

Posti Group Corporation Interim Report January-September 2015



**Posti Group's result satisfactory
while net sales decreased**



POSTI GROUP CORPORATION INTERIM REPORT, JANUARY–SEPTEMBER 2015
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Posti Group Corporation Interim Report Q3/2015

July–September 2015

- The Group's net sales decreased by 14.2% and amounted to EUR 373.5 (435.1) million in July–September. Comparable net sales, excluding the international freight business, decreased by 7.5%.
- Net sales decreased by 4.2% in Postal Services, by 21.4% in Parcel and Logistics Services and by 37.8% in Itella Russia, and increased by 0.6% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 8.6%. The comparable net sales of Parcel and Logistics Services decreased by 4.3%.
- The operating result before non-recurring items improved to EUR 9.6 (6.8) million, or 2.6% (1.6%) of net sales.
- The operating result before non-recurring items declined to EUR 5.7 (7.5) million in Postal Services, to EUR -1.4 (2.7) million in Itella Russia and to EUR 4.2 (5.1) million in OpusCapita. The operating result before non-recurring items improved to EUR 2.1 (-6.8) million in Parcel and Logistics Services.
- The operating result was weighed down by non-recurring items amounting to EUR -11.8 (-14.1) million, including EUR -7.6 million in impairment losses in Russia and an EUR -8.5 million adjustment in gain on real estate sale concluded on April 22, 2015.
- The operating result for the third quarter improved and amounted to EUR -2.2 (-7.4) million, or -0.6% (-1.7%) of net sales.

January–September 2015

- The Group's net sales decreased by 11.1% and amounted to EUR 1,215.6 (1,367.0) million in January–September. Comparable net sales, excluding the international freight business, decreased by 5.9%.
- Parcel services volume grew by 4%. Mail delivery volumes continued to decline as expected. In Finland and Russia, the situation in the logistics market remained weak. The ruble depreciated by 47% compared to the previous year.
- Net sales decreased by 3.3% in Postal Services, by 16.8% in Parcel and Logistics Services and by 32.9% in Itella Russia, and increased by 0.5% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 6.8%. The comparable net sales of Parcel and Logistics Services decreased by 3.2%.
- The operating result before non-recurring items declined and amounted to EUR 23.3 (27.3) million, or 1.9% (2.0%) of net sales.
- The operating result before non-recurring items improved to EUR 31.6 (29.0) million in Postal Services and to EUR 1.0 (-9.1) million in Parcel and Logistics Services. The operating result before non-recurring items declined to EUR -4.3 (0.4) million in Itella Russia and to EUR 11.1 (16.6) million in OpusCapita.
- The operating result for the period was improved by non-recurring items in the amount of EUR 22.9 (-32.4) million. The most significant of these items was a real estate sale, on April 22, 2015, where Posti Group sold and leased back its postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula.
- The operating result for January–September was EUR 46.2 (-5.1) million, or 3.8% (-0.4%) of net sales.
- Cash flow from operating activities was EUR 29.2 (50.7) million.
- In June, the Board of Directors of Posti Group approved the company's strategic goals for 2015–2017.
- On April 30, 2015, Posti Group Corporation sold its road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland, to the Danish company NTG Nordic Transport Group.
- Posti launched a renewal of its retail network. Going forward, Posti will operate 21 postal outlets of its own, and services will be transferred to partners at 77 outlets.

- On April 30, 2015, OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp.
- Vice President of the Operations unit Yrjö Eskola was appointed as a member of the Posti Group Corporation Executive Board as of July 1, 2015.
- Patrik Sallner was appointed CEO of OpusCapita. Sallner took up his post as CEO on October 5, 2015.
- The name of the company was changed to Posti Group Corporation on January 1, 2015. From January 1, 2015, the names of the business groups are: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. Since the beginning of 2015, Posti Group Corporation's result is reported on the basis of the new business groups.

	7-9	7-9	1-9	1-9	1-12
	2015	2014	2015	2014	2014
Net sales, EUR million	373.5	435.1	1,215.6	1,367.0	1,858.7
Operating result (non-IFRS), EUR million*	9.6	6.8	23.3	27.3	50.8
Operating result (non-IFRS), %*	2.6	1.6	1.9	2.0	2.7
Operating result (EBIT), EUR million	-2.2	-7.4	46.2	-5.1	5.8
Operating result (EBIT), %	-0.6	-1.7	3.8	-0.4	0.3
Result before taxes, EUR million	-7.0	-10.1	37.2	-12.2	-4.6
Result for the period, EUR million	-1.1	-9.1	31.7	-8.9	-4.4
Return on equity (12 months), %			5.9	1.4	-0.7
Return on invested capital (12 months), %			6.3	1.3	1.0
Equity ratio, %			48.8	47.2	45.9
Gearing, %			8.1	19.9	17.2
Gross capital expenditure, EUR million	11.8	12.0	43.7	42.9	57.5
Average number of employees			22,482	25,132	24,617
*) Non-IFRS = excluding non-recurring items					

Heikki Malinen, President and CEO:

“Posti Group Corporation’s operating result in July–September improved to EUR 9.6 million from EUR 6.8 million in the corresponding period last year. The improved result is a fairly good achievement under the circumstances, as the Group’s net sales continued to decline and the market situation remained very difficult.

The most significant factor behind the better result is the improved result of the Parcel and Logistics Services business group. The operating result before non-recurring items returned to profitable territory in July–September and through the first three quarters of the year in spite of the decline in net sales. This gives us confidence that we are moving in the right direction.

We have made determined efforts in the logistics business to improve the efficiency of our loss-making operations. As part of these efficiency improvement measures, the Group has divested its international freight business and scaled back its network of terminals in Finland. The business group’s result was also affected favorably by the increased demand for parcel services.

With regard to logistics, we can now say that all of the major restructuring measures have been completed. Logistics will remain a core business for Posti, and one of the objectives of our new strategy is to seek synergies and new growth in local logistics, food logistics and warehouse logistics services.

