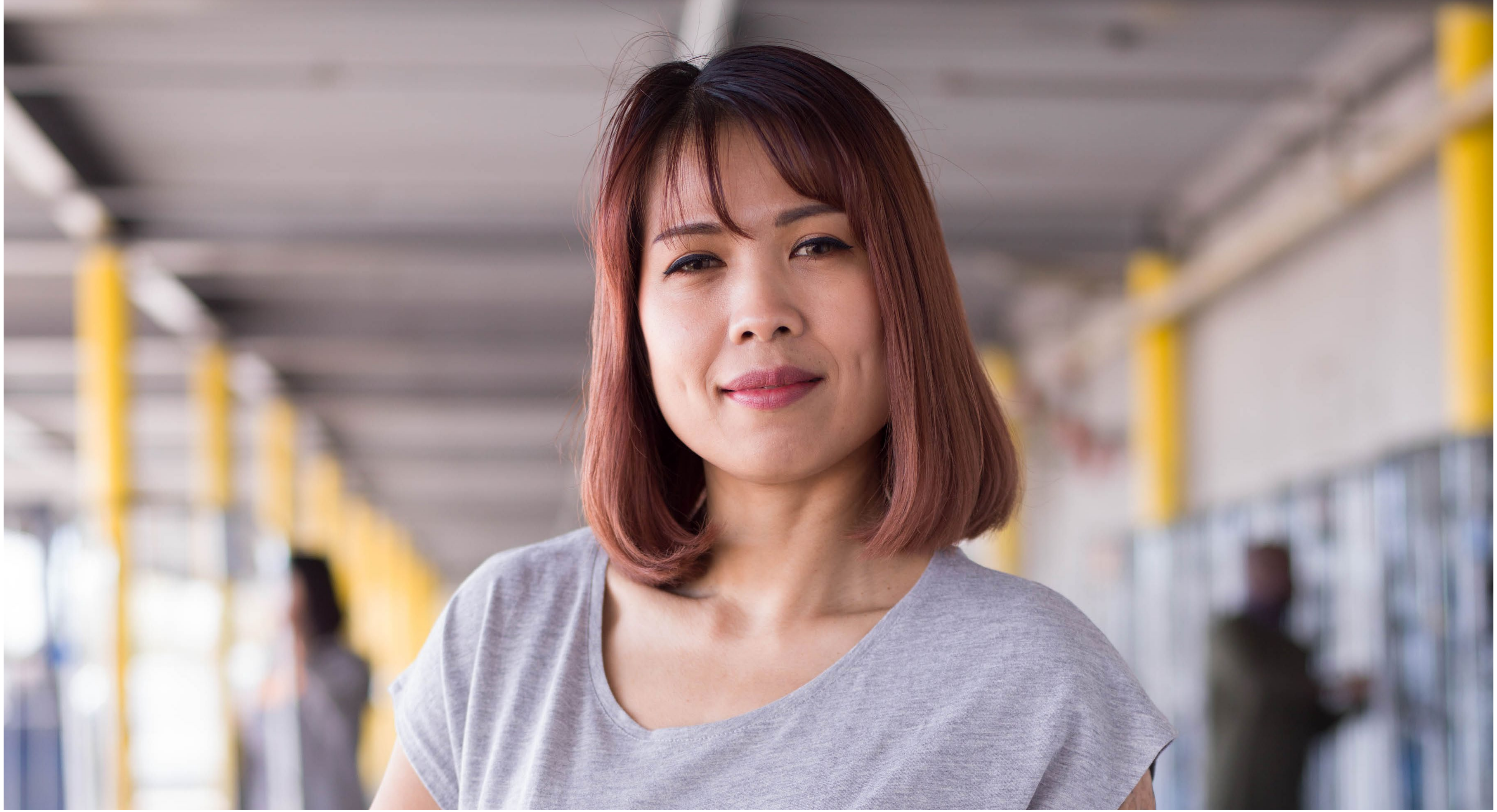
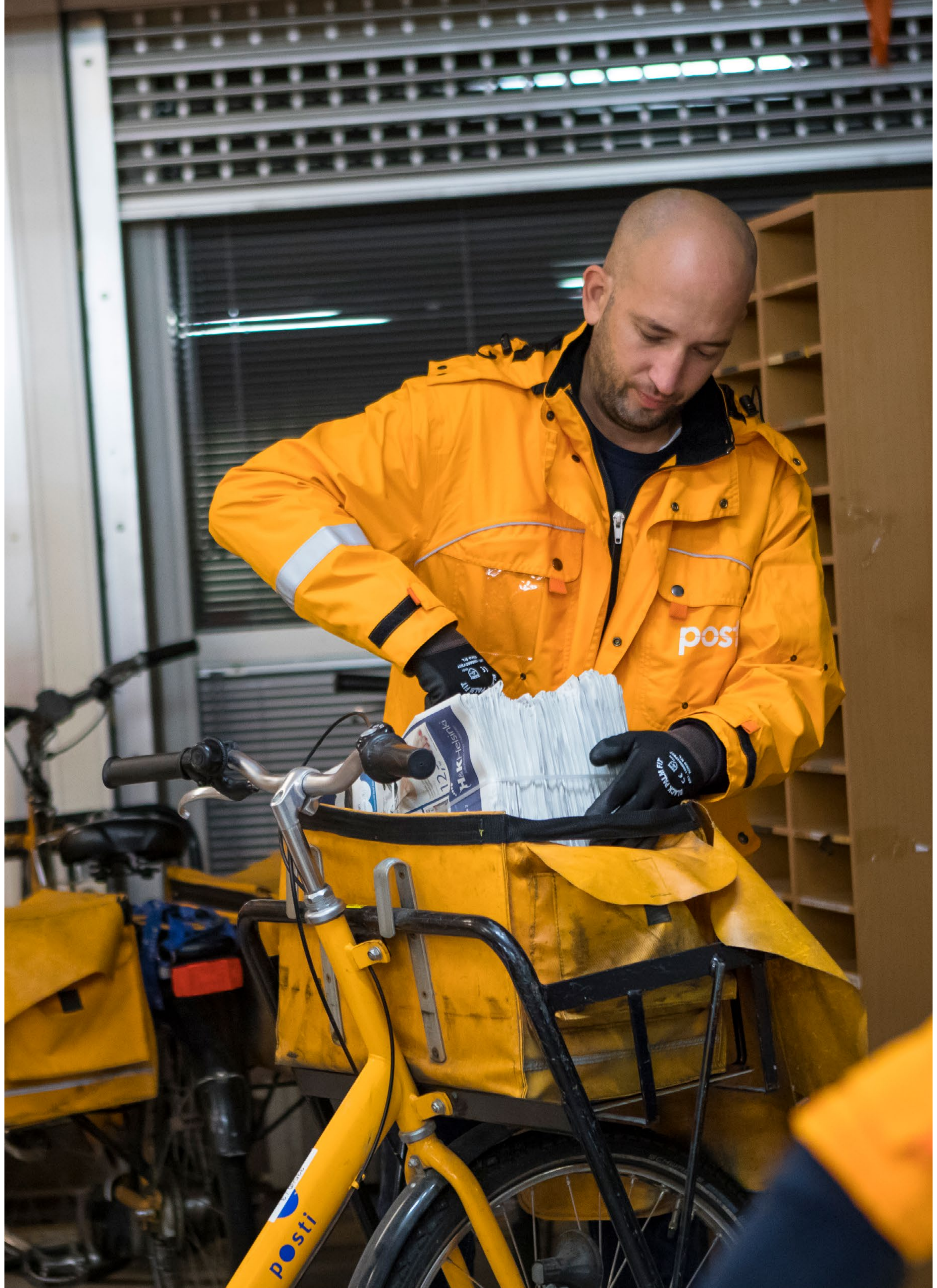


2021 Financial review

www.posti.com

Financial review



posti

Posti in brief

Posti is one of the leading delivery and fulfillment companies in Finland, Sweden and the Baltics. We make our customers' everyday lives, and businesses, smoother with a wide range of postal, logistics, freight, and eCommerce services. We have the widest network coverage in Finland, and we visit around 3 million households and companies every week.

Our net sales
1,595.0
EUR million

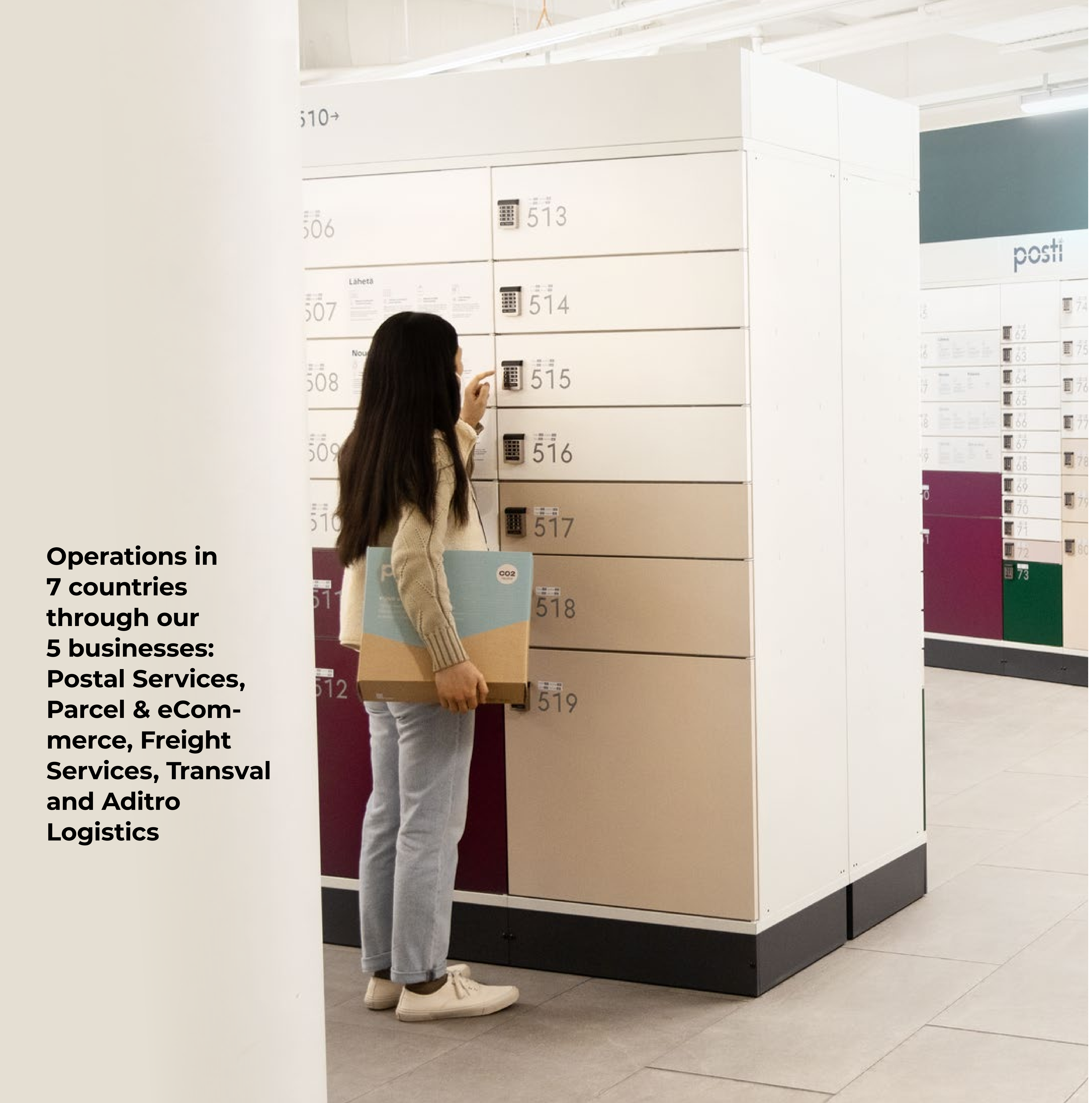
21,100
employees at the end of 2021

+11%
Number of parcels in Finland and the Baltics in 2021

Our adjusted EBITDA
181.6
EUR million

Ranked by EcoVadis on the highest Platinum level in Corporate Social Responsibility

Operations in 7 countries through our 5 businesses: Postal Services, Parcel & eCommerce, Freight Services, Transval and Aditro Logistics



From the President and CEO

At the beginning of 2021, we introduced our revised strategy. Despite the challenging circumstances, the execution of our strategy has had an excellent start which is reflected in our last year's results.

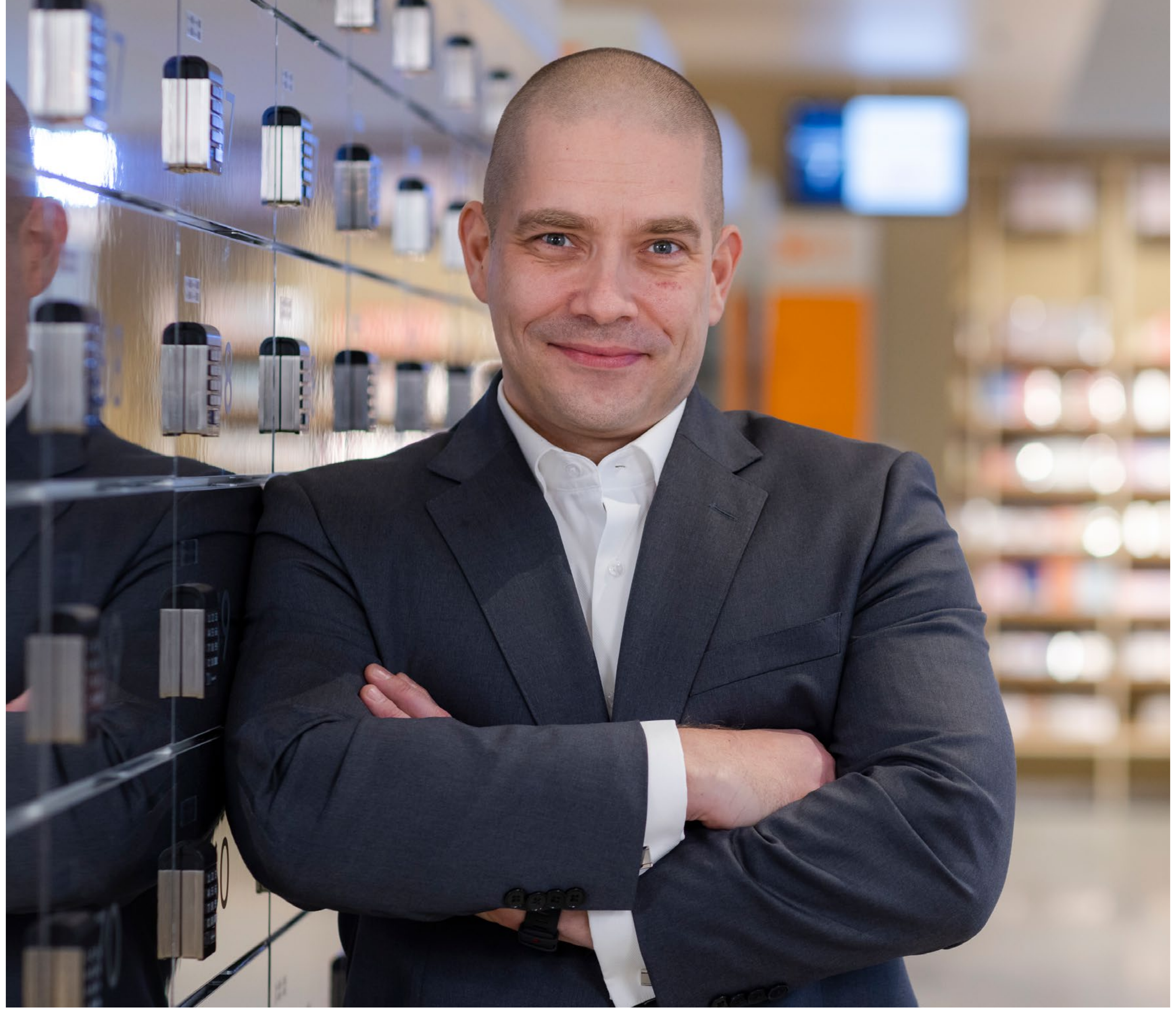
Our net sales in 2021 grew by 2.5% to EUR 1,595.0 million and the development of our profitability was strong. Our adjusted EBITDA grew by 4.7% from last year, driven by the increased net sales and operational efficiency, and it represented 11.4% of net sales. The net sales of Postal services continued to decline with the decreasing volumes, but the growing customer demand for parcel and logistics services drew the growth of our net sales. The overall logistics volumes were high as the positive market development after the logistics high season continued throughout the year.

