       |
| Interest receivables                               | 1,032,493.89         | 2,339,842.50          |
| Income tax receivable                              | 1,592,303.06         | 0.00                  |
| Other prepayments and accrued income               | 2,804,933.00         | 6,580,503.84          |
| <b>Total</b>                                       | <b>5,429,729.95</b>  | <b>8,920,346.34</b>   |

## 16. Financial instruments and Financial risk management

2016

| EUR million                                | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Assets held to maturity | Financial assets available-for-sale | Financial liabilities at amortized cost | Carrying value | Fair value   | Level |
|--------------------------------------------|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------------------|-----------------------------------------|----------------|--------------|-------|
| <b>Financial assets – non-current</b>      |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Other non-current investments              |                                                                       |                       |                         | 5.6                                 |                                         | 5.6            | 5.6          | 3     |
| Non-current receivables                    |                                                                       | 96.3                  |                         |                                     |                                         | 96.3           | 96.3         |       |
| <b>Non-current financial assets</b>        |                                                                       | <b>96.3</b>           |                         | <b>5.6</b>                          |                                         | <b>101.9</b>   | <b>101.9</b> |       |
| <b>Financial assets – current</b>          |                                                                       |                       |                         |                                     |                                         |                |              |       |
| Trade and other receivables                |                                                                       | 9.7                   |                         |                                     |                                         | 9.7            | 9.7          |       |
| Equity fund investments                    |                                                                       |                       |                         | 0.2                                 |                                         | 0.2            | 0.2          | 3     |
| Currency derivatives, non-hedge accounting | 0.0                                                                   |                       |                         |                                     |                                         | 0.0            | 0.0          | 2     |
| Money market investments                   | 43.5                                                                  |                       |                         |                                     |                                         | 43.5           | 43.5         | 2     |
| Investments in quoted bonds                | 25.5                                                                  |                       |                         |                                     |                                         | 25.5           | 25.5         | 1     |
| Investments in unquoted bonds              | 8.8                                                                   |                       |                         |                                     |                                         | 8.8            | 8.8          | 2     |
| Debt certificates                          |                                                                       |                       | 54.7                    |                                     |                                         | 54.7           | 54.7         |       |
| <b>Current financial assets</b>            | <b>77.9</b>                                                           | <b>9.7</b>            | <b>54.7</b>             | <b>0.2</b>                          |                                         | <b>142.5</b>   | <b>142.5</b> |       |
| Money market investments                   | 11.5                                                                  |                       |                         |                                     |                                         | 11.5           | 11.5         | 2     |
| Cash and bank                              |                                                                       | 0.0                   |                         |                                     |                                         | 0.0            | 0.0          |       |
| <b>Cash and cash equivalents</b>           | <b>11.5</b>                                                           | <b>0.0</b>            |                         |                                     |                                         | <b>11.5</b>    | <b>11.5</b>  |       |
| <b>Total financial assets</b>              | <b>89.3</b>                                                           | <b>106.0</b>          | <b>54.7</b>             | <b>5.8</b>                          | <b>0.0</b>                              | <b>255.8</b>   | <b>255.8</b> |       |

|                                                    |            |            |            |            |  |              |              |              |
|----------------------------------------------------|------------|------------|------------|------------|--|--------------|--------------|--------------|
| <b>Financial liabilities – non-current</b>         |            |            |            |            |  |              |              |              |
| Bonds                                              |            |            |            |            |  | 0.0          | 0.0          |              |
| <b>Non-current borrowings</b>                      |            |            |            |            |  | <b>0.0</b>   | <b>0.0</b>   |              |
| <b>Financial liabilities – current</b>             |            |            |            |            |  |              |              |              |
| Bonds                                              |            |            |            |            |  | 99.9         | 99.9         | 102.1        |
| Liabilities to Group companies                     |            |            |            |            |  | 50.3         | 50.3         | 50.3         |
| Foreign currency derivatives, non-hedge accounting | 0.0        |            |            |            |  |              | 0.0          | 0.0          |
| Trade payables                                     |            |            |            |            |  | 1.3          | 1.3          | 1.3          |
| <b>Current borrowings</b>                          | <b>0.0</b> |            |            |            |  | <b>151.5</b> | <b>151.5</b> | <b>153.7</b> |
| <b>Total financial liabilities</b>                 | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |  | <b>151.5</b> | <b>151.5</b> | <b>153.7</b> |