We are continuing to implement efficiency improvement measures throughout the Group under the EUR 75



million program that is currently underway. Efficiency improvement measures are necessary for compensating for the decline in net sales. In postal services, the operating result showed a seasonal decline in July–September. Cost adaptation measures have not been sufficient to compensate for the loss of net sales resulting from the decline in volume.

As competition in the postal services market increases and new players enter the industry, we must maintain Posti's competitiveness and cost-effectiveness as a service provider. Our current collective agreement is too inflexible to respond to the new needs that today's customers expect us to satisfy with regard to the services we provide. The new collective agreement must facilitate greater flexibility in shift planning to allow us to better react to changes in customer demand, avoid delivery disruptions, and develop new service business.

In spite of the entry of new delivery service providers in the postal industry, our greatest challenge remains the trend of digitization, which will move letters, invoices and publications to the online realm at a tremendous rate in the coming years. The new strategy we announced in the summer is Posti's roadmap for operating in a digital Finland. Rather than simply adapting to these changes, Posti aims to actively take advantage of digitization in its services, production operations and operating methods."

APPENDICES

Posti Group's Interim Report in full

FURTHER INFORMATION

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FINANCIAL CALENDAR IN 2016

Financial statements for 2015: February 12, 2016
January–March: April 29, 2016
January–June: July 18, 2016
January–September: October 31, 2016

IMAGES AND LOGOS

www.posti.com/media

Posti Group is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 10 countries. Our net sales in 2014 amounted to EUR 1,859 million. We employ approximately 23,000 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. All our services in Finland are carbon neutral. www.posti.com.

Interim Report for January–September 2015

Market situation and business environment

The overall economic situation has remained weak throughout the year in Finland, which is reflected as lower mail and freight volumes for Posti. The market situation in Russia remains weak. The closing rate of the ruble was down 47% year-on-year.

Posti's parcel services volume grew by 4% (1%) year-on-year. Posti delivered 24.2 million parcels in January–September. The use of parcel points increased, with the number of parcels growing by 48% year-on-year.

The volumes of addressed letter items decreased, -7% (-10%). The volumes of unaddressed deliveries increased by +6% (-32%) as a result of Postinen, which was launched in March. Newspaper delivery volumes declined significantly, by -30% (-9%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes decreased by -8% (-10%).

OpusCapita transmitted a total of 400 million transactions in January–September. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. Growth is the fastest in the volumes of electronic invoices. The electronic transaction volume was 141 million transactions, which represents 35% of OpusCapita's total transaction volume.

Profit performance and net sales in July–September

The Group's net sales in July–September amounted to EUR 373.5 (435.1) million. Net sales decreased by 14.2%. In local currencies, the decline in net sales was 10.7%. Comparable net sales, excluding the international freight business, decreased by 7.5%.

Net sales decreased in Postal Services, Parcel and Logistics Services and Itella Russia. Net sales grew in OpusCapita.

The operating result before non-recurring items was EUR 9.6 (6.8) million, or 2.6% (1.6%) of net sales. The operating result before non-recurring items declined in Postal Services, Itella Russia and OpusCapita. The operating result before non-recurring items improved in Parcel and Logistics Services.

Posti Group sold a logistics property in Norway on July 1, 2015, and a logistics property in Borås, Sweden, on September 1, 2015. The transaction had a positive effect on the third quarter result. In line with its strategy, Posti is exiting the logistics business in Sweden and Norway. The non-recurring items also include EUR -7.6 million in impairment losses in Russia and an EUR -8.5 million adjustment in gain on real estate sale concluded on April 22, 2015.

The operating result was EUR -2.2 (-7.4) million, or -0.6% (-1.7%) of net sales. The result before taxes was EUR -7.0 (-10.1) million.

Profit performance and net sales in January–September

The Group's net sales in January–September amounted to EUR 1,215.6 (1,367.0) million. Net sales decreased by 11.1%. In local currencies, the decline in net sales was 8.3%. Comparable net sales, excluding the international freight business, decreased by 5.9%.

Net sales decreased in Postal Services, Parcel and Logistics Services and Itella Russia. Net sales grew in OpusCapita. Net sales declined by 5% in Finland and by 31.8% in other countries. The decrease in net sales was particularly attributable to the divestment of international freight operations and the substantial year-on-year depreciation of the ruble. International operations accounted for 17.4% (27.6%) of net sales.

The operating result before non-recurring items was EUR 23.3 (27.3) million, or 1.9% (2.0%) of net sales.

Non-recurring items recognized during the period totaled EUR 22.9 (-32.4) million. The most significant item was a real estate sale, on April 22, 2015, where Posti Group sold and leased back its postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula. The transaction price was EUR 120 million. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR 46.2 (-5.1) million, or 3.8% (-0.4%) of net sales.

The Group's net financial costs amounted to EUR 9.0 (7.1) million.



The Group's operating result for the period was EUR 31.7 (-8.9) million.

Return on equity stood at 5.9% (1.4%).

As of the beginning of 2015, services that fall under the universal service obligation exist both in Postal Services and Parcel and Logistics Services. Operations under the universal service obligation amounted to EUR 96.7 (88.3) million, which was 8% of the entire Group's net sales.

Progress of the performance improvement program

The Group has a performance improvement program for 2015–2016 underway, aiming at EUR 75 million in cost savings. The aims include achieving synergy benefits through the consolidation of operations, improving the efficiency of Posti's retail network and ICT function, achieving savings in sourcing, and simplifying the product portfolio. More than half of the savings target was achieved by the end of September.

Posti's warehousing services commenced cooperation negotiations on March 3, 2015, concerning 59 people in total. The negotiations led to the dismissal of 10 employees. Cooperation negotiations concerning the personnel of the Group's own retail outlets in relation to the renewal of the retail network commenced on April 28, 2015. The negotiations were completed on June 16, 2015, and the need for personnel reductions was determined to be 319 employees. Cooperation negotiations commenced in Posti's Operations on June 3, 2015, concerning the freight terminal network. The negotiations were completed on August 3, 2015, and the need for personnel reductions is 10 permanent employees.

Cooperation negotiations commenced on January 26, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit led to the dismissal of nine employees in total.