However, the altering market situation started to affect our operations at the end of the year. Parcel volume growth has leveled off and extremely strong growth rates similar to the ones we saw in the earlier stages of the pandemic are not in sight in the very near future. The general shortage of workforce, increased energy prices, and absences due to the COVID-19 virus that required overtime hours and temporary workforce, affected our operations and profitability.

Year 2021 was important for streamlining our operations around the core of our business and future growth. The engine of the growth is the parcels and logistics services in Finland, Sweden, and the Baltics, along the entire delivery and fulfillment value chain.

In addition to seeking organic growth, we also aim to grow through acquisitions as we believe the M&A front offers us opportunities to strengthen our capabilities, and to actively participate in the rapid logistics market development. The divestment of the Itella Russia operations in December 2021 was one important step that allows us to focus on growth according to our strategy. This year started with an acquisition of the Swedish logistics company Veddestagruppen, which will be integrated into Aditro Logistics. Aditro Logistics is a front runner of delivery and fulfillment services in Sweden, and the acquisition accelerates our transition into a stronger fulfillment player within eCommerce.

Looking ahead to this year, the overall situation poses many questions. In 2021, inflation accelerated, and we can expect this to continue to affect consumption also this year. Uncertainties related to the COVID-19 pandemic remain, and the situation can change quickly, as we have seen before. The global political climate has



changed significantly and the development of the situation is increasing uncertainty in our operational environment.

With the changing circumstances, our success depends on our customer-centricity and on our ability to work together towards our joint goals at Posti. My confidence in our people and organization is strong, and I have no doubts that we are moving in the right direction. We continue to develop our services and our vast investment program in line with our strategic focus area of delivery and fullfilment.

I would like to thank all Posti employees for their work and flexibility during the past year, which was again exceptional and demanding. I am confident that this strong performance will also continue this year. Our strategy brings us clarity and direction, and by continuing its systematic execution, we have all the ingredients for success.

TURKKA KUUSISTO, CEO

Strategy

Our strategy, renewed in early 2021, remains unchanged. Parcels and logistics services in Finland, Sweden, and the Baltics are at the core of our growth. To support this, Postal services in Finland play an important complimentary and supporting role. Improving customer experience is at the heart of everything we do as we continue Posti's renewal.

Our clarified purpose crystallizes both our professional pride based on centuries of experience and our continuous desire to keep ahead of our times: Responsibly delivering what matters to you – on your terms.

Therefore, our revised values – reliable, respectful and progressive – provide a strong foundation for implementing our purpose.

Our vision is to be a modern delivery and fulfillment company with progressive profitability. We believe that by providing businesses with services that encompass the entire value chain, ranging from freight to warehousing and from processing of orders to collecting and transport, we can be an even more valuable partner for our business customers and provide the end user better customer experience.

In 2021, we took multiple concrete steps on the path laid out by our strategy. Examples of these included the renewed real-time tracking for home deliveries, the expansion of our service network, the growth of net sales of our parcel and logistics business and their share of the Group's net sales, as well as the clarification of our business portfolio through, for instance, the divestment of Itella Russia.

There are currently over 21,000 Posti employees, and as the most competent professionals in their field, they are our most important resource. One of the focus areas of our strategy is to develop the competence and well-being of our personnel. In fall 2021, we conducted a Peakon employee survey, where we collected feedback from our entire personnel. The questionnaire saw a response rate of 62 percent, and it was particularly wonderful to see that we received over 37,000 open feedback responses. By December, our various units and teams had identified and defined a total of 1,200 development measures, whose implementation we will be monitoring. In 2022, the questionnaire will be conducted three times under the themes of employee commitment, management and supervisory work, and health and well-being.

As the letter volumes continue to decline, one of our most important goals will be a controlled and sustainable management of the change. As a result of rapid digitalization, the letter volumes delivered by Posti have fallen by nearly 67 percent in the 2000s, and the trend is expected to continue.

In spring 2021, we started building a Group-wide change unit with our employee representatives. The key tasks of the change unit are to offer additional work for those who want it and to find full-time employment opportunities. The unit's operations will also include training, support, job rotation, and reassignment services. In the first stage, the focus has been on increasing cooperation between different businesses. The general labor shortage and the labor mismatch challenge us to find new solutions.

Our long-lasting and ambitious work for the climate continues. One essential step in our efforts was the Science Based Targets climate initiative's approval we received for our zero emission targets. This achievement shows that our targets are based on scientific research and in harmony with the goal of the Paris Agreement to limit global warming to 1.5 °C. In October, we received a valuable recognition for our efforts, as Posti won the Carbon Reduction category in the esteemed World Sustainability Awards.

Our business environment has been undergoing drastic changes for a long time, and the changes are expected to continue also in 2022. The parcel volume growth is slowly returning to the pre-pandemic levels. The continued COVID-19 situation has caused uncertainty in the form of sick leaves, for example, and the regulatory landscape is set to undergo changes with the Postal Act renewal.

In 2022, we will continue to renew Posti in accordance with our strategy, and the direction is clear. This year, we will focus in particular on the well-being of people, improving customer experience, driving profitable growth and reducing the environmental impact of our operations.

Posti Group Corporation Board of Directors report 2021

Description of the business model

Posti is a delivery and fulfillment company that serves both private individuals and business customers as well as the public sector. Posti's business consists of delivery services for parcels and printed products, eCommerce services, comprehensive supply chain solutions, such as warehousing and in-house logistics, as well as a broad range of transport services for businesses and organizations, including freight services.

Posti's business is divided into two reportable segments: Mail, Parcel and Logistics Services, and Aditro Logistics. Mail, Parcel and Logistics Services consists of four operating segments: Postal Services, Parcel and eCommerce, Transval, and Freight Services. The company operates in 7 countries. At the end of the financial year 2021, the number of personnel stood at approximately 21,000. In Finland, the company employed about 18,500 people at the end of the financial year, which makes it one of the largest employers of the country.

In the beginning of 2021, Posti renewed its strategy. According to its strategy, Posti is a modern delivery and fulfillment company with progressive profitability. The disruption of the postal industry with declining mail volumes, and the strong digitalization trend have changed Posti's business permanently. The core of Posti's future growth are parcels and logistics in Finland, Sweden, and the Baltics, along the entire value chain. To be successful in the transformation, Posti needs to continuously improve its customer experience, develop new services, focus on sustainability, maintain a competitive cost structure, and manage the change in a controlled and responsible way.

Market situation and business environment

The COVID-19 pandemic continues to cause some uncertainty on the overall situation and on the effects of possible new variants. The global demand for goods and services varied considerably during 2021 following the changes in the pandemic. The rapid changes strained the supply chains, and this has also had an effect on Posti's operations. In general, statistics indicate growth in retail which is visible in the increase of Posti's freight and logistics volumes.

The growth of eCommerce in Finland and Sweden continued during the second year of COVID-19 but the growth slowed down and approached the pre-pandemic levels in 2021. The e-retailers were affected by the shortage of goods caused by supply chain challenges. With the vaccinations and the opening up of society, consumers have started to shift their consumption also to services instead of goods. According to a study conducted by Posti in cooperation with Kantar TNS, customers have grown used to the convenience of online shopping during the pandemic, and over 30% enjoy eCommerce as much as shopping at brick-and-mortar stores. Almost 30% of Finns shopped online on a weekly basis, and the importance of the delivery experience further increased during 2021. In Finland, parcel lockers are the most preferred method for receiving parcels, but the popularity of home deliveries has increased. Posti develops its delivery network and services to respond to the changing customer preferences.

Due to the nature and scale of Posti's operations, the changes in the GDP and the development of the economy it portrays have an impact on Posti's business. The Bank of Finland forecasts that the Finnish GDP grew by 3.5% in 2021, but the growth rate is predicted to drop to 2.6% in 2022 and then to 1.5% and 1.3% in the following years. The Riksbank of Sweden forecasts that the GDP in Sweden grew by 4.7% in 2021 and that the growth rate is forecasted to drop to 3.8% in 2022.

Key figures of Posti Group

	1–12 2021	1–12 2020
Net sales*, EUR million	1,595.0	1,555.4
Adjusted EBITDA*, EUR million	181.6	173.5
Adjusted EBITDA margin*, %	11.4%	11.2%
EBITDA*, EUR million	180.5	165.7
EBITDA margin*, %	11.3%	10.7%
Adjusted operating result*, EUR million	59.8	60.5
Adjusted operating result margin*, %	3.7%	3.9%
Operating result*, EUR million	55.0	50.5
Operating result margin*, %	3.4%	3.2%
Result for the period*, EUR million	38.7	25.9
Return on capital employed (12 months)*, %	8.4%	7.7%
Net debt, EUR million	145.0	228.7
Net debt / adjusted EBITDA*	0.8x	1.3x
Operative free cash flow, EUR million	23.1	77.6
Personnel, end of period*	21,128	19,902
Personnel on average*, FTE	15,042	15,113
Earnings per share, continuing operations, EUR	0.97	0.65
Earnings per share, basic, EUR***	-0.40	0.74
Dividend per share, EUR	0.80**	0.78
Dividend, EUR million	32.0**	31.3

* Continuing operations – the results of Itella Russia presented as discontinued operations.
** Board of Directors' proposal to the Annual General Meeting.
*** In December 2021, Posti Group completed the divestment of the Itella Russia business group. Following the divestment, Itella Russia segment result, including the result of the divestment is presented as discontinued operations. Earnings per share includes the full net result of the group, including discontinued operations.

Net sales and profitability in 2021 (continuing operations)

Net sales

The Group's net sales grew by 2.5% to EUR 1,595.0 (1,555.4) million. Net sales grew by 1.7% in Finland and by 10.2% in other countries. The share of international operations in the continuing operations of Posti's business increased and accounted for 10.1% (9.4%) of net sales in January-December.

The net sales of Parcel and eCommerce, Freight, Transval and Aditro Logistics grew, while the net sales of Postal Services continued to decrease.

Posti has continued its growth in logistics solutions in accordance with its strategy. The external net sales of Parcel and eCommerce and logistics businesses (i.e., Freight Services, Transval and Aditro Logistics) increased to 62% (59%) of the Group's net sales.

Operations under the universal service obligation amounted to EUR 108.9 (113.0) million, or 6.8% (7.3%) of the Group's net sales and 3.3% (3.4%) of delivery volumes.

Profitability

The Group's adjusted EBITDA increased to EUR 181.6 (173.5) million, or 11.4% (11.2%) of net sales mainly due to the overall improvement of operational efficiency. EBITDA increased to EUR 180.5 (165.7) million, or 11.3% (10.7%) of net sales. The adjusted operating result decreased to EUR 59.8 (60.5) million, or 3.7% (3.9%) of net sales. The operating result grew to EUR 55.0 (50.5) million, or 3.4% (3.2%) of net sales.

Special items affecting the operating result in January-December were EUR -4.8 (-10.0) million.

Special items affecting the operating result in 1–12 2021*

EUR million	
Personnel restructuring costs	-1.5
Gain from sale of real estate assets	0.8
Impairment of assets	-4.2
Other special items	0.1
Total	**-4.8**

* Previously disclosed special items adjusted for discontinued operations.

Changes in reporting

After the divestment of Itella Russia in December 2021, Posti's two reportable segments are Mail, Parcel and Logistics Services (MPLS), and Aditro Logistics. MPLS consists of four operating segments: Postal Services, Parcel and eCommerce, Transval, and Freight Services.

Following the divestment of Itella Russia, the segment result, including the result of the divestment and previously sold real estate companies, is presented as discontinued operations. Comparison period 2020 is restated accordingly.

From January 1, 2021, Posti has re-assigned some business activities between its operating segments and assigned certain group-level functions to the operating segments. 2020 reporting has been restated accordingly, leading to minor adjustments between MPLS and Other and unallocated.

Mail, Parcel and Logistics Services

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

- The number of addressed letters decreased by 8% to 410 (446) million.
- The total number of parcels delivered by Posti in Finland and the Baltic countries increased by 11% to 71 (64) million. The figure does not include letter-like eCommerce items.
- Freight volumes measured in waybills increased by 7%.

Net sales

The net sales of Mail, Parcel and Logistics Services increased by 0.3% to EUR 1,486.0 (1,481.6) million. Net sales are itemized in the following table.

Net sales of Mail, Parcel and Logistics Services

Net sales, EUR million	1–12 2021	1–12 2020*	Change
Postal Services	610.9	647.1	-5.6%
Parcel and eCommerce	492.4	477.6	3.1%
Transval	219.8	201.7	9.0%
Freight Services	189.2	172.6	9.6%
Other and eliminations**	-26.3	-17.4	
Total	**1,486.0**	**1,481.6**	**0.3%**

* Restated due to the re-assignment of some business activities between the operating segments of MPLS.
** Other and eliminations includes internal sales between Transval and other Mail, Parcel and Logistics businesses.

The net sales of **Postal Services** decreased mainly due to the continued mail volume decline. The overall volume of addressed letters decreased by 8% to 410 (446) million in 2021. During the year, Posti reached several long-term agreements around the country for early-morning delivery of newspapers.

The net sales of **Parcel and eCommerce** increased in January–December. The increase was mainly due to the continued volume growth of eCommerce and online shopping. However, the growth is slowing down. The total number of parcels delivered by Posti in Finland and the Baltic countries increased by 11% to 71 (64) million. The figure does not include letter-like e-commerce items. In particular, the shipment volumes from outside the EU have declined after the VAT reform that entered into force on July 1, 2021.

In order to meet the increasing demand, Posti is continuously expanding and developing its service network. In 2021, Posti opened around 5 to 10 parcel lockers each week which increased the total number of Posti parcel lockers by 12% compared to the end of 2020. In addition, 100 new personal service points were opened, which brings the total number of Posti's service points in Finland to almost 3,300. On November 22, Posti opened a fully modernized main post office in the Postitalo building in Helsinki. The new main post office has extended opening hours and provides all of Posti's services under the same roof.

The net sales of **Freight Services** grew. The growth was mainly due to the increased volumes driven by the overall positive market development.

Transval's net sales increased, mainly due to the positive impact of growing online shopping volumes. After the disruptions in global logistics, demand for logistics services has been strong in warehousing, logistics, and industrial services. In addition, the demand for staffing services grew.

Profitability

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 180.2 (168.0) million, or 12.1% (11.3%) of net sales. The improvement was due to the increased net sales of the segment and good operational efficiency development. EBITDA increased to EUR 177.5 (162.9) million. The adjusted operating result improved to EUR 79.0 (72.9) million, or 5.3% (4.9%) of net sales.

The operating result improved to EUR 73.9 (67.8) million. Special items affecting the operating result in January–December amounted to EUR -5.1 (-5.0) million.

Aditro Logistics

Aditro Logistics was integrated into Posti's financials as of April 2020.

Net sales

In January–December 2021, Aditro Logistics' net sales were EUR 110.2 million. The development of net sales was positive, mainly due to Aditro Logistics' increased volumes in the growing market, especially in contract logistics.

Profitability

The adjusted and reported EBITDA was EUR 12.7 million, or 11.5% of net sales. The adjusted and reported operating result was EUR -4.8 million.