## 2015

| EUR million                                     | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Assets held to maturity | Financial assets available-for-sale | Financial liabilities at amortized cost | Carrying value | Fair value  | Level |
|-------------------------------------------------|-----------------------------------------------------------------------|-----------------------|-------------------------|-------------------------------------|-----------------------------------------|----------------|-------------|-------|
| <b>Financial assets – non-current</b>           |                                                                       |                       |                         |                                     |                                         |                |             |       |
| Other non-current investments                   |                                                                       |                       |                         | 5.7                                 |                                         | 5.7            | 5.7         | 3     |
| Non-current receivables                         |                                                                       | 64.1                  |                         |                                     |                                         | 64.1           | 64.1        |       |
| <b>Non-current financial assets</b>             |                                                                       | <b>64.1</b>           |                         | <b>5.7</b>                          |                                         | <b>69.9</b>    | <b>69.9</b> |       |
| <b>Financial assets – current</b>               |                                                                       |                       |                         |                                     |                                         |                |             |       |
| Trade and other receivables                     |                                                                       | 0.4                   |                         |                                     |                                         | 0.4            | 0.4         |       |
| Equity fund investments                         |                                                                       |                       |                         | 0.2                                 |                                         | 0.2            | 0.2         | 3     |
| Interest-rate derivatives, non-hedge accounting | 1.9                                                                   |                       |                         |                                     |                                         | 1.9            | 1.9         | 2     |
| Currency derivatives, non-hedge accounting      | 0.1                                                                   |                       |                         |                                     |                                         | 0.1            | 0.1         | 2     |
| Money market investments                        | 81.4                                                                  |                       |                         |                                     |                                         | 81.4           | 81.4        | 2     |
| Investments in quoted bonds                     | 35.8                                                                  |                       |                         |                                     |                                         | 35.8           | 35.8        | 1     |

|                                                    |              |             |             |            |              |              |              |
|----------------------------------------------------|--------------|-------------|-------------|------------|--------------|--------------|--------------|
| Investments in unquoted bonds                      | 9.7          |             |             |            | 9.7          | 9.7          | 2            |
| Debt certificates                                  |              |             | 95.0        |            | 95.0         | 95.0         |              |
| <b>Current financial assets</b>                    | <b>128.9</b> | <b>0.4</b>  | <b>95.0</b> | 0.2        | <b>224.5</b> | <b>224.5</b> |              |
| Money market investments                           | 42.0         |             |             |            | 42.0         | 42.0         | 2            |
| Cash and bank                                      |              | 0.5         |             |            | 0.5          | 0.5          |              |
| <b>Cash and cash equivalents</b>                   | <b>42.0</b>  | <b>0.5</b>  |             |            | <b>42.5</b>  | <b>42.5</b>  |              |
| <b>Total financial assets</b>                      | <b>170.9</b> | <b>65.1</b> | <b>95.0</b> | <b>5.9</b> | <b>0.0</b>   | <b>336.9</b> | <b>336.9</b> |
| <b>Financial liabilities – non-current</b>         |              |             |             |            |              |              |              |
| Bonds                                              |              |             |             |            | 99.8         | 99.8         | 104.1        |
| <b>Non-current borrowings</b>                      |              |             |             |            | <b>99.8</b>  | <b>99.8</b>  | <b>104.1</b> |
| <b>Financial liabilities – current</b>             |              |             |             |            |              |              |              |
| Bonds                                              |              |             |             |            | 150.4        | 150.4        | 154.0        |
| Liabilities to Group companies                     |              |             |             |            | 114.9        | 114.9        | 114.9        |
| Foreign currency derivatives, non-hedge accounting | 0.0          |             |             |            |              | 0.0          | 0.0          |
| Trade payables                                     |              |             |             |            | 0.5          | 0.5          | 0.5          |
| <b>Current borrowings</b>                          | <b>0.0</b>   |             |             |            | <b>151.0</b> | <b>151.0</b> | <b>154.5</b> |
| <b>Total financial liabilities</b>                 | <b>0.0</b>   | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b> | <b>250.7</b> | <b>250.7</b> | <b>258.7</b> |