Cooperation negotiations commenced by OpusCapita on May 21, 2015, regarding the restructuring of the Finnish digitizing production unit of Customer Service & Operations were concluded on June 16, 2015. The outcome of the negotiations was that the need for personnel reductions is 15 permanent employees.

Cooperation negotiations commenced on August 13, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit were completed on September 23, 2015. The outcome

of the negotiations was that the need for personnel reductions on financial and production-related grounds is 11 permanent employees.

Postal Services

July–September

The Postal Services business group's net sales in July–September declined by 4.2% to EUR 161.6 (168.6) million. The decrease in net sales was due to a decline in the domestic delivery product volume. Chinese e-commerce deliveries to Russia started this year.

The business group's operating result before non-recurring items declined and amounted to EUR 5.7 (7.5) million. Non-recurring items recognized during the period totaled EUR 0.7 (0.0) million. Cost adaptation measures have not fully compensated for the decline in the volume of domestic delivery products.

The operating result was EUR 6.4 (7.5) million.

January–September

The Postal Services business group's net sales in January–September declined by 3.3% and amounted to EUR 535.0 (553.5) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. The volumes of addressed letters, newspapers and magazines decreased significantly compared to the previous year. The volumes of electronic letters and unaddressed deliveries grew. The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Since the beginning of March, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week. Chinese e-commerce deliveries to Russia started this year.

The business group's operating result before non-recurring items improved to EUR 31.6 (29.0) million. Non-recurring items recognized during the period totaled EUR 0.9 (0.0) million. The result was boosted by the strong result of the first quarter of the year, improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2015.

The operating result was EUR 32.5 (29.0) million.

In January–September, the delivery volumes of postal items developed as follows compared to the corresponding period in the previous year:

- Addressed letters, -7% (-10%)
- Unaddressed direct marketing, +6% (-32%)
- Newspapers, -30% (-9%)
- Magazines, -8% (-10%)
- Electronic letters, +4% (+5%)

The volumes of addressed letter items decreased, -7% (-10%). The volumes of unaddressed deliveries increased significantly as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -30% (-9%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by 8% (-10%).

The number of Netposti users increased by 7% year-on-year and stood at 622,000 at the end of September.

Parcel and Logistics Services

July–September

The Parcel and Logistics Services business group's net sales in July–September decreased by 21.4% and amounted to EUR 137.5 (174.9) million. Comparable net sales, excluding the international freight business, decreased by 4.3%.

Parcel services volume grew by 2.5% year-on-year. Posti delivered 7.8 million parcels in July–September. Parcel volumes grew in both consumer parcels and parcels sent by businesses.

In domestic freight, the total volume of the national market continued to decline, which had a negative effect on net sales. In addition, the share of net sales represented by fuel surcharges declined year-on-year due to fuel prices remaining at a lower level. The net sales of the warehousing business decreased from the previous year due to a decline in processing volumes as well as fill rates. Net sales were reduced by the general economic situation and the divestment of international freight operations, which was finalized in the second quarter.

The business group's operating result before non-recurring items improved to EUR 2.1 (-6.8) million. The improvement was particularly attributable to the divestment of international freight operations, improved operational efficiency in Finland, and higher parcel services volume. Non-recurring items

recognized during the period totaled EUR 2.2 (-3.8) million.

The business group's operating result improved to EUR 4.3 (-10.7) million.

January–September

The Parcel and Logistics Services business group's net sales in January–September declined by 16.8% and amounted to EUR 448.1 (538.4) million. Comparable net sales, excluding the international freight business, decreased by 3.2%.

Net sales were reduced by the divestment of international freight operations, which was finalized in the second quarter. In domestic freight, the total volume of the national market continued to decline, which had a negative effect on net sales. In addition, the share of net sales represented by fuel surcharges declined due to lower fuel prices. The net sales of the warehousing business declined from the previous year.

Net sales grew in parcel services. Posti delivered 24.2 million parcels in January–September. The use of parcel points increased, with the number of parcels growing by 48% year-on-year. Posti's parcel services volume grew by 4% (1%) year-on-year.

The business group's operating result before non-recurring items improved to EUR 1.0 (-9.1) million. The improved operating result was particularly attributable to the divestment of international freight operations, higher demand for parcel services, and measures implemented by the Group to increase the efficiency of production operations.

The operating result was affected by non-recurring expenses arising from the restructuring of Posti's retail network and the sale of international freight operations. Non-recurring items recognized during the period totaled EUR -11.4 (-4.9) million.

The business group's operating result improved to EUR -10.4 (-14.0) million.

On April 15, 2015, Posti Group Corporation signed an agreement to sell its road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland, to the Danish company NTG Nordic Transport Group.

On April 23, 2015, Posti announced it will renew its retail network. As part of the renewal, Posti will



expand its network by approximately 100 new service points and transfer services at 77 of its own postal outlets to be managed by partners. Going forward, Posti will operate 21 postal outlets of its own.

Posti had 1,406 service points at the end of September. After 23 new parcel points were taken into use in January–September, their number totaled 482 at the end of the third quarter.

Itella Russia

July–September

Measured in local currency, Itella Russia's net sales decreased by 8.6% in July–September. The decrease in net sales was due to the general weak economic situation as well as lower demand for air and sea freight and lower warehouse handling volumes. Operational efficiency in warehousing was improved. At the end of September, the fill rate for warehouses in the Moscow area was 89%, which was the highest level this year. The fill rate for all warehouses in Russia was at a good level at the end of September, at over 88%.

Euro-denominated net sales decreased by 37.8% to EUR 29.3 (47.2) million.

The business group's operating result before non-recurring items was EUR -1.4 (2.7) million. The weaker result was attributable to lower volumes as well as the development of the ruble exchange rate and currency-linked lease expenses.

The operating result was EUR -9.0 (2.7) million, including EUR 7.6 million in impairment losses. The majority of the impairment losses were allocated to customer relationships capitalized in conjunction with the acquisition of Itella Russia.

January–September

Measured in local currency, Itella Russia's net sales decreased by 6.8% in January–September. The decrease in net sales was due to weak demand for transport services and low processing volumes in warehousing operations. The current expectation is that volumes will remain low until the end of the year and will not show the seasonal growth that is typical of the market.