Key figures for segments – restated***

EUR million	1–12 2021	1–12 2020**
Net sales		
Mail, Parcel and Logistics Services	1,486.0	1,481.6
Aditro Logistics*	110.2	74.7
Other and unallocated	1.1	1.7
Intra-Group sales	-2.3	-2.7
Posti Group	**1,595.0**	**1,555.4**
Net sales change-%		
Mail, Parcel and Logistics Services	0.3%	0.0%
Aditro Logistics*	47.4%	
Posti Group	**2.5%**	**-0.6%**
Adjusted EBITDA		
Mail, Parcel and Logistics Services	180.2	168.0
Aditro Logistics*	12.7	10.2
Other and unallocated	-11.2	-4.7
Posti Group	**181.6**	**173.5**
Adjusted EBITDA, %		
Mail, Parcel and Logistics Services	12.1%	11.3%
Aditro Logistics*	11.5%	13.6%
Posti Group	**11.4%**	**11.2%**
EBITDA		
Mail, Parcel and Logistics Services	177.5	162.9
Aditro Logistics*	12.7	10.2
Other and unallocated	-9.7	-7.5
Posti Group	**180.5**	**165.7**
EBITDA, %		
Mail, Parcel and Logistics Services	11.9%	11.0%
Aditro Logistics*	11.5%	13.6%
Posti Group	**11.3%**	**10.7%**

Key figures for segments – restated***

EUR million	1–12 2021	1–12 2020**
Adjusted operating result		
Mail, Parcel and Logistics Services	79.0	72.9
Aditro Logistics*	-4.8	-2.0
Other and unallocated	-14.4	-10.4
Posti Group	**59.8**	**60.5**
Adjusted operating result, %		
Mail, Parcel and Logistics Services	5.3%	4.9%
Aditro Logistics*	-4.4%	-2.6%
Posti Group	**3.7%**	**3.9%**
Operating result		
Mail, Parcel and Logistics Services	73.9	67.8
Aditro Logistics*	-4.8	-2.0
Other and unallocated	-14.1	-15.4
Posti Group	**55.0**	**50.5**
Operating result, %		
Mail, Parcel and Logistics Services	5.0%	4.6%
Aditro Logistics*	-4.4%	-2.6%
Posti Group	**3.4%**	**3.2%**

* Aditro Logistics was integrated into Posti's financials as of April 2020

** Restated, due to changes in the assignment of activities between segments on January 1, 2021.

*** Itella Russia results presented as discontinued operations.

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Cash flow, financial position, and major investments

In January–December, the consolidated cash flow from operating activities was EUR 160.9 (191.8) million, the cash flow from investing activities EUR -6.6 (-56.5) million, and the cash flow from financing activities EUR -148.1 (-98.3) million.

At the end of December, liquid assets amounted to EUR 151.1 (160.1) million and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group prepaid its EUR 60.0 million bilateral bank loan in December. The Group's interest-bearing borrowings were EUR 306.1 (388.8) million. Net debt totaled EUR 145.0 (228.7) million. Equity ratio was 42.1% (36.9%).

Posti will continue to invest in digital and eCommerce services, expanding its parcel locker network and improving the competitiveness of its core business to respond to the changing market and to support Posti's transformation. With the increasing volumes, Posti has invested in expanding its warehouse capacity (a new warehouse in Sipoo that will be completed in 2022), in green fleet such as new electric trucks, and in the development of digital services to improve the customer experience.

Research and development

Development expenditure in 2021 amounted to EUR 3.8 (3.9) million, or 0.3% (0.3%) of the Group's total operating expenses. In addition, EUR 14.5 (11.2) million was capitalized as development cost.

Statement of non-financial information

Foundation of Posti's sustainability

Posti complies with responsible business practices in all its operations. Posti's sustainability is based on the company's values, commitments and the decision in principle of its owner, the state, indicating that state-owned companies should be held as examples of a high standard of corporate responsibility. Posti is committed to the fundamental principles of the UN Global Compact initiative regarding labor, environment, anti-corruption and human rights. In addition, Posti is committed to observing human rights in its own operations and in its supply chain in accordance with the UN Guiding Principles for Businesses and Human Rights.

Posti reports on sustainability in accordance with the international Global Reporting Initiative (GRI) Standards. In addition, Posti complies with the reporting requirements of its owner, the Finnish State. The greenhouse gas emission accounting applies the Greenhouse Gas (GHG) Protocol developed by the World Business Council for Sustainable Development and the World Resources Institute. The various aspects of Posti's sustainability work will be discussed in more detail in the Sustainability Report, to be published in March 2022.

Sustainability work at Posti is managed through the cross-organizational Sustainability Forum to ensure company level progress. In addition, Posti has a cross-functional steering group for Cyber security and data privacy. In 2021, Posti conducted a comprehensive sustainability risk assessment together with an external partner and with the extensive participation of Posti's experts. Risks were assessed through the ESG (environmental, social, and governance) framework. Examples of identified risks are discussed in respective topical categories below.

In 2021, Posti was acknowledged for its sustainability work. In April, the leading global corporate social responsibility rating provider, EcoVadis, ranked Posti on the Platinum level, the highest level possible. With a score of 77/100, Posti was ranked among the top one percent in the world. In October, Posti was awarded as the winner in the carbon reduction category of the World Sustainability Awards 2021.

EU taxonomy

The EU taxonomy regulation, that will classify environmentally sustainable economic activities, is currently a relevant topic in the field of sustainability. Posti has recognized that the EU taxonomy regulation is relevant for Posti through the Corporate Sustainability Reporting Directive (CSRD) proposal. Posti has made an initial assessment regarding the EU taxonomy in 2021. In the assessment Posti determined that it has operations in industries classified in the EU taxonomy regulation for having environmentally sustainable investment opportunities. Posti continues to assess the company's economic activities in relation to the EU taxonomy regulation and follows up the sustainability reporting related regulatory landscape.

Environmental responsibility

Posti identifies, evaluates and manages environmental aspects in its operations and, through its Health and Safety, Environmental and Quality (HSEQ) policy, is committed to reducing the environmental impacts of its operations, e.g., regarding transport as well as the energy consumption of properties. Examples of identified environmental responsibility risks include traffic accidents and operational risks in terminals, such as leakage of hazardous substance, which may cause environmental damage. If realized, such risks can have a negative impact on nature, customer property and people. These and other environmental risks are managed as part of environmental and occupational safety management procedures, such as external audits, internal assessments, appropriate work instructions, careful employee orientation and continuous employee training. Biodiversity was identified as a new area that needs to be addressed.

Posti's environmental management is based on the ISO 14001 environmental management system standard. Employees' awareness of environmental issues is promoted through training and employee orientation. Posti has a group-wide environmental training program and environmental issues are also regularly discussed in different forums, such as in the quarterly Sustainability Coffee and in various internal channels. At the end of 2021, certified environmental management systems covered 97% (98%) of the Group's employees.

The carbon-dioxide emissions arising from transport are reduced by combining transports and using route planning, smooth and safe driving styles, renewable fuels, and the renewal of the fleet. In August 2021, the Science Based Targets initiative (SBTi) accepted Posti's emission reduction targets. According to the approved targets, Posti will reduce its absolute total emissions (scopes 1, 2 and 3) by 50% from the 2020 level by 2030. The target includes Posti's previous target to push its own emissions (scopes 1 and 2) to zero and as a new target to have 100% fossil-free road transportations, also including subcontracted road transportation, by 2030.

The Group's total absolute greenhouse gas emissions, including own and value chain emissions (scopes 1, 2 and 3), were 238,300 (232,300) tons of carbon dioxide equivalent. Emissions increased in the value chain (scope 3), where emissions increased in the categories of purchased goods and services and capital goods (approximately 15% compared to 2020) and in upstream transportation (approximately 3%). The Group's own greenhouse gas emissions (scopes 1 and 2) in 2021 were 47,039 (52,347) tons of carbon dioxide equivalent. Our emissions decreased mainly due to efficiency improvements, increased use of both renewable fuels and our electrified fleet, as well as green district heat procurement for selected locations in Finland.

Posti's total greenhouse gas emissions in Finland in 2021 were 213,700 (208,800) tons of carbon dioxide equivalent. The emissions in Finland have been compensated for by participating in certified climate projects. While our 2021 emissions will be compensated, Posti has decided not to continue compensation from 2022 onwards. Full focus will be on reducing Posti's emissions as well as the value chain's emissions. As we commit to the climate science, compensation cannot be used as a tool for reaching our goal: fossil-free transportation by 2030.

Social responsibility and treatment of employees

Providing a safe and healthy working environment for employees is the key objective of Posti's social responsibility. This can be achieved on the one hand by continuously developing the management of occupational safety and well-being at work, and by extensive risk management on the other. In a labor-intensive industry, the successful management of sick leaves 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. Examples of social responsibility related risks include availability of workforce, well-being and safety.

In 2021, Posti introduced a new group-wide employee engagement tool to replace the previous surveys done in different parts of the organization. The first employee survey with the new tool was conducted in the autumn. The response rate of the survey was 62% and almost 37,000 open comments were received. The new tool provides Posti with a comprehensive overview of the level of employee engagement on a regular basis and enables the identification of areas of development.

One of Posti's main goals in occupational health cooperation is to support the employees' work and operational capacity. Posti does this by developing occupational health services and operating models for its staff in a more proactive way by targeting services and support at a low threshold. Posti has launched a number of digital health services to provide support as early as possible. Since the beginning of the COVID-19 pandemic, Posti has focused on ensuring the health and safety of staff and customers. In 2021, Posti has ensured that staff have a low-threshold access to occupational health care and provided comprehensive support for well-being. The greatest risks to work ability and being able to continue at work stem from musculoskeletal disorders. Additionally, diagnoses of mental disorders are on the increase in society as a whole and this is reflected in Posti's sick leave statistics. The importance of well-being at work is also emphasized by the ongoing large changes in the business environment of Posti.

The Group's sick leave rate was 5.5% (5.5%), including all countries of operation. The sick leave rate for Finland stood at 5.7% (5.6%). The figure covers all Finnish operations except Transval. Posti has a certified ISO 45001 safety management system in use, and it covered some 80% of the Group's employees at the end of 2021. The HSEQ policy provides a framework for safety management and demonstrates Posti's commitment to continuous improvement in health and safety. Posti's goals are ambitious and occupational safety has continued to develop in a positive direction.

The greatest occupational safety and health risks in the labor-intensive sector arise from staff mobility, traffic, and work ergonomics. These risks are managed through continuous monitoring and risk assessment, staff training, communication, and various safety-enhancing projects.

In 2021, Posti continued to develop the functionalities of the occupational safety reporting tool Incy. The use of mobile functions was expanded among staff, and risk assessment reporting was integrated into the tool. Incy enables staff to efficiently make e.g., safety and environmental observations and reports on their own mobile devices. As a result of using the tool, safety observations have continued to increase. In 2021, the Group's personnel made a total of 53,640 (34,855) safety observations. The figure covers Posti's operations in Finland and Estonia. Employee involvement is an important part of developing an occupational safety culture in the workplace. We organize personal safety discussions in which employees can express their views on occupational safety issues related to their own work.

Posti's goal is to be a zero-accident workplace. To achieve this goal, occupational safety is systematically managed. Personnel competence, activity and awareness related to occupational safety is increased and safety-promoting working methods are systematically developed. All accidents and hazardous situations are investigated. Making safety observations and implementing corrective actions in response to the observations is part of daily management and continuous improvement.

Posti monitors the frequency of occupational accidents that lead to absences by using the LTA1 indicator (occupational accidents per million working hours). In 2021, the LTA1 of Finnish operations was 26 (37) and 23 (34) for the whole Group. The figures include occupational accidents that occurred during working hours and led to an absence of at least one day. The figures do not include accidents for partners or temporary workers. Serious occupational accidents leading to an absence of more than one month decreased in the Group by 18% (47%) compared to the previous year.

Respecting human rights and preventing bribery and corruption

Posti is committed to respecting human rights in all its operations and requires the same from partners and suppliers. Posti adheres to the UN Global Compact principles in realizing the Group's responsibility for human rights. The Group also takes into account the UN Guiding Principles on Business and Human Rights in its key responsibility documents: the Code of Conduct and the Supplier Code of Conduct. Posti also follows a Group-level policy on gifts and hospitality as part of the Group's compliance program. Posti has a zero-tolerance policy regarding human rights violations, corruption and bribery.

Posti has a steering group for data privacy and cyber security. The purpose of this steering group is to ensure that data privacy and cyber security related processes, policies and risk mitigation activities are taken care of across all business groups. The EU General Data Protection Regulation (GDPR) sets out provisions concerning the processing of personal data. Posti has paid attention to data protection preparedness and documentation, the awareness of personnel and the protection of processes and systems, among other things. Posti has provided Basics of Data Protection training for all employees. More in-depth data protection training has been organized for personnel groups working with expert tasks. During 2020 and 2021, altogether 75% of the Group's personnel had completed the basic training. Aditro Logistics is not included in the figure. The penetration rate is followed based on cumulative results for two calendar years. Additionally, Posti's customer service personnel as well as some 150 experts received an in-depth data privacy training during 2021. The data privacy and cyber security trainings are intended to prevent potential risks related to data protection and data security, such as data breaches of customer data or cyber security incidents related to critical IT infrastructure.

Posti's Code of Conduct and Supplier Code of Conduct cover legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility. The Code of Conduct also documents the principles concerning the consequences of misconduct. It specifies the whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. Report can be made anonymously through Posti's new whistleblower channel, which is provided by an independent third-party supplier. If the reporting person wants to leave his/her contact information, that is also possible through the channel. Reporting process and instructions for leaving messages is described in a special reporting guidance available for Posti employees.

Other risks identified in this area are related to potential human rights violations, supplier management, failure of internal control and corruption. The most significant risks related to human rights and corruption are business-related reputation risks. Posti prevents these risks by providing Code of Conduct training to all employees. The content of the Code of Conduct is the same for all employees and it is included in the employee orientation for new recruits.

In 2021, the company updated its Code of Conduct and the online training course related to it. The content of the e-learning course is based on the Posti Code of Conduct and the practical examples included were collected from representatives of different units and functions. At the end of the year 2021, 76% of the Group's employees had completed either the new or the old training. This figure excludes employees from Aditro Logistics and Transval. More in-depth training on the subject matter is also organized for the most significant target groups, such as management as well as the sales and sourcing functions.

Potential risks related to human rights and the prevention of corruption and bribery in the supply chain are prevented by monitoring suppliers' sustainability performance by means of a self-assessment tool and by conducting sustainability audits when necessary. The Group also uses financial management monitoring tools and confirmation processes to support the management of corruption risk.

Share capital and shareholding

At Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 100%. Posti Group Corporation's share capital consists of 40,000,000 shares of equal value.

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

Leadership team

On November 26, 2020, Posti announced the appointment of **Anna Salmi** as Senior Vice President, Brand, Communications and Sustainability of Posti Group Corporation and a member of Posti Group's Leadership Team as of January 25, 2021.

On January 11, 2021, Posti announced the appointment of **Timo Karppinen** as CFO of Posti Group Corporation and a member of Posti Group's Leadership Team as of February 1, 2021. The previous CFO **Tom Jansson** left his position and Posti on January 21, 2021.

On January 11, 2021, Posti also announced the appointment of **Timo Koskinen** as the Group's Senior Vice President, Human Resources and a member of the Leadership Team. Koskinen began in his new role on April 1, 2021. Koskinen's predecessor **Hanna Reijonen** left her position and Posti on March 12, 2021.

On June 2, 2021, Posti announced the resignation of **Johannes Gussander** from his position as the CEO of Aditro Logistics and as a member of Posti Group's Leadership Team. Gussander continued in his role until the end of August 2021 and as Special Advisor until October 31, 2021.

On September 8, 2021, Posti announced that **Per Zandrén** had been appointed as CEO of Aditro Logistics and a member of Posti Group's Leadership Team as of September 8, 2021. Zandrén had already acted in the interim role alongside the previous CEO **Johannes Gussander**.

On December 6, 2021, **Jussi Kuutsa**, President of Itella Russia, left his position as a member of the Leadership Team of Posti Group, following the divestment of Itella Russia.

On December 31, 2021, Posti's Leadership Team consisted of **Turkka Kuusisto**, President and CEO; **Yrjö Eskola**, SVP, Postal Services; **Arttu Hollmérus**, SVP, Parcel and eCommerce; **Timo Karppinen**, CFO; **Sakari Kiiskinen**, SVP, Transval; **Timo Koskinen**, SVP, Human resources; **Petteri Naulapää**, SVP, ICT and Digitalization; **Anna Salmi**, SVP, Brand, Communications and Sustainability; **Kaarina Ståhlberg**, SVP, General Counsel and M&A, and **Per Zandrén**, CEO, Aditro Logistics.

Annual General Meeting and Extraordinary General Meeting

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on April 9, 2021. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 31.3 million based on the result in 2020.

The meeting adopted the 2020 financial statements and discharged the members of the Supervisory Board, Board of Directors and President and CEO from liability.

The Annual General Meeting decided that the following persons will continue as members of the Board of Directors: **Raija-Leena Hankonen-Nybom, Harri Hietala, Sirpa Huuskonen, Frank Marthaler, Satu Ollikainen** (employee representative), **Minna Pajumaa, Per Sjödell, Sanna Suvanto-Harsaae**, and **Hanna Vuorela. Kari-Pekka Laaksonen** was elected as a new member of the Board of Directors. **Sanna Suvanto-Harsaae** was re-elected as the Chair of the Board of Directors and **Per Sjödell** as the Deputy Chair.