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

## 17. Equity

|                                                         | 2016                   | 2015                  |
|---------------------------------------------------------|------------------------|-----------------------|
| Share capital 1 Jan                                     | 70,000,000.00          | 70,000,000.00         |
| <b>Share capital 31 Dec</b>                             | <b>70,000,000.00</b>   | <b>70,000,000.00</b>  |
| Fair value reserve and other reserves 1 Jan             | 68,325.12              | 166,467.98            |
| Profit or loss at fair value, other current investments | 20,363.20              | -98,142.86            |
| <b>Fair value reserve 31 Dec</b>                        | <b>88,688.32</b>       | <b>68,325.12</b>      |
| <b>Restricted equity total</b>                          | <b>70,088,688.32</b>   | <b>70,068,325.12</b>  |
| <b>Unrestricted equity</b>                              |                        |                       |
| Other reserves 1 Jan                                    | 142,703,761.93         | 142,703,761.93        |
| <b>Other reserves 31 Dec</b>                            | <b>142,703,761.93</b>  | <b>142,703,761.93</b> |
| Retained earnings 1 Jan                                 | 567,442,573.42         | 566,076,975.92        |
| Dividend distribution                                   | -18,000,000.00         | 0.00                  |
| <b>Retained earnings 31 Dec</b>                         | <b>549,442,573.42</b>  | <b>566,076,975.92</b> |
| <b>Profit/loss for the financial year 31 Dec</b>        | <b>-143,182,483.20</b> | <b>1,365,597.50</b>   |
| <b>Total unrestricted equity</b>                        | <b>548,963,852.15</b>  | <b>710,146,335.35</b> |
| <b>Total equity</b>                                     | <b>619,052,540.47</b>  | <b>780,214,660.47</b> |
| <b>Calculation of distributable equity 31 Dec</b>       |                        |                       |
| Other reserves                                          | 142,703,761.93         | 142,703,761.93        |
| Retained earnings                                       | 549,442,573.42         | 566,076,975.92        |
| Profit/loss for the financial period                    | -143,182,483.20        | 1,365,597.50          |
| <b>Total</b>                                            | <b>548,963,852.15</b>  | <b>710,146,335.35</b> |

## 18. Provisions

|                         | 2016              | 2015                |
|-------------------------|-------------------|---------------------|
| Pension provision       | 305,620.00        | 301,878.00          |
| Restructuring provision | 370,236.90        | 580,760.88          |
| Other provisions        | 0.00              | 569,281.25          |
| <b>Total</b>            | <b>675,856.90</b> | <b>1,451,920.13</b> |

## 19. Deferred tax assets and liabilities

| Deferred tax assets        | 2016                | 2015                |
|----------------------------|---------------------|---------------------|
| From provision             | 135,171.38          | 290,384.03          |
| From impairments           | 118,517.86          | 0.00                |
| From temporary differences | 497,333.76          | 7,971,078.02        |
| Other items                | 260,135.24          | 0.00                |
| <b>Total</b>               | <b>1,011,158.24</b> | <b>8,261,462.05</b> |

| Deferred tax liabilities | 2016             | 2015             |
|--------------------------|------------------|------------------|
| Valuation to fair value  | 22,172.08        | 17,081.28        |
| <b>Total</b>             | <b>22,172.08</b> | <b>17,081.28</b> |