By September 30, 2015, the closing rate of the Russian ruble had declined by 47% year-on-year. Euro-denominated net sales decreased by 32.9% to EUR 88.1 (131.3) million.

The business group's operating result before non-recurring items was EUR -4.3 (0.4) million. The weaker operating result was attributable to lower volumes as well as the development of the ruble exchange rate and currency-linked lease expenses.

The average warehouse fill rate in January–September was 83% in Moscow and 85% in other areas.

The operating result declined and amounted to EUR -12.2 (0.3) million, including EUR 7.6 million in impairment losses. The majority of the impairment losses were allocated to customer relationships capitalized in conjunction with the acquisition of Itella Russia.

Itella Russia's investments amounted to EUR 1.9 (2.2) million.

OpusCapita

July–September

OpusCapita's net sales grew by 0.6 percent in July–September and amounted to EUR 60.8 (60.4) million. Some 59% of the net sales are from Finland, while the remaining 41% is from other countries.

Non-recurring items recognized during the period totaled EUR -0.5 (-2.0) million. The operating result before non-recurring items declined to EUR 4.2 (5.1) million.

The decline in the operating result was attributable to a decline in volumes in the traditional printing business in all countries of operation. The result of the outsourcing business was reduced by extra personnel expenses related to customer projects. Investments in development programs related to supply chain financing solutions, robotics and internationalization increased.

The operating result improved to EUR 3.8 (3.0) million. The improved result was attributable to non-recurring expenses being lower than in the previous year.

OpusCapita ceased its operations in Slovakia on September 30, 2015.

January–September

OpusCapita's net sales grew by 0.5% in January–September and amounted to EUR 193.5 (192.5) million.

Continuous service business operations made up 94% of OpusCapita's net sales. This includes multi-channel invoicing and invoice management solutions for paper and electronic invoices, as well as software maintenance fees, and regularly invoiced outsourcing services.

OpusCapita transmitted a total of 400 million transactions in January–September. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 141 million transactions, which represents 35% of OpusCapita's total transaction volume. Growth was fastest in the volumes of electronic invoices with a cumulative growth rate of 9%.

Non-recurring items recognized during the period totaled EUR -1.4 (-3.8) million. The operating result before non-recurring items declined to EUR 11.1 (16.6) million.

The operating result declined to EUR 9.7 (12.7) million.

On April 30, 2015, OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp. The acquisitions see OpusCapita further strengthen its offering in Order-to-Cash management. The acquired companies bring strong industry expertise from the Swedish market to OpusCapita.

Patrik Sallner was appointed as OpusCapita's CEO effective from October 5, 2015.

OpusCapita's investments amounted to EUR 5.7 (4.0) million. The investments were related to development projects, both for customers and the company's own processes, as well as licenses.

Key Figures for Business Groups (EUR million)	7-9/2015	7-9/2014	Change	1-9/2015	1-9/2014	Change
Net sales						
Postal Services	161.6	168.6	-4.2%	535.0	553.5	-3.3%
Parcel and Logistics Services	137.5	174.9	-21.4%	448.1	538.4	-16.8%
Itella Russia	29.3	47.2	-37.8%	88.1	131.3	-32.9%
OpusCapita	60.8	60.4	0.6%	193.5	192.5	0.5%
Other operations	2.0	10.1	-80.3%	6.7	33.1	-79.8%
Intra-Group sales	-17.7	-26.1		-55.8	-81.8	
Posti Group	373.5	435.1	-14.2%	1,215.6	1,367.0	-11.1%
Operating result (non-IFRS)*						
Postal Services	5.7	7.5	-24.0%	31.6	29.0	8.7%
Parcel and Logistics Services	2.1	-6.8	-	1.0	-9.1	-
Itella Russia	-1.4	2.7	-	-4.3	0.4	-
OpusCapita	4.2	5.1	-16.5%	11.1	16.6	-33.2%
Other operations	-1.1	-1.7	-	-16.1	-9.6	-
Posti Group	9.6	6.8	41.1%	23.3	27.3	-14.7%
Operating result (EBIT)						
Postal Services	6.4	7.5	-14.6%	32.5	29.0	11.7%
Parcel and Logistics Services	4.3	-10.7	-	-10.4	-14.0	-
Itella Russia	-9.0	2.7	-	-12.2	0.3	-

OpusCapita	3.8	3.0	24.5%	9.7	12.7	-23.9%
Other operations	-7.7	-9.9	-	26.6	-33.2	-
Posti Group	-2.2	-7.4	-	46.2	-5.1	-
Operating result (non-IFRS), %*						
Postal Services	3.5%	4.4%		5.9%	5.2%	
Parcel and Logistics Services	1.5%	-3.9%		0.2%	-1.7%	
Itella Russia	-4.6%	5.7%		-4.8%	0.3%	
OpusCapita	7.0%	8.4%		5.7%	8.6%	
Posti Group	2.6%	1.6%		1.9%	2.0%	
Operating result (EBIT), %						
Postal Services	4.0%	4.4%		6.1%	5.2%	
Parcel and Logistics Services	3.1%	-6.1%		-2.3%	-2.6%	
Itella Russia	-30.7%	5.7%		-13.8%	0.2%	
OpusCapita	6.2%	5.0%		5.0%	6.6%	
Posti Group	-0.6%	-1.7%		3.8%	-0.4%	

*) Non-IFRS = excluding non-recurring items

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 29.2 (50.7) million.

Capital expenditure amounted to EUR 38.7 (32.5) million. The Group invested in vehicles, production projects and parcel points in January–September. Investments were also made in terminal improvement projects and the transport fleet.

Proceeds from divestments totaled EUR 135.8 million. The most significant item was a real estate sale on April 22, 2015, where Posti Group sold and leased back its postal centers in Tampere, Kuopio, and Oulu, as well as its warehouse in Tuusula and the freight terminal in Pirkkala that is estimated to be completed in late 2016.

At the end of September, liquid assets totaled EUR 221.7 (161.9) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 290.6 (295.1) million. The equity ratio was 48.8% (47.2%), and gearing was 8.1% (19.9%).