The Annual General Meeting also decided that the following persons will continue as members of the Supervisory Board: **Sari Essayah**, MP, Christian Democrats; **Atte Harjanne**, MP, The Greens in Finland; **Eeva Kalli**, MP, Centre Party; **Kimmo Kiljunen**, MP, Social Democratic Party; **Mia Laiho**, MP, National Coalition Party; **Rami Lehto**, MP, Finns Party; **Aki Lindén**, MP, Social Democratic Party; **Pia Lohikoski**, MP, Left Alliance; **Mari Rantanen**, MP, Finns Party; **Veronica Rehn-Kivi**, MP, Swedish People's Party; **Ari Torniainen**, MP, Centre Party; **Paula Werning**, MP, Social Democratic Party.

Aki Lindén continued as the Chair of the Supervisory Board and **Atte Harjanne** as the Deputy Chair of the Supervisory Board.

The fees of the members of the Board of Directors and the Supervisory Board remained unchanged. The members of the Board of Directors will receive a monthly remuneration and a meeting fee. The meeting fee will be paid in double for the Board members residing outside Finland. The employee representative will receive a meeting fee. The members of the Supervisory Board will also receive a meeting fee.

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

Extraordinary General Meeting

The Extraordinary General Meeting of Posti Group was held on December 2, 2021, in Helsinki.

The General Meeting accepted **Atte Harjanne**'s, MP, resignation from the Supervisory Board. **Heli Järvinen**, MP, was elected as a new member and the Deputy Chair of the Supervisory Board by the General Meeting.

On December 31, 2021, the Supervisory Board comprises the following members: **Aki Lindén** (Chair), **Heli Järvinen** (Deputy Chair), **Sari Essayah, Eeva Kalli, Kimmo Kiljunen, Mia Laiho, Rami Lehto, Pia Lohikoski, Mari Rantanen, Veronica Rehn-Kivi, Ari Torniainen**, and **Paula Werning**.

Employees

The Group's personnel*

	1–12 2021	1–12 2020
Personnel at the end of period	21,128	19,902
Finland	18,571	17,666
Other countries of operation	2,557	2,236
Personnel on average, FTE**	15,042	15,113

* Continuing operations - Itella Russia personnel not included
** Full time equivalent personnel on average

In January–December, the Group's personnel expenses amounted to EUR 682.0 (671.7) million, growing by 1.5% from the previous year. The personnel expenses included EUR 1.5 (5.6) million of restructuring costs.

On August 18, Service Sector Employers PALTA and Finnish Post and Logistics Union PAU announced they had approved the collective agreement for the mail communications and logistics industry as well as the collective agreement applicable to the parcel sorters of Posti Palvelut Oy. In both collective agreement negotiations, an agreement was reached already on June 24, 2021, and approved in August. The reached negotiation result for both contracts spans over four years, with the fourth year being a so-called option year. The previous contract periods ended on October 31, 2021, and on January 31, 2022.

Cooperation negotiations

On January 11, 2021, Posti announced that Postal Services was planning changes to deliveries in some parts of Central Finland and Ostrobothnia and initiated cooperation negotiations concerning basic deliveries on January 14, 2021. As an outcome of the negotiations, 113 employees were shifted to part-time work.

On January 14, 2021, Posti announced that changes were planned in the administration of Posti's early morning delivery in the Helsinki metropolitan area and Uusimaa, in Eastern Finland (excluding North Karelia) and in Western Finland. Cooperation negotiations were initiated on January 22, 2021. As an outcome of the negotiations, the employer terminated the employment relationship of nine employees.

On February 4, 2021, Posti announced that it will update the operational-level management model for the Parcel and eCommerce business group's sorting operations. At the end of the cooperation negotiations, it was concluded that most of the sought-after changes can be achieved by other means than personnel reduction. Sorting personnel roles could be offered to all personnel in the target group of the negotiations.

On March 3, 2021, Posti announced its plans to temporarily close the Santa Claus' Main Post Office 96930 in Rovaniemi, Finland. The cooperation negotiations were concluded on March 22, and the post office was temporarily closed on April 29. The employees of the Arctic Circle post office were offered work in Posti's other units while the office was closed. The office was reopened on November 8, 2021.

On May 26, 2021, Posti announced that delivery in the Espoo and Kauniainen area will be implemented as an every-other day delivery model from the beginning of September onwards. The goal of the related cooperation negotiations was to keep the personnel's working hours full-time and to reduce part-time tasks. As an outcome of the negotiations, the employer terminated the employment relationship of four employees.

Acquisitions, divestments, and changes in the corporate structure

In December 2021, Posti Group completed the divestment of the Itella Russia business group. The divestment of Itella Russia supports Posti's strategy of seeking growth from its parcel and eCommerce as well as logistics businesses in Finland, Sweden, and the Baltics. After the divestment, Posti has no operations in Russia.

On December 21, 2021, Posti announced that Posti Group associate company Stella Care is selling its business activities to healthcare service company 9Lives. Through the transaction, Posti will divest its entire ownership in Stella Care after a transfer period.

Legal proceedings

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

Business risks

To accelerate business transformation Posti updated its strategy, purpose, and values in early 2021. Posti's company-wide and cross-business vision is to be a modern delivery and fulfillment company. The next few years will be a critical time for accelerating Posti's renewal and securing its competitiveness in the changing market. The goal is to increase agility and productivity and at the same time offer customer focused and integrated service in the entire eCommerce value chain.

The main risks in Posti's business transformation are two-fold and relate to the declining mail volumes in the postal business and the growing parcel volumes in the ecommerce market with continuously intensifying competition. The COVID-19 pandemic that started in 2020 further accelerated the market transformation during 2021. Success in the declining postal business depends on the company's ability to implement the planned operating model changes to decrease costs in line with the declining volume. In the coming years, the regulatory environment plays an important role in this as the volumes continue to decline. Updates to the postal regulations are crucial. The new regulations must enable cost-effective distribution and the fulfillment of universal service obligation without public subsidies. The planned fixed-term State aid for newspaper delivery to ensure distribution in areas without early morning delivery is important to both newspaper publishers and distributors. Posti manages its most significant business risks through careful operational planning and active communication.

The eCommerce market continued its growth, but the growth rate slowed down and approached pre-pandemic levels. The main risks in the eCommerce business relate to increasing market competition and disruptive business models by new competition especially in the last mile delivery and e-fulfillment. Increasing competition could lead to decreased competitiveness and a loss of market share to which Posti must be able to react quickly enough by developing its offering and processes. Posti is managing these risks by systematically monitoring and reviewing the actions of executing the chosen delivery and fulfillment strategy. The importance of digital and automation solutions increases even further, and Posti must ensure the capability to deploy new solutions in the changing market.

As a large employer, Posti is facing challenges with securing personnel in some areas and is carefully managing actions to mitigate these risks. The management of the COVID-19 pandemic and its impacts on Posti's operations due to additional safety precautions among personnel continued throughout the year. Posti managed to keep the number of infections under control in its own facilities and there were no infection outbreaks. However, during the last weeks of 2021, the general worsening of the pandemic situation started to affect processes in the Helsinki Metropolitan area due to a rapid increase of sick leaves. This created delays in deliveries.

At Posti, sustainability is a part of day-to-day work, management, and risk management. Sustainability-related expectations toward companies increase continuously. Posti has identified sustainability risks related to its business, and sustainability is integrated into Posti's strategy and business even more strongly than before.

Posti is seeking to strengthen its presence in the Nordics and the Baltic Sea region. Aditro Logistics has an important role in achieving Posti's strategic goal of growing through parcel business and logistics in Finland, Sweden, and the Baltics. To grow and succeed in these markets, Posti needs to capture the synergies of acquired companies and find ways to accelerate its transformation into a strong fulfillment player within eCommerce.

Events after the reporting period

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

On January 13, Posti announced that it plans to merge its business groups Parcel & eCommerce and Freight Services into a new business group. The planned change is estimated to have an impact on organizational structures, working practices and job roles. The change enhances cross-business co-operation in line with Posti's strategy execution.

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

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 370,138,409.12 of which the profit for the financial year 2021 is EUR 87,839,084.38.

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 EUR 32.0 million, or a dividend of EUR 0.8 per share, will be distributed for the financial year 2021.

Outlook for 2022

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

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

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

Helsinki, February 16, 2022

Posti Group Corporation
Board of Directors

Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows and in the notes disclosures. Management believes that adjusted performance measures provide meaningful supplemental information to both management and stakeholders regarding the business performance. Adjusted EBITDA and adjusted operating result are also essential key figures in Posti Group's management reporting.

The calculation of key figures return on capital employed and net debt / adjusted EBITDA has been changed so that income statement items are according to Group's continuing operations. Earlier calculation method used Group's income statement items including both continuing and discontinued operations. Change takes effect in the disclosure of 2021 financial statements and the comparison period has been changed correspondingly. With the modification, management improves the informativeness and comparability of the key figures.

EBITDA*		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA*		EBITDA excluding special items.
Adjusted operating result*		Operating result excluding special items.
Special items*		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations and changes in contingent purchase considerations originated from business combinations.
Equity ratio, %	100 x	Total equity / Total assets - advances received
Return on capital employed, %*	100 x	Operating result (12 months rolling) / Capital employed (average of opening and closing balance of the previous 12 months)

Capital employed	Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt	Interest bearing borrowings - liquid funds - debt certificates.
Net debt / adjusted EBITDA*	Net debt / Adjusted EBITDA (12 months rolling)
Interest-bearing borrowings	Non-current and current interest-bearing borrowings and lease liabilities.
Liquid funds	Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE*	Full time equivalent personnel on average.
Operative free cash flow	Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less payments of lease liabilities.

* Continuing operations

Operative free cash flow, reconciliation

	2021	2020
Cash flow from operating activities	160.9	191.8
Purchase of intangible assets and property, plant and equipment	-82.3	-56.9
Payments of lease liabilities	-55.5	-57.3
Operative free cash flow	**23.1**	**77.6**

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

EUR million	Note	2021	2020, restated
Net sales	1, 3	**1,595.0**	**1,555.4**
Other operating income	4	12.6	15.1
Materials and services	5	-474.0	-457.4
Employee benefits	6	-682.0	-671.7
Other operating expenses	7	-271.1	-275.8
Depreciation and amortization	8	-119.5	-112.9
Impairment losses	8	-6.1	-2.3
Operating result		**55.0**	**50.5**
Finance income	9	2.2	2.5
Finance expenses	9	-8.9	-9.0
Result before income tax		**48.3**	**44.0**
Income tax	10	-9.6	-18.1
Result for the period from continuing operations		**38.7**	**25.9**
Result for the period from discontinued operations		-54.7	3.8
Result for the period		**-15.9**	**29.7**
Earnings per share (EUR per share)			
Group total		-0.40	0.74
Continuing operations		0.97	0.65
Discontinued operations		-1.37	0.10

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

Consolidated statement of comprehensive income

EUR million	2021	2020, restated
Result for the period	**-15.9**	**29.7**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Change in fair value of cash flow hedges	0.6	0.2
Translation differences	93.6	-3.9
Income tax relating to these items	-0.1	0.0
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	-4.2	0.1
Income tax relating to these items	0.8	0.0
Comprehensive income for the period	**74.8**	**26.0**

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Consolidated balance sheet

EUR million	Note	Dec 31, 2021	Dec 31, 2020
ASSETS			
Non-current assets			
Goodwill	11	189.9	190.7
Other intangible assets	11	84.3	89.7
Investment property	12	3.5	3.5
Property, plant and equipment	13	233.6	273.6
Right-of-use assets	14	239.2	262.8
Investments in associated companies	15	0.9	1.9
Other non-current investments	23	1.0	1.0
Non-current receivables	23	1.5	0.2
Deferred tax assets	16	25.7	7.7
Total non-current assets		**779.6**	**831.2**
Current assets			
Inventories	17	4.0	4.6
Trade and other receivables	18	296.4	288.8
Current income tax receivables		0.9	0.6
Current financial assets	23	64.5	69.1
Cash and cash equivalents	23	97.2	91.0
Total current assets		**462.9**	**454.1**
Total assets		**1,242.5**	**1,285.3**

EUR million	Note	Dec 31, 2021	Dec 31, 2020
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	19	70.0	70.0
General purpose reserve	19	142.7	142.7
Fair value reserve	19	-0.7	-1.2
Translation differences	19	-0.6	-94.2
Retained earnings		273.1	323.7
Total shareholders' equity		**484.5**	**441.1**
Non-current liabilities			
Deferred tax liabilities	16	12.1	20.0
Non-current interest-bearing borrowings	23	60.4	121.2
Non-current interest-bearing lease liabilities	24	193.4	214.9
Other non-current payables	22	7.2	9.7
Advances received	22	12.9	13.2
Non-current provisions	21	3.0	4.0
Defined benefit pension plan liabilities	20	11.1	7.2
Total non-current liabilities		**300.1**	**390.3**
Current liabilities			
Current interest-bearing borrowings	23	0.9	1.4
Current interest-bearing lease liabilities	24	51.4	51.3
Trade and other payables	22	324.7	312.8
Advances received	22	80.1	76.3
Current income tax liabilities		0.3	11.1
Current provisions	21	0.5	1.1
Total current liabilities		**458.0**	**453.9**
Total liabilities		**758.0**	**844.2**
Total equity and liabilities		**1,242.5**	**1,285.3**

Consolidated statement of cash flows

EUR million	Note	2021	2020
Result for the period		**-15.9**	**29.7**
Adjustments for:			
Depreciation and amortization	8	119.5	120.1
Impairment losses	8	6.1	2.5
Gains on sale of intangible and tangible assets	4	-1.3	-3.5
Losses on sale of intangible and tangible assets	7	0.1	5.2
Finance income	9	-2.2	-3.3
Finance expense	9	8.9	12.1
Income tax	10	9.5	15.8
Other non-cash items, continuing operations		-2.4	-5.3
Other non-cash items, discontinued operations		54.7	-3.8
Cash flow before change in net working capital		**176.9**	**169.5**
Change in trade and other receivables	18	-25.6	12.5
Change in inventories	17	0.1	0.3
Change in trade and other payables	22	24.5	16.8
Change in net working capital		**-1.0**	**29.6**
Cash flow before financial items and income tax		**175.9**	**199.2**
Interests paid	9	-7.5	-8.2
Interests received	9	1.1	1.3
Other financial items	9	-0.2	1.0
Income tax paid	10	-8.5	-1.6
Cash flow from financial items and income tax		**-15.1**	**-7.3**
Cash flow from operating activities		**160.9**	**191.8**

EUR million	Note	2021	2020
Purchase of intangible assets	11	-27.6	-29.7
Purchase of property, plant and equipment	13	-54.7	-27.2
Proceeds from sale of intangible and tangible assets	11, 13	2.7	11.8
Business acquisitions, net of cash acquired	2	-0.5	-48.8
Proceeds from business disposals less cash and cash equivalents	2	68.0	4.8
Cash flow from financial assets	23	5.1	32.5
Cash flow from other investments		0.4	0.2
Cash flow from investing activities		**-6.6**	**-56.5**
Increases in current loans	23		60.0
Repayment of current loans	23	-0.2	-69.9
Repayment of non-current loans	23	-61.2	-1.3
Payments of lease liabilities	23, 24	-55.5	-57.3
Dividends paid		-31.3	-29.8
Cash flow from financing activities		**-148.1**	**-98.3**
Change in cash and cash equivalents		**6.2**	**37.0**
Cash and cash equivalents at the beginning of the period		**91.0**	**54.9**
Effect of exchange rates changes		0.0	-1.0
Cash and cash equivalents at the end of the period		**97.2**	**91.0**

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

Consolidated statement of changes in equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity Jan 1, 2021	**70.0**	**142.7**	**-1.2**	**-94.2**	**323.7**	**441.1**
Comprehensive income						
Result for the period					-15.9	-15.9
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.5			0.5
Translation differences				93.6		93.6
Remeasurements of post-employment benefit obligations, net of tax					-3.4	-3.4
Total comprehensive income for the period			**0.5**	**93.6**	**-19.3**	**74.8**
Transactions with equity holders						
Dividends paid					-31.3	-31.3
Equity Dec 31, 2021	**70.0**	**142.7**	**-0.7**	**-0.6**	**273.1**	**484.5**
Equity Jan 1, 2020	**70.0**	**142.7**	**-1.3**	**-90.3**	**323.8**	**444.9**
Comprehensive income						
Result for the period					29.7	29.7
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.1			0.1
Translation differences				-3.9		-3.9
Remeasurements of post-employment benefit obligations, net of tax					0.1	0.1
Total comprehensive income for the period			**0.1**	**-3.9**	**29.7**	**26.0**
Transactions with equity holders						
Dividends paid					-29.8	-29.8
Equity Dec 31, 2020	**70.0**	**142.7**	**-1.2**	**-94.2**	**323.7**	**441.1**

Notes to the Consolidated financial statements

Company information

Posti Group Corporation and its subsidiaries ("Posti" or "the Group") provides businesses and consumers postal and logistics services and e-commerce services. Posti operates in 7 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 are 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 of non-current assets held for sale. All amounts in the consolidated financial statements are presented in millions of euros, unless otherwise stated. The figures are rounded and thus the sum of individual figures may be different than the total presented. These policies have been consistently applied to all the years presented, unless stated otherwise.