## 20. Non-current liabilities

|                               | 2016                | 2015                  |
|-------------------------------|---------------------|-----------------------|
| Bonds                         | 0.00                | 99,771,766.37         |
| Deferred tax liability        | 22,172.08           | 17,081.28             |
| Other non-current liabilities | 6,126,313.96        | 4,096,431.35          |
| <b>Total</b>                  | <b>6,148,486.04</b> | <b>103,885,279.00</b> |

| Liabilities, maturity more than 5 years |             |             |
|-----------------------------------------|-------------|-------------|
| Bonds                                   | -           | -           |
| <b>Total</b>                            | <b>0.00</b> | <b>0.00</b> |

## 21. Current liabilities

| <b>Amounts owed to Group companies</b>           | <b>2016</b>           | <b>2015</b>           |
|--------------------------------------------------|-----------------------|-----------------------|
| Trade payables                                   | 100,759.91            | -92,802.66            |
| Interest liabilities                             | 80,707.88             | 309,852.77            |
| Other liabilities                                | 162,666,443.87        | 209,949,515.21        |
| Accruals and deferred income                     | 66,191.17             | 68,683.71             |
| <b>Total</b>                                     | <b>162,914,102.83</b> | <b>210,235,249.03</b> |
| <b>Amounts owed to others</b>                    |                       |                       |
| Bonds                                            | 99,881,255.73         | 150,422,779.87        |
| Trade payables                                   | 1,177,454.71          | 607,288.80            |
| Other liabilities                                | 1,585,872.46          | 2,340,730.92          |
| Accruals and deferred income                     | 3,827,000.50          | 17,604,211.18         |
| <b>Total</b>                                     | <b>106,471,583.40</b> | <b>170,975,010.77</b> |
| <b>Total current liabilities</b>                 | <b>269,385,686.23</b> | <b>381,210,259.80</b> |
| <b>Key items in other liabilities</b>            |                       |                       |
| Payroll and related social costs                 | 209,369.41            | 225,124.68            |
| VAT-liability                                    | 1,317,770.14          | 2,018,671.90          |
| Other liabilities                                | 58,732.91             | 96,934.34             |
| <b>Total</b>                                     | <b>1,585,872.46</b>   | <b>2,340,730.92</b>   |
| <b>Key items in accruals and deferred income</b> |                       |                       |
| Payroll and related social costs                 | 2,904,773.69          | 1,501,921.94          |
| Accrued interests                                | 291,438.36            | 1,303,922.36          |
| Tax liabilities                                  | 0.00                  | 14,009,537.17         |
| Other accruals and deferred income               | 630,788.45            | 788,829.71            |
| <b>Total</b>                                     | <b>3,827,000.50</b>   | <b>17,604,211.18</b>  |

|                                     |                       |                       |
|-------------------------------------|-----------------------|-----------------------|
| <b>Interest-bearing liabilities</b> |                       |                       |
| Non-current liabilities             | 0.00                  | 99,771,766.37         |
| Current liabilities                 | 150,189,191.11        | 265,371,722.87        |
| <b>Total</b>                        | <b>150,189,191.11</b> | <b>365,143,489.24</b> |

## 22. Pledged assets, commitments and other liabilities

| <b>Pledges given for Group companies</b> | <b>2016</b>           | <b>2015</b>           |
|------------------------------------------|-----------------------|-----------------------|
| Guarantees                               | 257,896,481.00        | 225,930,060.00        |
| <b>Total</b>                             | <b>257,896,481.00</b> | <b>225,930,060.00</b> |
| <b>Pledges given for others</b>          |                       |                       |
| Guarantees                               |                       |                       |
| Others                                   | 0.00                  | 100,000.00            |
| <b>Total</b>                             | <b>0.00</b>           | <b>100,000.00</b>     |
| <b>Lease contracts unpaid amounts</b>    |                       |                       |
| Payable within one year                  | 120,726.82            | 153,460.80            |
| Payable in later years                   | 85,156.05             | 170,133.32            |
| <b>Total</b>                             | <b>205,882.87</b>     | <b>323,594.12</b>     |
| <b>Rental liabilities</b>                | <b>815.00</b>         | <b>815.00</b>         |
| <b>Other commitments</b>                 | <b>26,424.00</b>      | <b>26,424.00</b>      |
| <b>Derivative contracts</b>              |                       |                       |
| <b>Currency forward contracts</b>        |                       |                       |
| Fair value                               | -22,766.52            | 28,182.99             |
| Nominal value                            | 4,569,869.96          | 8,561,928.25          |
| <b>Interest rate swaps</b>               |                       |                       |
| Fair value                               | 0.00                  | 1,897,236.73          |
| Nominal value                            | 0.00                  | 70,000,000.00         |