Employees

At the end of September, the Group employed 21,187 (23,459) people. The Group's average number of personnel was 22,482 (25,132). At the end of September, a total of 4,781 (5,119) employees worked outside Finland. The number of employees working in Finland was 16,406 (18,340).

Personnel distribution was as follows:

Postal Services	74 (101)
Parcel and Logistics Services	1,474 (1,951)
Itella Russia	2,708 (2,921)
OpusCapita	2,171 (2,112)
Other functions (Operations and Group Functions)	14,760 (16,374)

Other functions includes both Group Functions and employees in Operations. Employees in Operations were transferred to other functions on January 1, 2015.

The Group's personnel expenses decreased by EUR 67.7 million, or by 10.7% year-on-year. Personnel expenses included restructuring costs in the amount of EUR 7.3 (22.0) million. Excluding

restructuring costs, personnel expenses declined by 8.7% year-on-year.

In January 2014, Posti launched the Uusi polku (New path) program, which offers not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of September 2015, 1,195 employees had applied for the program and 797 had been approved.

Changes in corporate structure

On April 30, 2015, Posti Group Corporation sold KH Fur Oy as part of selling its international freight business to the Danish company NTG Nordic Transport Group.

On April 30, 2015, OpusCapita Group Ltd acquired Kredithanterarna i Stockholm AB and Svenska Fakturaköp AB.

The holdings of the Group's Russian business companies were transferred from Cyprus to Finland in May. Following this transaction, the Group's Cyprus-based companies no longer own any shares in operative companies.

Posti Group sold the Norwegian real estate company Snipetjernveien 2 AS on July 1, 2015, and the Swedish real estate company Fastighets AB Vindtunneln on September 1, 2015.

Norian Regnskap AS, which is part of OpusCapita, sold the Swedish company Redovia Group AB on September 1, 2015.

Business risks

The business risks are described in the Group's 2014 Financial Statements. Certain specifications have been made to the risks thereafter in relation to the announcement of Posti's strategy in June 2015.

Key strategic risks were related to the decline in postal delivery volumes, which progressed more rapidly than expected, as well as the economic recession and other changes related to markets or the business environment that were unexpected or more extensive than anticipated. Other strategic risks are related to Posti's competitive ability, Posti's ability to implement its strategy and develop new business models and its corporate culture, as well as regulation by the authorities. Operational risks are primarily related to

profitability, the renewal of ICT operations, and business interruptions and other disruptions.

In 2014, the Finnish Government issued a postal delivery license to three of Posti's competitors, which enables competition in addressed deliveries. In Posti's view, issuing the postal licenses with one-day delivery obligation reduces Posti's opportunities to profitably provide services that fall under the universal service obligation in accordance with the Finnish Postal Act. For this reason, the decision increases the need for efficiency measures.

Continued economic recession 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 this risk.

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

In logistics, unexpected changes related to domestic transport and to increasing international competition as well as the ensuing decline in volumes in the Nordic countries are also seen as risks.

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. Our goal is to ensure successful integration through careful monitoring.

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.

In accordance with the Group's financial policy, equity investments in subsidiaries are not hedged. Ruble hedging costs remain high, and the Group has discontinued the hedging of both the parent company's ruble-denominated receivables and local transaction risk in Russia for the time being.

Posti continues to invest in Russia in line with its strategy. Our risk management measures include the continuous monitoring of developments and trends, the increasing monitoring of critical processes and solid establishment in the Russian market through our own companies, employees and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment and regular compliance training for employees.

OpusCapita's capacity to develop the outsourcing of financial processes and the related processes during a period of rapid growth involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations. 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. 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.

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 materialized, in a fire, for example, 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.

The existing collective agreement concluded with the Finnish Post and Logistics Union PAU will

expire at the end of October 2015. The agreement covers a significant proportion of Posti's employees in Finland. Any protraction of the negotiations concerning the renewal of this pivotal agreement may have a negative impact on Posti's operations and lead to consequences such as lost net sales and significant non-recurring expenses.

Outlook for the rest of the year

The Group's business is characterized by seasonality. Net sales and operating profit in the business groups are not accrued evenly over the year. In postal services and consumer parcels, the first and fourth quarters, in particular, are typically strong, while the second and third quarters are weaker in comparison. The first quarter of 2015 was stronger than usual with respect to seasonal factors.

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

Comparable net sales in euros for 2015 are expected to decrease significantly compared to 2014. The Group's operating result before non-recurring items is expected to remain on par with the previous year if the negotiations on the collective agreement reach a conclusion without significant operational disruption. There is uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2015 will continue to include significant non-recurring items.

Capital expenditure is expected to increase from 2014.

Helsinki, October 30, 2015

Posti Group Corporation
Board of Directors

APPENDICES

Key figures of Posti Group
Consolidated income statement and consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated cash flow statement
Consolidated statement of changes in equity
Notes to the Interim Report

Interim Report for January-September 2015

Key figures of Posti Group

	7-9 2015	7-9 2014	1-9 2015	1-9 2014	1-12 2014
Net sales, MEUR	373,5	435,1	1 215,6	1 367,0	1 858,7
Operating result (non-IFRS), MEUR *)	9,6	6,8	23,3	27,3	50,8
Operating result (non-IFRS), % *)	2,6	1,6	1,9	2,0	2,7
Operating result (EBIT), MEUR	-2,2	-7,4	46,2	-5,1	5,8
Operating result (EBIT), %	-0,6	-1,7	3,8	-0,4	0,3
Result before taxes, MEUR	-7,0	-10,1	37,2	-12,2	-4,6
Result for the period, MEUR	-1,1	-9,1	31,7	-8,9	-4,4
Return on equity (12 months), %			5,9	1,4	-0,7
Return on invested capital (12 months), %			6,3	1,3	1,0
Equity ratio, %			48,8	47,2	45,9
Gearing, %			8,1	19,9	17,2
Gross capital expenditure, MEUR	11,8	12,0	43,7	42,9	57,5
Employees on average			22 482	25 132	24 617

*) Non-IFRS = excluding non-recurring items, see note 2.