Application of new or amended IFRS standards

The amendments to IFRS standards effective from January 1, 2021 had no impact on Group's financial statements.

The Group has assessed the IFRIC agenda decision of April 2021 regarding the configuration and customization costs in a cloud computing arrangement. Going forward, any solutions fully outsourced to one vendor will be considered as service agreements, and the related implementation costs are not capitalized. If separate assets are created as part of the implementation, they can be capitalized. Configuration and customization expenses included in the balance sheet are not material, and no adjustment has been carried out.

COVID-19 pandemic impacts on financial reporting

Since the outbreak of the COVID-19 pandemic in early 2020, Posti Group has paid special attention to accounting estimates and judgements that might be impacted by the short-term and longer-term consequences of the pandemic. Credit risks have been subject to enhanced monitoring, and the estimated credit loss calculation parameters have been adjusted to reflect the potential risks caused by the pandemic. Goodwill has been assessed during the year for potential impairment needs. The impairment tests for the financial year-end are reflecting the Group's strategic long-term forecasts.

Discontinued Operations

The Group presents discontinued operations as a separate line item in income statement and other comprehensive income. Comparative amounts of income statement and related notes are restated to reflect continuing operations.

Consolidation Principles

Subsidiaries

The consolidated financial statements include the accounts of the parent company, Posti Group Corporation, and all 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, assets and liabilities, distribution of profits and unrealized gains on transactions between group companies are eliminated in the consolidated accounts.

Associated companies

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 percent and 50 percent of the voting rights. Also, entities where the Group has a lower ownership, but it exercises significant influence are disclosed as associated companies. 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 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. 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 Group.

Transactions and balances
Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate at the date of the transaction. Monetary items in the balance sheet denominated in foreign currencies are translated into functional currency using the exchange rate at the balance sheet date and non-monetary items using the exchange rate at the transaction date, excluding items measured at fair value in a foreign currency which are translated using the exchange rate 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 financial income and financial expenses except for the long-term intercompany loans that are attributable to the net investment in foreign entities of which exchange rate differences are recognized in other comprehensive income.

Group companies
If the subsidiaries' functional currency differs from the Group's presentation currency, their income statements and 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, including net investment loans to the subsidiary, 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

The majority of the Group's revenue is generated by rendering of short-term postal and logistics services. Revenue of the performance obligations is recognized either over time or at a point in time, depending on how Posti transfers control to the customer as it satisfies performance obligations of the customer contracts.

Net sales comprise the revenue generated by the sale of goods and services net of value added taxes, discounts, service level related and other refunds to customers and foreign exchange differences.

At contract inception, the Group assesses the services promised in the contract with a customer to identify performance obligations. Performance obligation can be either a promise to transfer to the customer a distinct good or service or a series of distinct goods or services.

Some contracts include variable considerations of transaction price, such as volume discounts or service level penalty fees. Variable consideration is included to transaction price using the expected value or most likely amount method, to the extent that it is highly probable that a significant reversal will not occur.

Posti applies the practical expedient where no adjustments to the transaction prices are made for the time value of money, since the period between the transfer of the promised services to the customer and payment by the customer does not exceed one year.

Postal services
Postal services include Corporate messaging, Media and retail and Consumer mail services. As a rule, revenue for postal services is recognized over time as the Group satisfies performance obligations.

Revenue for Corporate messaging products (other than prepaid services) is recognized when the products are received for processing. Revenue for Media and retail products is recognized when the products are received to the Group's delivery network. Due to the short delivery times of these products, difference to the recognition over performance obligation is not material. Corporate messaging revenue recognition for prepaid services is described below.

Revenue for certain prepaid services, including stamps, franking machines, and prepaid envelopes, is recognized based on their estimated usage. Estimated usage is based on statistical model that incorporates sales and production volumes and price changes. The unperformed services are accrued as deferred revenue liability on the balance sheet. 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 Group is using external specialists to develop, assess and update the statistical revenue recognition model.

The commissions to the retailers are recognized as 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 and recognized as expense when the related revenue is recognized in net sales.

The Group acts as a principal for outbound international mail and parcel services under the universal service obligation. Revenue is recognized gross, while terminal dues payable to third parties (other postal administrations) are reported as operating costs.

Parcel and eCommerce

Revenue for parcel and eCommerce services is recognized over time as Posti satisfies performance obligations. For the services not completed at the end of the reporting period, the progress of performance is estimated. For parcel services in the Baltic countries the revenue is recognized when the delivery is received to Group's delivery network. Difference between the applied method and a method measuring progress towards complete satisfaction is considered immaterial for the Group.

Freight services

For freight services in Finland and in the Baltic countries, revenue is recognized when the delivery is received to Group's delivery network. Difference between the applied method and a method measuring progress towards satisfaction of performance obligation is considered immaterial for the Group.

Supply chain outsourcing and staffing services

Supply chain outsourcing services include reception of goods, handling and storage of goods, order picking and dispatch of goods, and warehouse accounting. Revenue is recognized as the service is being provided, calculated based on the number of occurrences and the space allocated to the customer's goods. Based on the Groups assessment, its customer contracts do not contain a lease contract as these contracts do not include identified assets.

Revenue for staffing services is recognized according to the usage of outsourced resources by the clients.

Other revenue

Revenue for 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.

Contract costs

Incremental costs of obtaining a contract, for example sales commissions are capitalized if they expect to be recovered. Incremental costs with amortization period of one year or less are expensed.

Costs to fulfill a contract are capitalized in balance sheet and recognized as expense during the contract period if criteria for capitalization is met. Costs need to relate directly to a contract, to generate or enhance resources to be used in satisfying performance obligations of the contract and to be recovered. General or administrative costs are not capitalized.

Government grants

Government grants are mostly research and business development grants, 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. Some product and business development grants are presented in the statement of financial position by deducting the grant from the carrying amount of the asset.

Employee benefits

The company has several pension plans of which the majority relates to defined contribution plans. For the defined contribution plans, the Group pays contributions to pension insurance plans on a statutory 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 Pension liabilities.

Income taxes

Income tax expense in the consolidated income statement includes Group companies' current income tax calculated on their taxable profit for the financial year using the applicable corporate 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. 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 substantially 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 uncertain positions are taken in tax returns, transfer pricing or other tax related issues they are subject to interpretation and uncertainty. Each uncertain tax treatment is considered separately or together depending on which approach predicts the uncertainty the best way. All these effects of uncertainties are reflected in the tax accounting when it is not probable that the tax authorities or courts will accept treatments.

Based on analysis Posti has identified some uncertain tax positions. More information related to uncertainty of ongoing tax litigation cases and deferred tax assets is provided in chapter Critical accounting estimates and judgments in applying accounting policies under Uncertainty regarding the utilization of deferred tax assets.

The Group and its subsidiaries file various tax returns in several jurisdictions including information for transfer pricing matters. Posti did not recognize uncertain tax positions for other income tax positions except those mentioned above. However, tax authorities may challenge those tax treatments. The Group follows all tax legislation in its operating countries and has a limited tax exposure to cross border transactions between subsidiaries located in different jurisdictions. Based on the Group's compliance processes, Posti has assessed that it is probable that its tax treatments will be accepted by the tax authorities.

These assessments include significant management judgements about the eventual outcome of various tax authorities' or court estimates and decisions including tax audits. Actual outcomes from these decisions can differ significantly from management judgements.

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 purposes of 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 Intangible assets.

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. 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	3–5 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 cost 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 leased right-of-use asset, over the lease term. 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 lockers.

The expected useful lives of PPE are as follows:

Production buildings	15–40 years
Office buildings	25–40 years
Structures	5–15 years
Production equipment	3–13 years
Vehicles	3– 5 years
Storage shelves and systems	5–13 years
Parcel lockers	3– 7 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 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. Testing can be performed 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 of goodwill, 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 Intangible assets.

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

A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time and also economic benefits will be transferred to lessee.

As per the main rule, Posti recognizes tangible asset leases in balance sheet to be right-of-use assets (right to use the leased asset) and the lease liability corresponds to future lease payments. Liability is divided in long-term and short-term parts. For those leases which are not recognized in balance sheet, lease expense is recorded as incurred.

Posti distinguishes between service contracts and lease contracts. Service contracts are not recognized in the balance sheet.

For leases recognized in balance sheet, lease payments are recognized as interest expense and decrease of lease liability. Right-of-use assets are depreciated during the lease term.

Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). These leases are not recognized in balance sheet. Part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases. Some key premises with short-term lease contracts but with longer term use plans are, however, recognized in the balance sheet by using a longer lease term than agreed in the lease contract.

For those leases recognized in the balance sheet, the lease liability is recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographic area, contract term, and asset type. Incremental borrowing rate illustrates the interest rate that a lessee would have to pay to borrow funds necessary to obtain an asset of a similar value to the right-of-use asset.

As reference rates outside of Russia, Posti uses euro interest rate swap rates from the markets. Russian government bond benchmark rates have been used in Russian area. Posti has defined three lease term length range baskets and accordingly three reference rates are applied. Additional legal entity related margin reflects the financial standing of each lessee in the Group. Leased asset type is also reflected as incremental borrowing rate is adjusted down in lease contracts for premises.

As a main rule discount rate used to lease contract is applied during entire life cycle of lease contract. Exception for this main rule are certain lease contract modifications or reassessments during the life cycle of lease.

Termination or extension option can be related to a lease contract. Matter is presented below in chapter Critical accounting estimates and judgments in applying accounting policies.

Cash payments for the principal portion of the lease liability are classified within cash flow from financing activities and only the payments that reflect interest are presented as cash flows from operating activities. For those leases which are not recognized in balance sheet, lease expense is classified within cash flow from operating activities.

Especially in case of long-term premise lease contracts, the accounting values are subject to changes if the lease contract terms are changed or otherwise Posti makes reassessments to the contents of the lease contract. Changed rental payments, changed length of the lease term or changed assessment of lease term or other essential changes are adjusted in accounting in lease liability and right-of-use asset.

The majority of the balance sheet value generated from leasing arrangements are leasing contracts for premises. These contracts are typically related with annual lease amount increases. By number of lease contracts, most lease contracts are connected to leased vehicles in which the monthly lease amount is typically stable during the entire lease contract term.

Future lease amount increases are recognized in lease liability only at that time as they occur. At the time the lease amount increase occurs, it leads to adjustment in lease liability and corresponding adjustments to right-of-use asset.

Vehicles' lease contracts often include service fee components in addition to capital rent. Service fees are not recognized in balance sheet value of lease contracts but only the pure capital rent is included. Service fees are recognized as incurred.

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

The Group classifies its financial assets into the following categories: measured at amortized cost and measured at fair value through profit or loss. The classification is based on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets, whose business model is to hold the assets until maturity for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Other financial assets are measured at fair value through profit or loss.

Financial assets are recognized and derecognized at the 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. Any gain or loss arising on derecognition of a financial asset is recognized directly in profit or loss and presented in finance income or expenses (or in other operative income or expenses for trade receivables), together with foreign exchange gains and losses.

Financial assets at amortized cost

Financial assets at amortized cost include investments in bonds and money-market investments, fixed-term bank deposits as well as trade receivables and other receivables. Interest income from these financial assets is included in financial income using the effective interest rate method.

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, the Group applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

For trade receivables, the Group applies a simplified loss allowance matrix approach whereby the impairment loss is measured over the life of the asset unless the asset is already written off. Write-offs are based on indicators that here is no reasonable expectation of recovery, for example, due to a failure to make contractual payments or bankruptcy. The changes in loss allowance and loss from write-offs are presented in other operating expenses.

Financial assets at fair value through profit or loss

The Group classifies investments in equity instruments as financial assets at fair value through profit or loss. This category includes unlisted shares. The changes in the fair value of investments in equity instruments are recognized in financial income or expenses at each balance sheet date.

Also, derivatives for which hedge accounting is not applied are included in the financial assets at fair value through profit or loss. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

Financial liabilities

The Group classifies its financial liabilities either into financial liabilities at amortized cost or financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Non-derivative financial liabilities are classified as financial liabilities at amortized cost. They are initially recognized at fair value based on the consideration received. Transaction costs are included in the initial carrying amount of financial liabilities. Subsequently, financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives for which hedge accounting is not applied. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

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. Gain 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 of highly probable future transactions (cash flow hedge) or as other hedges, to which hedge accounting is not applied.

When hedge accounting is applied, the Group 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 prospectively at inception of the hedge and at each reporting date the effectiveness of the hedging relationship by inspecting the hedge instruments' ability to offset the changes in fair values or cash flows of hedged items.

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. Possible ineffective portion is recognized through profit or loss according to its nature either in other operating income or expenses or financial items. 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 certain commitments in foreign currencies and interest-rate risk of a loan with variable interest-rate. For foreign currency forwards the Group designates the whole forward contract as the hedging instrument. 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 accumulated fair value gain or loss is retained in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accumulated fair value gain or loss is recognized trough profit or loss immediately.

For certain derivative instruments while entered into for risk management purposes, hedge accounting is not applied. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. For these contracts, the 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 at the acquisition.

Fair Value Measurement

The Group measures derivatives, investments in equity assets as well as assets and liabilities acquired through a business combination at fair 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 reassessing 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.

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.

Critical accounting estimates and judgments in applying accounting policies

Preparing the consolidated financial statements in compliance with IFRS requires that the Group's management makes 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 circumstances, but the actuals may differ from the estimates and assumptions stated in the financial statements. The areas involving a higher degree of judgement 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.

Goodwill impairment testing

Goodwill, as well as other assets, are tested for impairment annually or more often if indicators of potential impairment exist.

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 operative result, determination of the discount rate (WACC), and long-term growth rate used after the forecast period.

Uncertainty regarding 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 utilized in parent company or other Posti companies. 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.

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 considering the estimated revenue from these contracts and related directly attributable expenses. The estimates include 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 be different from the originally estimated provision and the carrying amounts of provisions are regularly reviewed and adjusted to reflect any changes in estimates.

Lease term determination and assessments on termination and extension options
If lease contract does not contain option clause, Posti will not make judgements on lease contract extension or early termination. In case the contract includes a termination or extension option, Posti considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Posti makes judgement as per each lease contract to exercise or not to exercise the option and related recognition to increase or decrease the accounting lease liability.

Leases and short-term judgement
Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). These leases are not recognized in balance sheet. Part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases.

Some key premises with short-term lease contracts but with longer term use plans, are, however, recognized in the balance sheet by using a longer lease term than agreed in the lease contract.

Changes in standards not yet effective

The Group will apply the new or amended standards as they become effective. Posti estimates that IFRS standards or IFRIC interpretations that will be effective in the future will not have material impact on the Group financial statements.

1. Operating segments

In the end of financial year 2021, Posti has two reporting segments that consist of five operating segments: Postal Services, Parcel and eCommerce, Transval, Freight services, and Aditro Logistics. 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, responsible for allocating resources to operating segments and the evaluation of the segments' results.

Postal Services, Parcel and eCommerce, Transval and Freight services are aggregated into a single reportable segment called Mail, Parcel and Logistics Services. The 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, and the financial performance of the segments is largely dependent on the allocation principles of the shared cost base. In addition to similar financial characteristics and common production processes, the aggregated operating segments are similar in terms of their services, customers and distribution channels. Second reportable segment is Aditro Logistics.