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

### **Litigation**

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

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

On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99.2 million, and the interests claimed amount to approximately EUR 54.1 million on December 31, 2016.

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

## 23. Shares and holdings of Posti Group Corporation

### Company name and domicile

| Group companies                         | Number of shares | Ownership (%) | Book value            |
|-----------------------------------------|------------------|---------------|-----------------------|
| Global Mail FP Oy, Helsinki             | 4,200            | 99.92         | 122,838,632.95        |
| OpusCapita Group Oy, Helsinki           | 1,868            | 100.00        | 110,975,397.77        |
| Itella Logistics AB, Tukholma           | 4,000            | 100.00        | 1,781.31              |
| Itella Logistics SIA, Riika             | 20               | 100.00        | 317,422.45            |
| Itella Logistics UAB, Vilna             | 1,000            | 100.00        | 45,658.00             |
| Posti Kiinteistöt Oy, Helsinki          | 103,488          | 100.00        | 192,730,895.55        |
| NLC International Corporation, Limassol | 3,844            | 100.00        | 1.00                  |
| Posti Oy, Helsinki                      | 2,538,295        | 100.00        | 106,659,037.70        |
| Posti Global Oy, Helsinki               | 999              | 99.90         | 26,423,550.00         |
| Posti Kuljetus Oy                       | 500              | 100.00        | 2,500.00              |
| <b>Total</b>                            |                  |               | <b>559,994,876.73</b> |

### Other companies

|                                                |       |       |                     |
|------------------------------------------------|-------|-------|---------------------|
| As. Oy Raison Keskuslähiö, Raisio              | 6,350 | 9.77  | 33,000.00           |
| Huhtakeskus Oy, Jyväskylä                      | 328   | 3.28  | 60,000.00           |
| KOY Elimäen Matkakaari, Elimäki                | 2,700 | 11.09 | 30,000.00           |
| Cooperative Vereniging IPC, Amsterdam          | 5     | 0.05  | 6,040.80            |
| East Office of Finnish Industries Oy, Helsinki | 1     |       | 10,000.00           |
| Helsinki Halli Oy, Helsinki                    | 19    | 0.03  | 238,826.85          |
| Kiinteistö Oy Turun Monitoimihalli, Turku      | 2     | 0.04  | 136,703.15          |
| Kouvola Innorail Oy, Kouvola                   |       |       | 5,080.00            |
| Vierumäki Golf Oy, Helsinki                    | 7     | 0.06  | 61,516.41           |
| Oy Samlink Ab, Espoo                           | 8,590 | 5.88  | 5,000,067.20        |
| Golfsarfvik                                    | 1     |       | 28,560.00           |
| <b>Total</b>                                   |       |       | <b>5,609,794.41</b> |

# Board of Directors' proposal

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

According to the financial statements for 2015, the parent company's distributable funds total EUR 548,963,852.15 of which the loss for the financial year accounts for EUR 143,182,483.20.

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

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 60,000,000.00 to be distributed and EUR 488,693,852.15 retained in the shareholders' equity.

---

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

Helsinki, 7 March 2017

Arto Hiltunen  
Chairman

Heikki Malinen  
President & CEO

Petri Järvinen

Petri Kokko

Kirsi Nuotto

Marja Pokela

Suvi-Anne Siimes

Arja Talma

Our auditor's report has been issued today.