Consolidated Income Statement

EUR million	7-9 2015	7-9 2014	1-9 2015	1-9 2014	1-12 2014
Net sales	373,5	435,1	1 215,6	1 367,0	1 858,7
Other operating income	-2,2	4,5	53,3	9,7	12,6
Materials and services	99,5	130,5	321,7	390,0	526,7
Employee benefits	167,9	197,8	565,4	633,1	847,8
Depreciation and amortisation	20,0	21,9	61,3	64,8	86,0
Impairment losses	7,6	2,5	8,7	2,5	4,4
Other operating expenses	78,4	94,3	265,6	291,4	400,5
Operating result (EBIT)	-2,2	-7,4	46,2	-5,1	5,8
% of net sales	-0,6 %	-1,7 %	3,8 %	-0,4 %	0,3 %
Financial income and expenses	-4,7	-2,8	-9,0	-7,1	-10,4
Result before income tax	-7,0	-10,1	37,2	-12,2	-4,6
% of net sales	-1,9 %	-2,3 %	3,1 %	-0,9 %	-0,2 %
Income tax	5,8	1,1	-5,5	3,3	0,2
Result for the financial period	-1,1	-9,1	31,7	-8,9	-4,4
% of net sales	-0,3 %	-2,1 %	2,6 %	-0,7 %	-0,2 %

Consolidated Statement of Comprehensive Income

Result for the financial period	-1,1	-9,1	31,7	-8,9	-4,4
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Available-for-sale financial assets	0,0	1,2	-0,1	1,2	0,3
Change in fair value of cash flow hedges	-0,1	-	0,0	-	-
Translation differences	-22,5	-11,6	-2,2	-17,3	-73,3
Tax effect	0,0	-0,2	0,0	-0,2	-0,1
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains and losses	0,1	-0,8	1,6	-2,6	-5,4
Tax effect	0,0	0,2	-0,3	0,5	1,1
Comprehensive income for the financial period	-23,7	-20,3	30,7	-27,4	-81,9

Consolidated Statement of Financial Position

EUR million	30 Sept 2015	30 Sept 2014	31 Dec 2014
Non-current assets			
Goodwill	185,7	179,8	183,1
Other intangible assets	51,3	60,1	59,4
Investment property	10,5	11,2	11,0
Property, plant and equipment	421,9	576,7	516,4
Other non-current investments	5,7	5,9	5,9
Non-current receivables	80,7	11,7	10,5
Deferred tax assets	23,8	30,1	16,0
Total non-current assets	779,8	875,5	802,2
Current assets			
Inventories	5,2	6,3	5,1
Trade and other receivables	258,5	292,7	268,5
Income tax receivables	1,6	11,9	1,7
Financial assets available-for-sale	0,4	0,5	0,3
Financial assets held to maturity	20,0	8,0	12,0
Financial assets at fair value through profit or loss	142,0	71,7	88,0
Cash and cash equivalents	79,6	91,7	98,7
Total current assets	507,4	482,8	474,3
Non-current assets classified as held for sale	-	16,3	14,7
Total assets	1 287,1	1 374,6	1 291,3
Equity			
Share capital	70,0	70,0	70,0
Contingency reserve	142,7	142,7	142,7
Fair value reserve	0,1	0,9	0,2
Translation differences	-96,8	-38,6	-94,6
Retained earnings	488,5	453,3	455,6
Total equity	604,5	628,4	573,8
Non-current liabilities			
Deferred tax liabilities	24,2	37,9	31,6
Non-current interest-bearing loans	278,9	285,8	283,5
Other non-current liabilities	11,2	12,5	11,4
Non-current provisions	15,3	11,7	12,6
Defined benefit pension plan liabilities	14,6	13,3	16,3
Total non-current liabilities	344,2	361,2	355,4
Current liabilities			
Current interest-bearing loans	11,7	9,3	12,0
Trade payables and other liabilities	303,5	354,1	343,9
Income tax payables	19,4	9,6	0,3
Current provisions	3,9	12,0	6,0
Total current liabilities	338,4	385,0	362,1
Total liabilities	682,6	746,2	717,5
Total equity and liabilities	1 287,1	1 374,6	1 291,3

Consolidated Cash Flow Statement

EUR million	1-9 2015	1-9 2014	1-12 2014
Result for the financial period	31,7	-8,9	-4,4
Adjustments to cash flow	38,1	66,6	91,7
Change in net working capital	-38,9	8,2	21,3
Cash flow before financial items and income tax	30,9	65,8	108,6
Financial items (net)	0,7	-1,2	-10,5
Income tax paid	-2,4	-13,9	-4,9
Cash flow from operating activities	29,2	50,7	93,2
Purchase of intangible assets	-13,5	-5,7	-11,4
Purchase of property, plant and equipment	-25,2	-26,9	-31,5
Proceeds from sale of intangible and tangible assets	121,9	1,7	1,9
Business acquisitions	-3,5	-	-3,6
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	13,9	0,7	0,7
Financial assets at fair value through profit or loss	-56,9	16,0	0,2
Financial assets held to maturity	-83,0	-8,0	-12,0
Cash flow from other investments	3,3	3,8	9,5
Cash flow from investing activities	-42,9	-18,3	-46,3
Change in loans (net)	4,1	-12,3	-12,3
Payments of finance lease liabilities	-8,9	-7,5	-10,9
Cash flow from financing activities	-4,8	-19,8	-23,2
Change in cash and cash equivalents	-18,5	12,5	23,7
Cash and cash equivalents at the beginning of the period	98,7	81,0	81,0
Effect of changes in exchange rates	-0,6	-1,8	-5,9
Cash and cash equivalents at the end of the period	79,6	91,7	98,7

Consolidated Statement of Changes in Equity

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity 1 January 2014	70,0	142,7	0,0	-21,3	464,4	655,8
Comprehensive income						
Result for the financial period					-8,9	-8,9
Other items of Comprehensive income:						
Change in fair value reserve			1,0			1,0
Change in translation differences				-17,3		-17,3
Actuarial gains and losses					-2,1	-2,1
Comprehensive income for the financial period			1,0	-17,3	-11,0	-27,4
Equity 30 September 2014	70,0	142,7	0,9	-38,6	453,3	628,4
Equity 1 January 2015	70,0	142,7	0,2	-94,6	455,6	573,8
Comprehensive income						
Result for the financial period					31,7	31,7
Other items of Comprehensive income:						
Change in fair value reserve			-0,1			-0,1
Change in translation differences				-2,2		-2,2
Actuarial gains and losses					1,2	1,2
Comprehensive income for the financial period			-0,1	-2,2	33,0	30,7
Equity 30 September 2015	70,0	142,7	0,1	-96,8	488,5	604,5

Notes

1. Accounting Principles

The interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in financial statements for 2014 with the exception of the below described changes in segment reporting. The Group has applied the currently valid IFRS standards and interpretations in the preparation of this interim report. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim report is unaudited. The amendments to IFRS standards effective as of 1 January 2015 had no impact on this interim report.