From January 1, 2021, Posti has re-assigned some business activities between its operating segments and assigned certain group-level functions to the operating segments. 2020 reporting has been restated accordingly, leading to minor adjustments between Mail, Parcel and Logistics Services and Other and unallocated segments.

The chief operating decision maker primarily uses measures of adjusted EBITDA and adjusted operating result to assess the performance of the operating segments. He 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 right-of-use assets and business acquisitions.

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

Divestment of Itella Russia business group

In December 2021 Posti Group completed the divestment of Itella Russia business group. After the divestment Posti has no operations in Russia. Following the divestment, Itella Russia segment result, including result of the divestment and previously sold real estate companies, is presented as discontinued operations. Comparison period 2020 is restated accordingly. More information is presented in note Acquired and divested businesses and discontinued operations.

Mail, Parcel and Logistics Services

Postal Services (PS)

Postal Services includes Corporate messaging, media and retail and consumer mail services. Corporate messaging offers both physical and electronic messaging solutions to its customers. Media and retail produce and develop delivery services of newspapers, magazines and free distribution papers to their enterprise customers. The business also offers marketing services. The majority of the business consists of both addressed and unaddressed direct marketing deliveries. Consumer mail services play an important role in the personal communication; it includes letter services for consumers, stamps, mail redirecting services and international postal cooperation.

Parcel and eCommerce (PEC)

Parcel and eCommerce offers parcel and eCommerce services for corporate and private customers both internationally and in Finland. Parcel and eCommerce also offers and develops Posti's new digital services. Posti's Home Services unit was part of this business group until its divestment in September 2020.

Transval

Transval offers a large range of supply chain outsourcing services, including in-house logistics and transportation. The services can be delivered in own premises or in the client's premises such as warehouses, shops or production sites. Transval also offers staffing services.

Freight Services

Freight Services offers a wide range of transportation services to its customers. Freight Services are also part of the Mail, Parcel and Logistics Services segment's common production process.

Aditro Logistics

Aditro Logistics is one of the leading logistics companies in the Nordic countries. It is supporting Group's targets to grow in parcel, eCommerce and logistics businesses. Aditro operates in Sweden and Norway.

Other and unallocated

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

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 that are considered to incur outside of the ordinary course of business ("special items"). The chief operating decision maker assesses the performance of the segments primarily based on these performance measures. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real-estates or business operations and changes in contingent purchase considerations originated from business combinations.

2021

EUR million	Mail, Parcel and Logistics Services	Aditro Logistics	Segments total	Other and unallocated	Eliminations	Group total
External sales	1,484.8	110.1	1,595.0	0.0		1,595.0
Inter-segment sales	1.1	0.0	1.2	1.1	-2.3	
Net sales	1,486.0	110.2	1,596.1	1.1	-2.3	1,595.0
EBITDA	**177.5**	**12.7**	**190.2**	**-9.7**		**180.5**
Special items included in EBITDA:						
Personnel restructuring costs	2.2		2.2	-0.7		1.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)				-0.8		-0.8
Changes in contingent purchase considerations						
Other	0.4		0.4	0.0		0.4
Special items included in EBITDA total	**2.6**		**2.6**	**-1.5**		**1.1**
Adjusted EBITDA	**180.2**	**12.7**	**192.9**	**-11.2**		**181.6**
Operating result	**73.9**	**-4.8**	**69.1**	**-14.1**		**55.0**
Special items included in operating result:						
Special items included in EBITDA	2.6		2.6	-1.5		1.1
Impairment losses	2.4		2.4	1.3		3.7
Special items total	**5.1**		**5.1**	**-0.3**		**4.8**
Adjusted operating result	**79.0**	**-4.8**	**74.2**	**-14.4**		**59.8**
Financial income and expense						-6.7
Income tax						-9.6
Result for the period from continuing operations						**38.7**
Result for the period from discontinued operations						-54.7
Result for the period						**-15.9**
Assets	828.9	170.5	999.4	256.1	-13.0	1,242.5
Liabilities	412.9	29.4	442.3	328.7	-13.0	758.0
Capital expenditure*	61.7	8.7	70.4	46.0		116.4
Depreciation and amortization*	99.8	17.1	116.9	2.6		119.5
Impairment losses*	3.7	0.5	4.1	1.9		6.1
Personnel, end of period*	18,930	1,751	20,681	447		21,128
Personnel on average, FTE*	13,548	1,022	14,571	471		15,042

* Continuing operations

2020, restated**

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Aditro Logistics***	Segments total	Other and unallocated	Eliminations	Group total
External sales	1,480.6		74.7	1,555.4	0.1		1,555.4
Inter-segment sales	1.0		0.0	1.0	1.7	-2.7	
Net sales	1,481.6		74.7	1,556.4	1.7	-2.7	1,555.4
EBITDA	**162.9**	**0.0**	**10.2**	**173.1**	**-7.5**		**165.7**
Special items included in EBITDA:							
Personnel restructuring costs	4.5			4.5	1.1		5.6
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-1.4			-1.4			-1.4
Changes in contingent purchase considerations					-0.9		-0.9
Other	1.9			1.9	2.7		4.5
Special items included in EBITDA total	**5.0**			**5.0**	**2.8**		**7.8**
Adjusted EBITDA	**168.0**	**0.0**	**10.2**	**178.1**	**-4.7**		**173.5**
Operating result	**67.8**	**0.0**	**-2.0**	**65.9**	**-15.4**		**50.5**
Special items included in operating result:							
Special items included in EBITDA	5.0			5.0	2.8		7.8
Impairment losses					2.2		2.2
Special items total	**5.0**			**5.0**	**5.0**		**10.0**
Adjusted operating result	**72.9**	**0.0**	**-2.0**	**70.9**	**-10.4**		**60.5**
Financial income and expense							-6.5
Income tax							-18.1
Result for the period from continuing operations							**25.9**
Result for the period from discontinued operations							3.8
Result for the period							**29.7**
Assets	828.6	71.2	176.6	1,076.4	210.1	-1.1	1,285.3
Liabilities	378.7	6.5	19.8	405.0	440.4	-1.1	844.2
Capital expenditure*	63.1		2.4	65.6	84.5		150.1
Depreciation and amortization*	95.0		12.1	107.1	5.7		112.9
Impairment losses*	0.1			0.1	2.2		2.3
Personnel, end of period*	17,973		1,427	19,400	502		19,902
Personnel on average, FTE*	13,976		659	14,635	478		15,113

* Continuing operations
** Restated on the basis of re-assignment of activities between MPLS and Other and unallocated
*** The operations of Aditro Logistics have been included in Posti's financials as of April 2020

Net sales distribution of Mail, Parcel and Logistics Services

Net Sales, EUR million	2021	2020, restated
Postal Services	610.9	647.1
Parcel and eCommerce	492.4	477.6
Transval	219.8	201.7
Freight Services	189.2	172.6
Other and eliminations	-26.3	-17.4
Total	**1,486.0**	**1,481.6**

Geographical areas

The group operates in the following geographical areas: Finland, Other Nordic countries and Other countries. The net sales of the geographical areas are determined by the geographical location of the Group's external 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.

2021

EUR million	Finland	Other Nordic countries	Russia	Other countries	Total
Net sales	1,308.2	179.6	0.3	106.9	1,595.0
Non-current assets	441.8	100.5	-	20.3	562.5

2020, restated

EUR million	Finland	Other Nordic countries	Russia	Other countries	Total
Net sales	1,288.8	164.9	0.3	101.4	1,555.4
Non-current assets	446.9	111.6	56.1	17.9	632.6

Revenue streams

EUR million	2021	2020, restated
Sales of services	1,591.2	1,550.5
Sales of goods	3.8	4.9
Total	**1,595.0**	**1,555.4**

Foreign exchange rates

Average rate

	2021	2020
RUB	87.6	82.6
SEK	10.1	10.5
NOK	10.2	10.7

Closing rate

	2021	2020
RUB	85.3	91.5
SEK	10.3	10.0
NOK	10.0	10.5

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2. Acquired and divested businesses and discontinued operations

Acquired businesses 2021

No business acquisitions were carried out during 2021.

Discontinued operations 2021

In December 2021, Posti Group completed the divestment of the Itella Russia business group. The divestment of Itella Russia supports Posti's strategy of seeking growth from its parcel and e-commerce as well as logistics businesses in Finland, Sweden and the Baltics. After the divestment Posti has no operations in Russia. Following the divestment, Itella Russia's segment result, including the result of the divestment and previously sold real estate companies, is presented as discontinued operations. The comparison period 2020 is restated accordingly.

The result from discontinued operations includes translation losses of EUR 90.3 million, accumulated over the period of ownership and previously reported as changes in equity according to IFRS. The disposal or real estate entities resulted in tax-deductible losses, for which deferred tax asset was recognized. The change of deferred tax is reported as part of discontinued operations. Consideration received on the sale was all cash and did not include any contingent consideration.

Result for the period from discontinued operations

EUR million	2021	2020
Net sales	49.3	58.9
Other operating income	10.6	13.2
Materials and services	-23.7	-25.7
Employee benefits	-13.7	-15.9
Sale result net of sale costs excluding translation differences	2.8	1.3
Translation differences from equity to sale result	-90.3	-5.9
Other operating expenses	-15.9	-13.9
Depreciation, amortization and impairment losses	-4.4	-7.5
Operating result	**-85.4**	**4.5**
Finance expenses	1.4	-3.0
Income tax	29.3	2.4
Result for the period from discontinued operations	**-54.7**	**3.8**

Cash flow from discontinued operations

EUR million	2021	2020
Cash flow from operating activities	5.4	8.3
Cash flow from investing activities	72.6	0.2

Net assets sold

EUR million	2021
Sold assets	
Intangible assets	0.8
Property, plant and equipment	50.7
Deferred tax asset	0.6
Receivables	14.8
Cash and cash equivalents	7.2
Assets total	**74.1**

EUR million	2021
Sold liabilities	
Deferred tax liability	6.0
Interest bearing liabilities	7.5
Trade payables and other liabilities	7.7
Liabilities total	**21.2**
Net assets sold	**52.9**

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Acquired businesses 2020

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

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

On April 2, 2020, Posti announced that it had completed the acquisition of the Swedish logistics company Aditro Logistics. From April 1, 2020, Aditro Logistics was reported as one of the three reportable segments of Posti. Aditro Logistics is one of the leading contract logistics companies in the Nordics. The acquisition is in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses. In 2019, Aditro Logistics' net sales were approximately EUR 100 million and it had 1,100 full-time employees, out of which 1,050 were based in Sweden and 50 in Norway. A goodwill of EUR 35.1 million was recognized in the acquisition. Acquisition-related costs of EUR 0.6 million were recognized in other operating expenses.

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

Effect on assets	KV Turva	Alma	Aditro Logistics	Acquired businesses total
EUR million				Fair value
Intangible assets		8.0	16.5	24.5
Property, plant and equipment	0.1		98.9	98.9
Inventory			0.6	0.6
Receivables	0.6		14.8	15.3
Cash and cash equivalents	0.3		0.0	0.3
Effect on assets	**0.9**	**8.0**	**130.7**	**139.6**

Effect on liabilities				
EUR million				
Deferred tax liability			3.3	3.3
Interest bearing liabilities	0.1		97.9	98.0
Trade payables and other liabilities	1.4	1.9	16.8	20.1
Effect on liabilities	**1.5**	**1.9**	**118.1**	**121.5**
Net assets acquired	**-0.6**	**6.1**	**12.7**	**18.2**

Components of acquisition cost				
EUR million				
Cash considerations	1.0	6.1	47.8	54.9
Total cost of acquisition	**1.0**	**6.1**	**47.8**	**54.9**
Fair value of net assets acquired	-0.6	6.1	12.7	18.2
Goodwill	**1.6**	**0.0**	**35.1**	**36.7**

Cash flow effect of the acquisition				
EUR million		*		
Purchase price paid in cash	1.0	-	47.8	48.8
Cash and cash equivalents of the acquired subsidiary	0.3	-	0.0	0.3
Cash flow	**0.7**	**-**	**47.8**	**48.5**
Other Cash flow related to earlier periods business acquisitions				0.3
Cash flow total				**48.8**

* Purchase price of Alma transaction was paid already in 2019.

Business divestments in 2020

In September 2020, Posti divested Posti Kotipalvelut Oy to Stella Care Oy. The divestment is in line with strategy to continue its determined renewal and focus on its core businesses. Posti seeks growth especially in the Parcel and eCommerce and Logistics businesses. As a result of the transaction, Posti Group Corporation became minority shareholder in Stella Care Oy. Transaction did not have material impact on Posti group's balance sheet or income statement.

In November 2020, Posti Messaging -business in Sweden and Norway was divested by selling the subsidiaries to Ropo Capital. The Messaging business is part of the Mail-, Parcel-, and Logistics services -segment. Posti Messaging Scandinavian operations divestment is part of Posti's strategy and Posti continues the transformation and focusing on its core businesses. Posti Messaging operations however continue normally in Finland and other countries. A sales loss of EUR 1.0 million was recognized in Posti Group. Sale loss included EUR 2.6 million exchange rate losses reclassified from translation differences.

Net assets sold

Sold assets EUR million	Messaging Skandinavia
Intangible assets	0.2
Property, plant and equipment	2.9
Receivables	5.4
Cash and cash equivalents	3.3
Assets total	**11.8**

Sold liabilities EUR million	
Deferred tax liability	0.6
Interest bearing liabilities	2.2
Trade payables and other liabilities	4.1
Liabilities total	**6.9**
Net assets sold	**4.9**

3. Revenue from contracts with customers

The majority of the Group's revenue is generated by the rendering of short-term postal and logistics services. Revenue recognition policies are described in note Accounting policies. A disaggregation of revenue and services provided by operating segments are presented in note Operating segments.

Assets and liabilities related to contracts with customers

The Group has recognized the following assets and liabilities related to contracts with customers:

EUR million	2021	2020	2019
Contract assets on terminal dues*	20.8	25.7	31.4
Other contract assets	3.5	3.5	3.7
Contract assets total	**24.4**	**29.3**	**35.0**
Contract liabilities on stamps	18.2	21.4	20.0
Contract liabilities on other prepaid services	3.7	5.1	3.9
Other contract liabilities	2.8	2.0	2.5
Contract liabilities total	**24.7**	**28.4**	**26.4**

* Contract assets on terminal dues (from other postal administrations) relate to inbound international mail. According to international multilateral contracts, such as Universal Postal Convention, the party with a net receivable has the right to receive an advance payment for the estimated annual receivable position (outbound mail liability is deducted). As a consequence, the net receivable position resulting from the terminal dues at year-end is materially paid in advance. Advances received are included in the short-term liabilities. More information on terminal dues is presented in note Financial instruments and financial risk management under heading Offsetting of financial instruments.

Revenue recognized in relation to contract liabilities

Revenue recognized that was included in the contract liability balance at the beginning of the period:

EUR million	2021	2020
Stamps and other prepaid services	13.2	10.4
Other contract liabilities	2.0	2.5
Total	**15.2**	**12.9**

Payment terms

The revenue is typically invoiced when the performance obligation is satisfied. For stamps, franking machines and prepaid envelopes as well as for sales taking place at post offices, revenue is invoiced at the time of purchasing event. The Group follows market practices for payment terms, which most commonly vary between 14 and 30 days. Payment terms on terminal dues related to international mail are in accordance with international multilateral contracts and a settlement system, where prepayments are made during the financial year and final settlement of yearly payables and receivables is performed in the following year.

Remaining performance obligations

The Group expects to recognize as revenue the contract liability on the balance sheet date related to stamps within five years, of which EUR 5.2 million within the following financial year. Other contract liabilities related to unsatisfied performance obligations are expected to be recognized as revenue within the following financial year.

Assets recognized from costs incurred to obtain a contract

In addition to the contract balances disclosed above, the Group has also recognized an asset of EUR 1.3 (1.6) million in relation to sales commissions to stamp retailers. This is presented within other assets in the balance sheet and recognized as expense when the related revenue is recognized in net sales.

4. Other operating income

EUR million	2021	2020, restated
Gains on disposals of property, plant and equipment	1.3	1.1
Rental income	1.8	2.3
Rents from investment property	1.2	1.1
Gains on sale of subsidiaries and businesses	0.2	1.3
Other admin and IT related services and fees	6.0	6.2
Other items	2.2	3.1
Total	**12.6**	**15.1**

Rental income consists mainly of rent income from buildings and premises owned by Posti. Other admin and IT-related services and fees relate mainly to the Posti Messaging business. Other items include income from the sale of services and materials. Other items also includes Posti's share of associated company result. For additional information, see note Investments in associated companies.