Helsinki, 7 March 2017

PricewaterhouseCoopers Oy  
Authorized Public Accountants

Merja Lindh  
Authorized Public Accountant

# Auditor's report

## Translation from the Finnish Original

To the Annual General Meeting of Posti Group Corporation

## Report on the audit of the financial statements

### Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

### What we have audited

We have audited the financial statements of Posti Group Corporation (business identity code 1531864-4) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

### Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

| Key audit matter in the audit of the Group                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Deferred revenue associated with advance customer payments arising from stamps and other prepaid services</b></p> <p>Refer to <a href="#">Accounting policies</a> and to <a href="#">note 26</a> in the consolidated financial statements for the related disclosures.</p> <p>The Group recognizes the revenue for certain prepaid services, including stamps, franking machines and prepaid envelopes, based on their estimated usage. Estimated usage is based on a statistical model that incorporates historical sales and usage volumes and price changes. The unperformed services are accrued as a deferred revenue liability on the balance sheet.</p> <p>The amount of the liability is based on a statistical sampling that has been carried out to consumers, small businesses and associations.</p> <p>Deferred revenue is presented on the balance sheet as current and non-current. The portion of the prepaid services that are estimated to be performed within the next 12 months is presented as a current liability. The rest of the liability is presented as noncurrent.</p> <p>We determined this to be a key audit matter, because revenue recognition method involves material uncertainty due to several assumptions included in the model.</p> | <p>We assessed the methodology and assumptions used to determine the number of unused stamps and other prepaid services held at the balance sheet date. We used our own statistical specialists and held discussions with the company representatives to assist us in evaluating the methodologies used by the Group.</p> <p>We examined the statistical sampling as well as the third party confirmations requested. We tested independently price and revenue data used in the model.</p> <p>We tested the mathematical accuracy of the model.</p> |

## Goodwill valuation

Refer to Accounting policies and to [note 10](#) in the consolidated financial statements for the related disclosures.

At 31 December 2016 the Group's goodwill balance is valued at 214 million euro and is allocated to the Group's five cash-generating units.

The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying amount may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined by using a value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates.

We have determined this to be a key audit matter because goodwill has grown due to acquisitions especially in OpusCapita CGU. Our work is focused on the risk that goodwill may be overstated in this CGU. The goodwill allocated to OpusCapita CGU amounts to 123 million euro.

Our audit focused on assessing the appropriateness of management's judgement and estimates used in the goodwill impairment analysis through the following procedures:

- We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculation;
- We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors;
- We tested the key underlying management assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period;
- We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic;
- We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and
- The discount rates applied within the model were assessed by PwC business valuation specialists, including comparison external benchmarks as appropriate.
- We also considered the appropriateness of the related disclosures provided in [note 10](#) in the financial statements.

## Impairment testing of Posti's cash generating unit Itella Russia

Refer to Accounting policies.

Itella Russia is a cash generating unit with most of its significant assets relating to real estate investments in several locations, following the impairment of all goodwill in prior years.

Due to the uncertainties in the Russian market, Posti has determined that it is not possible to determine the value in use for Itella Russia as a whole. Management has therefore determined that the appropriate method to test Itella Russia's long-lived assets for impairment is using the fair value less cost to sell method.

Posti has engaged external, independent and qualified valuers to determine the fair value of its real estate property in Russia each year. The valuation is performed at a minimum annually on an asset by asset basis and the valuation method takes into consideration the current market prices in each active market for the properties.

We have determined this to be a key audit matter because the volatility of the real estate market in Russia.

Management has requested broker's opinions of values for the real estate owned by Itella Russia. We evaluated the competency, qualifications and experience and objectivity of the property valuation experts used. In additions, we have evaluated the methods and assumptions used.

We compared the book values of real estate owned by Itella Russia to the market values provided by the property valuation expert.

### **Uncertainty regarding the utilization of deferred tax assets**

Refer to Accounting policies and to [note 13](#) in the consolidated financial statements for the related disclosures.

At 31 December 2016 the Group has recognized deferred tax assets amounting to 14 million euro of which 5 million euro relate to losses carried forward.

At 31 December 2016 the Group has unused tax losses of 153 million euro for which it has not recognized deferred tax asset.