Changes in segment reporting

From January 1, 2015, Posti Group operates under a new organisational structure. The business groups are Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. Consequently, Posti Group reports segment information according to the new organisational structure. Previously reported segments Itella Mail Communications and Itella Logistics ceased to be reported and were replaced with new segments Postal Services and Parcel and Logistics Services. Comparative financial information of the new segments for the financial year 2014 has been published in Q1 2015 interim report.

2. Segment Information

EUR million	7-9 2015	7-9 2014	1-9 2015	1-9 2014	1-12 2014
Net sales by business segment					
Postal Services	161,6	168,6	535,0	553,5	769,0
inter-segment sales	-13,0	-12,5	-40,3	-38,2	-51,3
Parcel and Logistics Services	137,5	174,9	448,1	538,4	722,7
inter-segment sales	0,0	-0,2	-0,2	-0,6	-0,9
Itella Russia	29,3	47,2	88,1	131,3	172,0
inter-segment sales	0,0	-0,1	0,0	-0,3	-0,4
OpusCapita	60,8	60,4	193,5	192,5	259,6
inter-segment sales	-2,7	-3,3	-8,6	-9,8	-12,8
Other operations	2,0	10,1	6,7	33,1	48,6
inter-segment sales	-2,0	-10,1	-6,7	-32,8	-47,9
Total eliminations	-17,7	-26,1	-55,8	-81,8	-113,3
Total	373,5	435,1	1 215,6	1 367,0	1 858,7
Operating result by business segment (non-IFRS) *)					
Postal Services	5,7	7,5	31,6	29,0	66,0
Parcel and Logistics Services	2,1	-6,8	1,0	-9,1	-21,7
Itella Russia	-1,4	2,7	-4,3	0,4	2,5
OpusCapita	4,2	5,1	11,1	16,6	20,0
Other operations	-1,1	-1,7	-16,1	-9,6	-16,0
Total	9,6	6,8	23,3	27,3	50,8
Non-recurring items by business segment					
Postal Services	-0,7	0,0	-0,9	0,0	-0,1
Parcel and Logistics Services	-2,2	3,8	11,4	4,9	12,5
Itella Russia	7,7	0,0	7,9	0,1	0,1
OpusCapita	0,5	2,0	1,4	3,8	7,3
Other operations	6,6	8,3	-42,7	23,6	25,2
Total	11,8	14,1	-22,9	32,4	45,0

Operating result (EBIT) by business segment

Postal Services	6,4	7,5	32,5	29,0	66,1
Parcel and Logistics Services	4,3	-10,7	-10,4	-14,0	-34,2
Itella Russia	-9,0	2,7	-12,2	0,3	2,4
OpusCapita	3,8	3,0	9,7	12,7	12,7
Other operations	-7,7	-9,9	26,6	-33,2	-41,2
Total	-2,2	-7,4	46,2	-5,2	5,8

Financial income and expenses

Financial income and expenses	-4,7	-2,8	-9,0	-7,1	-10,4
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Result for the financial period	-1,1	-9,1	31,7	-8,9	-4,4
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EUR million

	30 Sept 2015	30 Sept 2014	31 Dec 2014
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Assets

Postal Services	266,6	403,1	390,8
Parcel and Logistics Services	295,7	339,5	321,4
Itella Russia	131,1	212,2	149,4
OpusCapita	174,6	166,0	171,5
Non-current assets classified as held for sale	-	16,3	14,7
Other operations and unallocated	427,3	248,6	248,2
Eliminations	-8,1	-11,1	-4,7
Total	1 287,1	1 374,6	1 291,3

Liabilities

Postal Services	151,6	180,4	165,4
Parcel and Logistics Services	110,3	144,6	143,7
Itella Russia	17,7	32,4	22,2
OpusCapita	36,8	36,9	42,1
Other operations and unallocated	374,4	362,9	348,7
Eliminations	-8,1	-11,1	-4,7
Total	682,6	746,2	717,5

Personnel at end of the period

Postal Services	74	101	106
Parcel and Logistics Services	1 474	1 951	1 902
Itella Russia	2 708	2 921	2 920
OpusCapita	2 171	2 112	2 292
Other operations	14 760	16 374	16 069
Total	21 187	23 459	23 289

*) Non-IFRS = excluding non-recurring items

3. Acquired businesses and business divestments

Acquired businesses 2015

Posti Group's subsidiary, OpusCapita Group Oy, acquired Swedish companies Kredithanterarna and Svenska Fakturaköp on 30th April, 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.

Analysis of net assets acquired

Effect on assets

EUR million	Fair value
Intangible assets	2,5
Property, plant and equipment	0,0
Receivables	1,0
Cash and cash equivalents	0,4
Effect on assets	4,0

Effect on liabilities

EUR million	
Deferred tax liability	0,5
Non-current liabilities	0,4
Trade payables and other liabilities	0,8
Effect on liabilities	1,7
Net assets acquired	2,2

Components of acquisition cost

EUR million	
Cash consideration	4,4
Earn-out consideration (estimated)	1,4
Total cost of acquisition	5,8
Fair value of net assets acquired	2,2
Goodwill	3,6

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	4,4
Cash and cash equivalents of the acquired subsidiary	0,4
Cash flow	-4,0

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 30th April, 2015. Also the shares of a subsidiary KH Fur Oy were sold. The divestment had one-off negative impact on Group's second quarter result and cash flows.