5. Materials and services

EUR million	2021	2020, restated
Production materials	25.9	23.9
Subcontracting and external services	144.4	149.0
Mail transport and delivery services	247.7	240.5
Freight and transport	55.6	43.6
Other production cost	0.5	0.4
Total	**474.0**	**457.4**

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

6. Employee benefits

EUR million	2021	2020, restated
Wages and salaries	556.3	557.6
Pensions (defined contribution plans)	90.7	81.7
Pensions (defined benefit plans)	0.0	0.0
Other social expenses	35.0	32.4
Total	**682.0**	**671.7**

Employee benefits

More detailed information on defined benefit pension plans is presented in note Pension liabilities.

Employee benefit expenses includes EUR 1.5 million (2020: 5.6) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and the Group's various profitability improvement programs.

The Group's senior management, different operational management and specialist roles are involved in the cash-settled short-term bonus plan. 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 Personnel Committee. Long-term incentive schemes are rolling 3-year programs, which are settled in cash. The schemes include the Leadership Team as well as key employees per scheme named by the Personnel Committee. The schemes have been implemented in accordance with the valid guidelines by the state-owner concerning the remuneration of executive management.

For key management compensation, see note Related Parties.

7. Other operating expenses

EUR million	2021	2020, restated
Rents and leases	32.2	27.7
Voluntary employee expenses	14.3	15.1
Losses on disposal of businesses and property, plant and equipment	0.1	1.4
IT operating costs	79.7	84.5
Facility maintenance	30.1	29.3
Other production costs	45.6	40.3
Office, marketing and travel	26.4	30.7
Other operating items	42.7	46.8
Total	**271.1**	**275.8**

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.

Losses on disposal of businesses 2020 included an EUR 1.0 million sale loss of Posti Messaging AB in Sweden and Posti Messaging AS in Norway.

Posti Group other operating expenses and employee benefits include EUR 3.8 (2020: 3.9) million of research and development costs. Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 9.3 (2020: 5.2) million.

Office expenses includes auditor fees as follows:

EUR million	2021	2020
Auditor fees		
Audit	0.5	0.6
Other services	0.2	0.2
Total	**0.7**	**0.8**

8. Depreciation, amortization and impairment losses

EUR million	2021	2020, restated
Amortization on intangible assets		
Development costs	8.8	4.8
Intangible rights	19.0	18.1
Total	**27.8**	**22.9**
Impairment losses on intangible assets		
Impairment losses on intangible rights	4.5	2.2
Total	**4.5**	**2.2**
Depreciation on property, plant and equipment		
Buildings and structures	7.7	7.6
Investment properties	-	0.2
Machinery and equipment	25.7	25.9
Other tangible assets	0.2	0.1
Total	**33.6**	**33.8**
Impairment losses on property, plant and equipment		
Impairment losses on machinery and equipment	0.3	0.1
Impairment losses on buildings	0.7	-
Impairment losses on other tangible assets	0.0	0.0
Total	**1.0**	**0.1**
Depreciation on right-of-use assets	**58.1**	**56.1**
Impairment losses on associated companies	**0.6**	**-**
Total depreciation, amortization and impairment losses	**125.5**	**115.2**

The largest item included in impairment losses on intangible rights is an EUR 2.4 million impairment of warehouse management system in Transval. In 2020, Posti recognized impairment loss of EUR 2.2 million on intangible assets related to transport management system in Freight Services. Goodwill is not amortized but is tested for impairment annually and whenever there are indications for impairment. More information about impairment testing of goodwill is presented in note Intangible assets.

9. Financial income and expenses

Financial income

EUR million	2021	2020, restated
Dividend income		0.0
Interest income		
Financial assets at amortised cost	0.8	1.0
Exchange rate gains		
Interest-bearing receivables and liabilities	0.2	1.1
Currency derivatives, non-hedge accounting	1.2	0.3
Other financial income*	0.0	0.0
Total	**2.2**	**2.5**

Financial expenses

EUR million	2021	2020, restated
Interest expenses		
Financial lease liabilities at amortised cost	5.6	5.3
Other financial liabilities at amortised cost	1.5	1.8
Exchange rate losses		
Interest-bearing receivables and liabilities	0.6	0.2
Currency derivatives, non-hedge accounting	0.9	1.4
Other financial expenses	0.4	0.3
Total	**8.9**	**9.0**

10. Income tax

EUR million	2021	2020, restated
Current tax expense	11.6	9.6
Taxes for previous years	-0.4	8.8
Deferred tax	-1.6	-0.3
Total	**9.6**	**18.1**
Continuing operations		
Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax	**48.3**	**44.0**
Income tax at parent company's tax rate of 20%	9.7	8.8
Difference in foreign subsidiaries tax rates	-0.9	-0.8
Non-deductible expenses and other differences	0.9	0.6
Other deductible expense not recognized in income statement	-0.1	-1.2
Tax-exempt income	-0.4	0.5
Adjustments in taxes from previous years	-0.4	8.8
Unrecognized deferred tax asset on losses for the period	0.8	0.8
Changes in deferred tax assets for previous years' losses	-	0.7
Income tax	**9.6**	**18.1**
Effective tax rate	19.9 %	41.2 %
Discontinued operations		
Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax	**-84.0**	**1.5**
Income tax at parent company's tax rate of 20%	-16.8	0.3
Tax-exempt income	-0.5	-2.8
Non-deductible expenses and other differences	0.4	0.1
Other deductible expense not recognized in income statement	-12.4	-
Income tax	**-29.3**	**-2.4**

In continuing operations, current tax expense and deferred taxes total EUR 10.0 million (2020: 9.3). Effective tax rate without taxes for previous years was 20.7% (2020: 21.2%). Taxes for previous years in both 2020 and 2021 are related to cases concerning utilization of foreign tax losses, which Administrative Court rulings in 2020 denied Posti to utilize.

Substantial tax income has been recognized in taxes from discontinued operations. Significant deductible tax losses were realized in connection of sales of Russian real estate companies, as part of the divestment of Russian operations. Posti estimates that it will be able to utilize these losses in the foreseeable future. See more information in the note Deferred tax assets and liabilities.

11. Intangible assets

2021

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	253.9	291.4	59.5	14.8	365.7
Translation differences and other adjustments	-0.8	-0.6	-0.1	0.0	-0.8
Business divestments	0.0	-3.1	0.0	0.0	-3.1
Additions	0.0	2.5	16.9	8.2	27.6
Disposals	0.0	-19.7	-6.1		-25.8
Transfers between items	0.0	0.0	-0.6	-0.2	-0.9
Acquisition cost December 31	**253.1**	**270.4**	**69.6**	**22.7**	**362.8**
Accumulated amortization and impairment losses January 1	-63.2	-231.1	-41.5	-3.4	-275.9
Translation differences and other adjustments		0.1	0.0	0.0	0.1
Acquired businesses	0.0	0.0	0.0	0.0	0.0
Business divestments	0.0	2.4	0.0	0.0	2.4
Amortization for the financial period, continuing operations		-18.6	-8.8	0.0	-27.4
Impairments, continuing operations	0.0	-3.9	-0.6	0.0	-4.5
Amortization for the financial period, discontinued operations		-0.3			-0.3
Accumulated amortization on disposals and transfers	0.0	21.0	6.2	0.0	27.1
Accumulated amortization and impairment losses December 31	**-63.2**	**-230.5**	**-44.6**	**-3.4**	**-278.5**
Carrying amount on January 1	**190.7**	**60.3**	**18.0**	**11.4**	**89.7**
Carrying amount on December 31	**189.9**	**39.9**	**25.0**	**19.4**	**84.3**

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2020, restated

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	215.2	284.2	42.1	14.7	340.9
Translation differences and other adjustments	0.1	-5.6	-0.6	0.3	-5.8
Acquired businesses	40.3	25.1	2.6		27.7
Business divestments	-1.7	-4.9	0.0		-4.9
Additions		14.5	15.4	-0.2	29.7
Disposals		-19.5	-4.1		-23.7
Transfers between items		-2.3	4.1		1.7
Acquisition cost December 31	**253.9**	**291.4**	**59.5**	**14.8**	**365.7**
Accumulated amortization and impairment losses January 1	-63.2	-242.2	-36.9	-3.4	-282.4
Translation differences and other adjustments		5.7	0.0		5.7
Acquired businesses			-1.5		-1.5
Business divestments		4.3	0.0		4.3
Amortization for the financial period, continuing operations		-18.2	-4.8		-23.0
Impairments, continuing operations			-2.2		-2.2
Amortization and impairments, discontinued operations		-0.4			-0.4
Accumulated amortization on disposals and transfers		19.7	3.9		23.6
Accumulated amortization and impairment losses December 31	**-63.2**	**-231.1**	**-41.5**	**-3.4**	**-275.9**
Carrying amount on January 1	**151.9**	**41.9**	**5.2**	**11.3**	**58.5**
Carrying amount on December 31	**190.7**	**60.3**	**18.0**	**11.4**	**89.7**

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

Goodwill impairment testing

Goodwill is tested for impairment annually or more often if indicators of impairment exist. Goodwill impairment testing 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 policies under the section Critical accounting estimates and judgments in applying accounting policies.

On December 31, 2021, Posti has following five operating segments: Postal Services, Parcel and eCommerce, Transval, Freight Services and Aditro Logistics. There is no goodwill allocated to Freight Services. Allocation of goodwill to the Group's cash generating units is presented in the table below.

Cash generating unit, EUR million	Reportable segment	2021	2020
Postal Services	Mail, Parcel and Logistics Services	15.2	15.2
Parcel and eCommerce	Mail, Parcel and Logistics Services	74.7	74.6
Transval	Mail, Parcel and Logistics Services	62.1	62.2
Aditro Logistics	Aditro Logistics	37.9	38.7
Total		**189.9**	**190.7**

The result of the goodwill impairment testing in 2021

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. No impairment losses were recognized based on the goodwill impairment tests in 2021.

Impairment testing and sensitivity analysis 2021

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 three-year period and they are based on Group 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 terminal value beyond three years is based on a terminal growth rate expectation of 1.5% (2020: 1.5%) for Parcel and eCommerce, Transval and Aditro Logistics. Posti expects 1.5% growth rate to simulate potential growth in the addressable markets. For Postal Services the estimated terminal growth rate used is -11.4% (2020: -11.4%) which is assessed on base of forecasted net sales and expenses of Postal Services. Posti anticipates that the decline of traditional postal services continues and the business is impacted by the rapid transformation.

Weighted average cost of capital (WACC) before taxes with IFRS 16 capital structure, determined for each cash generating unit, has been used as discount rate. Discount rates reflect specific risks relating to the relevant cash generating unit.

The key outcomes and the parameters used in testing 2021

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	154	6.3	-11.4	5.2	4.2
Parcel and eCommerce	664	8.1	1.5	5.9	7.9
Transval	40	1.1	1.5	5.7	3.6
Aditro Logistics	68	-0.3	1.5	6	4.4

A sensitivity analysis is presented below 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.

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Transval	6.6	2.7
Aditro	7.9	1.9

The result of the goodwill impairment testing in 2020

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. No impairment losses were recognized based on the goodwill impairment tests in 2020.

Impairment testing and sensitivity analysis 2020

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 three-year period and they are based on Group strategic plans that are fully incorporating the risks caused to each business by the COVID-19 pandemic. 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 terminal value beyond three years is based on a terminal growth rate expectation of 1.5% (2019: 1%) for Parcel and eCommerce, Transval and Aditro Logistics. Posti expects 1.5% growth rate to simulate potential growth in the addressable markets. For Postal Services the estimated terminal growth rate used is -11.4% (2019: -5%) and the rate has been set down due to expected significant decline in postal business. In the forecast, net sales is declining more than the expenses. Posti anticipates that the decline of traditional postal services continues and the business is impacted by the rapid transformation.

Weighted average cost of capital (WACC) before taxes with IFRS 16 capital structure, determined for each cash generating unit, has been used as discount rate. Discount rates reflect specific risks relating to the relevant cash generating unit.

The key outcomes and the parameters used in testing 2020

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	21	2.6	-11.4	5.5	2.6
Parcel and eCommerce	806	9.4	1.5	5.8	9.9
Transval	70	2.1	1.5	5.4	4.1
Aditro Logistics	191	3.0	1.5	5.3	9.8

A sensitivity analysis is presented below 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.

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Postal Services	8.4	2.1
Transval	6.8	3.0

12. Investment property

EUR million	2021	2020
Acquisition cost January 1	5.2	5.2
Acquisition cost December 31	**5.2**	**5.2**
Accumulated depreciation and impairment losses January 1	-1.6	-1.5
Depreciation for the period	-	-0.2
Accumulated depreciation and impairment losses December 31	**-1.6**	**-1.6**
Carrying amount on January 1	3.5	3.7
Carrying amount on December 31	**3.5**	**3.5**

Investment property includes three properties that Posti has leased out to external parties. Two of the properties are land areas and one is a building. In 2021, rental income from investment property totaled EUR 1.2 million (2020: 1.1) and maintenance charges amounted to EUR 0.4 (2020: 0.3) million. The fair value of investment properties totals EUR 10.8 (2020: 10.8) million. Fair values are based on an external real estate agents' appraisals.

13. Property, plant and equipment

2021

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	54.7	372.2	403.8	12.7	9.5	852.9
Translation differences and other adjustments	1.1	4.1	1.4	0.2	0.0	6.7
Business divestments	-14.6	-87.7	-20.0	-2.7	-0.1	-125.1
Additions	5.3	1.7	18.1	0.7	26.9	52.8
Disposals	-0.3	-2.6	-32.4	-0.1		-35.3
Transfers between items	0.0	0.0	1.7	0.0	-1.9	-0.2
Acquisition cost on December 31	**46.2**	**287.8**	**372.6**	**10.7**	**34.4**	**751.8**
Accumulated depreciation and impairment losses January 1	-0.6	-257.9	-310.1	-10.8	0.0	-579.3
Translation differences and other adjustments	0.0	-1.2	-1.0	-0.1	0.0	-2.3
Business divestments	0.0	49.4	17.2	2.1	0.0	68.7
Depreciation for the period, continuing operations	0.0	-7.7	-25.7	-0.2	0.0	-33.6
Impairment, continuing operations	0.0	-0.7	-0.3	0.0	0.0	-1.0
Depreciation and impairment, discontinued operations	0.0	-3.2	-0.7	-0.1		-4.1
Accumulated depreciation on disposals and transfers	0.0	1.9	31.5	0.1	0.0	33.4
Accumulated depreciation and impairment losses December 31	**-0.6**	**-219.4**	**-289.2**	**-9.0**	**0.0**	**-518.1**
Carrying amount on January 1	**54.1**	**114.3**	**93.7**	**1.9**	**9.5**	**273.6**
Carrying amount on December 31	**45.7**	**68.4**	**83.4**	**1.7**	**34.4**	**233.6**

2020, restated

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	60.7	410.3	400.5	13.2	10.5	895.2
Translation differences and other adjustments	-4.5	-26.2	-7.1	-0.7	-0.2	-38.8
Acquired businesses			9.9			9.9
Business divestments	-1.2	-3.7	-7.1	-0.0	0.0	-12.0
Additions		2.6	25.3	0.3	-0.8	27.5
Disposals	-0.3	-10.7	-16.0	-0.1		-27.1
Transfers between items		-0.0	-1.7	0.0	0.0	-1.7
Acquisition cost on December 31	**54.7**	**372.2**	**403.8**	**12.7**	**9.5**	**852.9**
Accumulated depreciation and impairment losses January 1	-0.6	-263.2	-306.3	-11.0	0.0	-581.2
Translation differences and other adjustments		13.0	5.8	0.6		19.4
Acquired businesses			-3.7			-3.7
Business divestments		2.1	5.9	0.0		7.9
Depreciation for the period, continuing operations		-7.3	-25.7	-0.1		-33.1
Impairment, continuing operations		0.0	-0.2	-0.0		-0.2
Depreciation and impairment, discontinued operations		-4.0	-1.2	-0.2		-5.4
Accumulated depreciation on disposals and transfers		1.5	15.4	0.1		16.9
Accumulated depreciation and impairment losses December 31	**-0.6**	**-257.9**	**-310.1**	**-10.8**	**0.0**	**-579.3**
Carrying amount on January 1	**60.2**	**147.0**	**94.2**	**2.1**	**10.5**	**314.0**
Carrying amount on December 31	**54.1**	**114.3**	**93.7**	**1.9**	**9.5**	**273.6**