Posti assesses at each balance sheet date the expected utilization of deferred tax assets considering the likelihood of expected future taxable profits and positions taken in tax returns being sustained.

We determined this to be a key audit matter because of significant judgements that relate primarily to tax losses carried forward generated in some of Posti's foreign operations, and whether these tax loss carry-forwards will be utilized in these jurisdictions or in Finland.

We assessed the available tax losses carried forward with special focus on the most judgmental balances in this regard.

We considered the local expiry periods together with any applicable restrictions in recovery.

In addition, our audit procedures included evaluating and challenging management's:

- forecasts about the future taxable profits and the possibilities to use tax losses; and
- assessment of the outcome of positions taken in tax returns

## Legal contingencies

Refer to [note 23](#) in the consolidated financial statements for the related disclosures.

The Group has disclosed that it is involved in a dispute concerning the refund of value-added taxes.

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

The total amount of the compensations claimed in the Court of Appeals is approximately 99 million euro, and the interests claimed amount to approximately 54 million euro on December 31, 2016.

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

We have determined this to be a key audit matter because the claims and interests are material and the outcome of this litigation is uncertain.

We examined how the Group has handled the claims and evaluated the Group's conclusions relating to the dispute concerning the refund of value-added taxes.

We considered the claims and tested the mathematical accuracy and underlying assumptions of the interest calculations.

In addition, we examined correspondence between the Group and its external legal counsel.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the Group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the Group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Other opinions

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Members of the Administrative Board, the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 7 March 2017

**PricewaterhouseCoopers Oy**

Authorised Public Accountants

Merja Lindh

Authorised Public Accountant

## Statement by the Supervisory Board

At its meeting today, the Supervisory Board of Posti Group Corporation has considered the Board of Directors' Report, Financial Statements and the Auditors' Report for 2016 of Posti Group Corporation.

The Supervisory Board proposes to the 2017 Annual General Meeting that the Income Statement and Balance Sheet for 2016 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 16 March 2017

Markku Rossi  
Chairman of the Supervisory Board

# Investor information

Posti's financial reports follow the International Financial Reporting Standards. As an issuer of a publicly listed bond, Posti is obligated to disclose periodic information to a limited extent. The bond (EUR 100 million) was issued in November 2011 and listed on Nasdaq Helsinki in January 2012.

This disclosure obligation is based on the Finnish Securities Market Act and the rules and regulations of Nasdaq Helsinki.

Posti fulfills its obligation to disclose periodic information by publishing financial statements and quarterly interim reports as stock exchange releases.

Posti's financial communications policy is available in full at [www.posti.com/financials](http://www.posti.com/financials).

## Financial calendar in 2017

Posti publishes its financial statement bulletin 2016 on Tuesday, February 28, 2017 at 12:00 EET and its financial statement on Wednesday, March 8, 2017 at 9:00 EET. The Annual Report 2016 is published on company's website on week 12.

Interim reports in 2017 are published as follows:

January–March: Friday, April 28, 2017 at 9:00 EET

January–June: Thursday, July 27, 2017 at 12:00 EET

January–September: Thursday, October 26, 2017 at 9:00 EET

## Silent period

Posti has a silent period of 21 days before each quarterly financial report announcement. During the silent period, Posti refrains from making any contacts with or comments to investors, analysts and the media about the company's business prospects or financial results.

## Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 23, 2016. Posti deviates from the Finnish Corporate Governance Code in that notices concerning its Annual General Meeting and the related notes are not published on its website because Posti is a state-owned company and therefore has only one shareholder.

The tasks and resolutions of the Annual General Meeting are available [www.posti.com/agm](http://www.posti.com/agm).

## Contact information for financial communications

### Finance:

Sari Helander, sari.helander (at) posti.com

Jutta Tuominen, jutta.tuominen (at) posti.com

### Communications and stakeholder relations:

Timo J. Anttila, timo.anttila (at) posti.com

Hanna Kauko, hanna.kauko (at) posti.com



[posti.com](https://posti.com)