4. Impairments

Third quarter result was affected by impairment expenses of EUR 7.6 million, included in Itella Russia - segment. The most substantial impaired assets were customer relationships, which were impaired to zero value. The forecasted cash flows from these customer relationships decreased below their book value. The fair value was determined based on data that is not based on verifiable market data (level 3).

5. Net sales by geographical location

EUR million	7-9 2015	7-9 2014	1-9 2015	1-9 2014	1-12 2014
Finland	286,3	310,8	927,4	990,4	1 358,8
Scandinavia	30,6	47,5	113,6	157,6	211,5
Russia	29,2	47,1	87,9	131,1	171,8
Other countries	27,3	29,7	86,8	87,9	116,5
Total	373,5	435,1	1 215,6	1 367,0	1 858,7

6. Changes in property, plant and equipment

EUR million	30 Sept 2015	30 Sept 2014	31 Dec 2014
Carrying amount on 1 January	516,4	625,5	625,5
Additions	30,3	37,3	46,3
Disposals and transfers between items	-74,8	-18,9	-66,9
Depreciation and impairment	-49,2	-51,1	-68,4
Translation differences	-0,8	-16,0	-20,1
Carrying amount at the end of the period	421,9	576,7	516,4

7. Fair values of interest-bearing loans

EUR million	Carrying amount 30 Sept 2015	Fair value 30 Sept 2015	Carrying amount 30 Sept 2014	Fair value 30 Sept 2014	Carrying amount 31 Dec 2014	Fair value 31 Dec 2014
Non-current interest-bearing loans						
Bonds	250,3	259,5	251,7	265,0	251,3	263,6
Finance lease liabilities	28,2	28,2	33,9	33,9	32,1	32,1
Other interest-bearing loans	0,5	0,5	0,1	0,1	0,1	0,1
Total	278,9	288,1	285,8	299,1	283,5	295,9
Current interest-bearing loans						
Loans from financial institutions	-	-	-	-	0,0	0,0
Finance lease liabilities	11,8	11,8	9,4	9,4	11,8	11,8
Other	0,0	0,0	0,0	0,0	0,2	0,2
Total	11,7	11,7	9,3	9,3	12,0	12,0

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

EUR million	Total	Level 1	Level 2	Level 3
30 September 2015				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate derivatives, non-hedge accounting	2,4		2,4	
Financial assets at fair value through profit and loss				
Money market investments	138,8		138,8	
Bonds	47,2	37,4	9,8	
Derivative contracts				
Currency derivatives, non-hedge accounting	0,2		0,2	
Available-for-sale financial assets				
Equity fund investments	0,2			0,2
Total	188,9	37,4	151,2	0,2
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,2		0,2	
Electricity derivatives, non-hedge accounting	0,9	0,9		
Total	1,1	0,9	0,2	-
EUR million	Total	Level 1	Level 2	Level 3
31 December 2014				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate derivatives, hedge accounting	3,9		3,9	
Financial assets at fair value through profit and loss				
Money market investments	104,3		104,3	
Bonds	41,7	32,0	9,7	
Derivative contracts				
Currency derivatives, non-hedge accounting	2,2		2,2	
Electricity derivatives, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,3			0,3
Total	152,3	32,0	120,1	0,3
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,2		0,2	
Electricity derivatives, non-hedge accounting	0,6	0,6		
Total	0,9	0,6	0,2	-

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

Hierarchy levels:

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

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

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

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 (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. The fair value of currency forward contracts is calculated by measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market price on the reporting date.

Reconciliation of financial assets measured at fair value in accordance with level 3

EUR million	Available-for-sale equity fund investments
2015	
Carrying amount on 1 January	0,3
Total profits and losses	
In income statement	
Available-for-sale financial assets	-
In other comprehensive income	
Available-for-sale financial assets	-0,1
Acquisitions	-
Exercises	0,0
Carrying amount on 30 September	0,2

Total profits and losses recorded on assets held at the end of the reporting period

In financial income and expenses	-
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9. Contingent liabilities

EUR million	30 Sept 2015	30 Sept 2014	31 Dec 2014
Pledges for own behalf	11,0	14,6	12,2
Lease commitments	325,6	277,6	263,8

On September 18, 2015, the District Court of Helsinki issued a positive ruling in favor of Posti regarding a dispute concerning the refund of value added taxes. Posti is not deemed liable to compensate value added taxes paid by its customers. Posti's contract customers filed a claim for the damage of value added taxes of postal services totaling a little over EUR 100 million. According to the District Court, including the VAT in the postal services referred to in the case was not contrary to EU law. The plaintiffs consisted of seven large-scale financing and insurance institutions. The plaintiffs have expressed their discontent with the ruling of the District Court.

Derivative contracts	30 Sept 2015	30 Sept 2014	31 Dec 2014
EUR million			
Currency derivatives			
Non-hedge accounting			
Fair value	0,0	0,2	1,9
Nominal value	32,3	58,7	47,9
Hedge accounting			
Fair value	-	1,1	-
Nominal value	-	7,8	-
Interest rate derivatives			
Non-hedge accounting			
Fair value	2,4	-	-
Nominal value	70,0	-	-
Hedge accounting			
Fair value	-	4,3	3,9
Nominal value	-	70,0	70,0
Electricity derivatives			
Non-hedge accounting			
Fair value	-0,9	-0,6	-0,6
Nominal value	3,0	4,3	4,1

Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria after 30 June, 2015. Consequently, group discontinued hedge accounting as of 1 July, 2015.

10. Foreign exchange rates

	1-9 2015	1-9 2014	1-12 2014
Average rate			
RUB	66,5540	48,0390	51,0154
SEK	9,3719	9,0378	9,0966
NOK	8,8100	8,2751	8,3553
	30 Sept 2015	30 Sept 2014	31 Dec 2014
Closing rate			
RUB	73,2416	49,7653	72,3370
SEK	9,4083	9,1465	9,3930
NOK	9,5245	8,1190	9,0420

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