14. Right-of-use assets

2021

EUR million	Land	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	0.4	295.5	11.8	47.7	355.4
Translation differences and other adjustments	0.0	-1.9	0.2	0.0	-1.8
Acquired businesses	0.0	0.0	0.0	0.0	0.0
Business divestments	0.0	0.0	0.0	0.0	0.0
Additions	0.0	13.4	3.1	20.2	36.7
Disposals	-0.4	-15.3	-1.8	-8.3	-25.7
Acquisition cost on December 31	**0.0**	**291.8**	**13.3**	**59.5**	**364.6**
Accumulated amortization and impairment losses January 1	-0.3	-66.0	-3.2	-23.1	-92.6
Translation differences and other adjustments	0.0	0.3	-0.2	0.0	0.1
Acquired businesses	0.0	0.0	0.0	0.0	0.0
Business divestments	0.0	0.0	0.0	0.0	0.0
Depreciation for the period, continuing operations	-0.1	-43.9	-3.4	-10.5	-58.0
Accumulated depreciation on disposals and transfers	0.4	15.4	1.7	7.6	25.1
Accumulated depreciation and impairment losses December 31	**0.0**	**-94.2**	**-5.2**	**-26.1**	**-125.4**
Carrying amount on January 1	**0.1**	**229.6**	**8.6**	**24.5**	**262.8**
Carrying amount on December 31	**0.0**	**197.6**	**8.2**	**33.4**	**239.2**

2020

EUR million	Land	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	0.4	200.6	6.9	34.4	242.3
Translation differences and other adjustments	0.0	-1.5	-0.7	0.0	-2.2
Acquired businesses	0.0	93.7	3.6	0.2	97.4
Business divestments	0.0	-2.2	-0.9	-0.4	-3.5
Additions	0.0	18.9	3.8	14.0	36.7
Disposals	0.0	-13.9	-0.8	-0.5	-15.3
Acquisition cost on December 31	**0.4**	**295.5**	**11.8**	**47.7**	**355.4**
Accumulated amortization and impairment losses January 1	-0.2	-36.9	-1.7	-13.1	-51.9
Translation differences and other adjustments	0.0	0.8	1.0	0.0	1.8
Business divestments	0.0	0.9	0.5	0.3	1.7
Depreciation for the financial period, continuing operations	-0.1	-44.2	-3.4	-10.3	-58.1
Accumulated depreciation on disposals and transfers	0.0	13.4	0.4	0.0	13.9
Accumulated depreciation and impairment losses December 31	**-0.3**	**-66.0**	**-3.2**	**-23.1**	**-92.6**
Carrying amount on January 1	**0.3**	**163.7**	**5.1**	**21.3**	**190.5**
Carrying amount on December 31	**0.1**	**229.6**	**8.6**	**24.5**	**262.8**

15. Investments in associated companies

The Group's share of the result, asset items and liabilities of the associates is presented below

EUR million	2021	2020
Carrying amount on January 1	1.9	0.0
Additions		2.0
Impairments	-0.6	
Share of result in associated company	-0.3	-0.1
Other	-0.1	
Carrying amount on December 31	**0.9**	**1.9**

In September 2020, Posti became 17% owner of Stella Care Oy as part of divestment of Posti Kotipalvelut Oy. Posti has the right to appoint one board member of five. None of the transactions between Posti Group and Stella Care Oy, either on stand-alone or aggregated basis are considered material.

On December 21, 2021, Posti announced that Posti Group associate company Stella Care is selling its business activities to the healthcare service company 9Lives. Through the transaction, Posti will divest its entire ownership of Stella Care after a transfer period.

EUR million	Location	Nature of relationship	Measurement method	Group's Holding %
Stella Care Oy	Finland	Associate	Equity method	17.0

16. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2021

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi-aries	Recorded through profit or loss	Recorded through other compre-hensive income	31 Dec
Unused tax losses	0.6			18.1		18.7
Pension obligations	1.5			-0.1	0.8	2.2
Leasing contracts	0.7			0.4		1.2
Temporary differences from business transactions	1.4			-0.4		1.0
Impairment on real estate shares	1.4		-0.5	-0.1		0.8
Restructuring provision	0.9			-0.3		0.7
Other temporary differences	1.1	-0.6		0.6		1.2
Total	**7.7**	**-0.6**	**-0.5**	**18.2**	**0.8**	**25.7**

Deferred tax liabilities 2021

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi-aries	Recorded through profit or loss	31 Dec
Intangible and tangible assets	5.6		-0.5	0.0	5.1
Fair value measurement of intangible and tangible assets in acquisition	11.3	0.3	-5.7	-1.9	4.0
Accumulated depreciation in excess of plan	3.0			-0.1	2.9
Other temporary differences	0.0	-0.2		0.3	0.1
Total	**20.0**	**0.1**	**-6.2**	**-1.8**	**12.1**

Deferred tax assets 2020

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi-aries	Recorded through profit or loss	Recorded through other compre-hensive income	31 Dec
Pension obligations	1.7			-0.2	0.0	1.5
Temporary differences from business transactions	1.5	0.3		-0.4		1.4
Impairment on real estate shares	1.2			0.2		1.4
Restructuring provision	1.3	-0.7		0.3		0.9
Unused tax losses	1.8			-1.2		0.6
Other temporary differences	1.3	0.2		0.5		1.9
Total	**8.8**	**-0.3**		**-0.8**	**0.0**	**7.7**

Deferred tax liabilities 2020

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi-aries	Recorded through profit or loss	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	11.6	-1.9	3.2	-1.6	11.3
Intangible and tangible assets	6.4			-0.8	5.6
Accumulated depreciation in excess of plan	2.5			0.4	3.0
Other temporary differences	0.1	-0.5		0.5	0.0
Total	**20.6**	**-2.4**	**3.2**	**-1.5**	**20.0**

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.

Posti recognized deferred tax assets of EUR 18.5 million arising from sales losses of divestment of Russian real estate companies. Posti estimates that it is able to utilize the losses within the foreseeable future.

On December 31, 2021, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 27.1 (2020: 70.3) million, since it is not considered probable that future taxable amounts will be generated. These losses are mainly arising from businesses outside Finland and a majority of them do not expire. The decrease of the amount in 2021 is mainly caused by the divestment of Russian operations.

A deferred tax liability is recognized on undistributed profits of subsidiaries located in countries where corporate income taxes are applied to distributed dividends, when it is likely that dividends will be distributed in the foreseeable future. Posti had EUR 20.8 million undistributed profits on December 31, 2021, in those countries (2020: 13.5 million) for which deferred tax liability has not been recognized.

17. Inventories

EUR million	2021	2020
Materials and supplies	1.0	0.7
Goods	2.9	3.7
Advance payments for inventories	0.1	0.1
Total	**4.0**	**4.6**

Inventories include stamps, packaging materials, paper supplies which Posti sells in its service points, print paper and envelopes.

18. Trade and other receivables

EUR million	2021	2020
Trade receivables	240.7	227.8
Accrued income and prepayments	48.3	53.8
Other receivables	7.4	7.2
Total	**296.4**	**288.8**

More information on trade receivables is provided in note Financial instruments and financial risk management.

The largest item under accrued income and prepayments is EUR 20.8 million (2020: 25.7) accrued terminal due receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

Other receivables mainly include credit card receivables from banks and financing companies. In addition, other receivables included EUR 3.4 million related to the divestment of a subsidiary in 2020.

19. Equity

EUR million	2021	2020
Share capital	70.0	70.0
General purpose reserve	142.7	142.7
Fair value reserve	-0.7	-1.2
Translation differences	-0.6	-94.2
Retained earnings	273.1	323.7
Total shareholders' equity	**484.5**	**441.1**

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2021. All of the shares are 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 derivatives hedging interest rate 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.

The translation differences related to Russian operations were recognized from equity to result from discontinued operations as a consequence of the divestment of Itella Russia in December 2021. Remaining translation risk positions are disclosed in note Financial instruments and financial risk management.

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	2021	2020
General purpose reserve	142.7	142.7
Retained earnings	228.3	171.7
Capitalised development costs	-0.8	
Total distributable funds	**370.1**	**314.4**

Dividend distribution

The Board of Directors proposes the Annual General Meeting a dividend distribution of EUR 32.0 million (0.80 per share) for the year 2021. Dividends distributed for the year 2020 totaled EUR 31.3 million (0.78 per share).

20. 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 practices effective in each country. The Group's defined benefit pension schemes are 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	2021	2020
Present value of funded obligation	62.1	64.4
Fair value of plan assets	-51.0	-57.2
Deficit	**11.1**	**7.2**

Defined benefit pension expenses in the income statement

EUR million	2021	2020
Current service cost	0.0	0.0
Interest expense	0.0	0.0
Total	**0.0**	**0.0**

Statement of comprehensive income

EUR million	2021	2020
Remeasurement gains (-) and losses (+)	4.2	-0.1

Changes in the present value of the pension obligation

EUR million	2021	2020
Obligation at the beginning of the period	64.4	67.7
Current service cost	0.0	0.0
Interest expense	0.0	0.2
Paid benefits	-4.9	-5.0
Actuarial gains (-) and losses (+) on changes in financial assumptions	1.9	1.7
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	0.0
Experience-based gains (-) and losses (+)	0.6	-0.2
Obligation at the end of the period	**62.1**	**64.4**

Changes in the fair value of the plan assets

EUR million	2021	2020
Fair value of the plan assets at the beginning of the period	57.2	59.7
Interest income	0.0	0.2
Paid benefits	-4.9	-5.0
Employer contributions	0.3	0.8
Actual return on plan assets less interest income	-1.7	1.6
Fair value of the plan assets at the end of the period	**51.0**	**57.2**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.4 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 9.4 years.

Key actuarial assumptions and sensitivity analysis

	2021	2020
Discount rate (%)	0.38–0.86	0.02–0.33
Pension increase rate (%)	2.2–2.3	1.3–1.5

		Change in defined benefit liability			
EUR million	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-0.4	-3.5%	0.4	3.7%
Pension increase rate	0.25%	1.3	11.4%	-1.2	-11.0%

EUR million	Increase by one year		Decrease by one year	
Life expectancy at birth	1.1	9.8%	-1.0	-8.9%

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

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21. Provisions

2021

EUR million	Restructuring provision	Other	Total
Carrying amount 1 Jan	4.7	0.4	5.1
Translation difference and transfers between items	0.0	0.0	0.0
Increase in provisions	1.6	0.4	1.9
Used provisions	-1.3	-0.5	-1.8
Unused amounts reversed	-1.7	0.0	-1.8
Carrying amount 31 Dec	**3.3**	**0.2**	**3.5**

2020

EUR million	Restructuring provision	Onerous contracts	Other	Total
Carrying amount 1 Jan	6.7	5.5	2.7	14.9
Translation difference and transfers between items	-0.7	-1.4	0.2	-1.8
Increase in provisions	2.9	0.0	0.6	3.5
Used provisions	-3.5	-2.6	-2.3	-8.4
Unused amounts reversed	-0.7	-1.5	-0.8	-3.0
Carrying amount 31 Dec	**4.7**	**0.0**	**0.4**	**5.1**

EUR million	2021	2020
Long-term provisions	3.0	4.0
Short-term provisions	0.5	1.1
Total	**3.5**	**5.1**

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 in 2020 related to Russian real-estate leases and customer agreements.

22. Trade and other payables

Other non-current payables

EUR million	2021	2020
Advances received and deferred revenue	12.9	13.2
Other liabilities	0.5	0.7
Derivative contracts	0.9	1.4
Other accrued expenses	5.8	7.6
Total	**20.1**	**22.9**

Current trade and other payables

EUR million	2021	2020
Derivative contracts	0.0	0.5
Trade payables	79.9	75.5
Advances received and deferred revenue	80.1	76.3
Accrued personnel expenses	140.5	138.6
Other accrued expenses	53.4	51.8
Other liabilities	50.9	46.5
Current trade and other payables	**404.8**	**389.1**

Advances received include 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 21.9 (2020: 25.6) million.

The most significant item within other accrued expenses is estimated payables for terminal due payments to other Postal administrations, totaling EUR 6.1 (2020: 7.5) million. The remaining items comprise ordinary accruals of expenses.

23. Financial instruments and financial risk management

Financial assets and liabilities

2021

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets - non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		1.5		1.5	1.5	2
Non-current financial assets	**1.0**	**1.5**		**2.5**	**2.5**	
Financial assets - current						
Trade and other receivables		281.7		281.7	281.7	
Currency derivatives	0.6			0.6	0.6	2
Money market investments		29.4		29.4	29.5	2
Investments in quoted bonds		19.7		19.7	19.9	1
Investments in unquoted bonds		4.8		4.8	4.8	2
Debt certificates		10.0		10.0	10.0	
Current financial assets	**0.6**	**345.6**		**346.2**	**346.4**	
Money market investments		11.5		11.5	11.5	2
Cash and bank		85.7		85.7	85.7	
Cash and cash equivalents	**0.0**	**97.2**		**97.2**	**97.2**	
Total financial assets	**1.6**	**444.3**		**445.8**	**446.1**	
Financial liabilities - non-current						
Loans from financial institutions		60.0		60.0	60.1	2
Lease liabilities		193.4		193.4	193.4	2
Other		0.4		0.4	0.4	2
Non-current borrowings		**253.8**		**253.8**	**254.0**	
Interest-rate derivatives			0.9	0.9	0.9	2
Other non-current financial liabilities		**0.0**	**0.9**	**0.9**	**0.9**	
Financial liabilities - current						
Lease liabilities		51.4		51.4	51.4	2
Other		0.9		0.9	0.9	2
Current borrowings		**52.3**		**52.3**	**52.3**	
Currency derivatives	0.0			0.0	0.0	2
Trade payables and other liabilities		132.1		132.1	132.1	
Other current financial liabilities	**0.0**	**132.1**		**132.1**	**132.1**	
Total financial liabilities	**0.0**	**438.2**	**0.9**	**439.0**	**439.2**	

2020

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets - non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		0.2		0.2	0.2	2
Non-current financial assets	**1.0**	**0.2**		**1.2**	**1.2**	
Financial assets - current						
Trade and other receivables		268.1		268.1	268.1	
Currency derivatives				0.0	0.0	2
Money market investments		42.7		42.7	42.8	2
Investments in quoted bonds		23.4		23.4	23.1	1
Investments in unquoted bonds		3.0		3.0	3.0	2
Debt certificates		0.0		0.0	0.0	
Current financial assets		**337.2**		**337.2**	**337.1**	
Money market investments		6.5		6.5	6.5	2
Cash and bank		84.5				
Cash and cash equivalents		**91.0**		**6.5**	**6.5**	
Total financial assets	**1.0**	**428.4**		**344.9**	**344.7**	
Financial liabilities - non-current						
Loans from financial institutions		119.9		119.9	120.3	2
Lease liabilities		214.9		214.9	214.9	2
Other		1.3		1.3	1.3	2
Non-current borrowings		**336.2**		**336.2**	**336.6**	
Interest-rate derivatives			1.4	1.4	1.4	2
Other non-current financial liabilities		**0.0**	**1.4**	**1.4**	**1.4**	
Financial liabilities - current						
Lease liabilities		51.3		51.3	51.3	2
Other		1.4		1.4	1.4	2
Current borrowings		**52.7**		**52.7**	**52.7**	
Currency derivatives	0.5			0.5	0.5	2
Trade payables and other liabilities		126.6		126.6	126.6	
Other current financial liabilities	**0.5**	**126.6**		**127.1**	**127.1**	
Total financial liabilities	**0.5**	**515.5**	**1.4**	**517.4**	**517.8**	

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 or liability.

The fair values of currency forward contracts are calculated by valuing forward contracts at the present value of 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 zero interest rate floors related to interest rate swaps are based on the generally used option pricing models.

The fair values of investments in money market instruments are based on 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 fair values of the loans from financial institutions and lease liabilities are calculated by discounting the forecast cash flows with the market rates on the reporting date. Due to the short-term nature of the trade and other current receivables and trade payables and other current liabilities, their carrying amount is considered to be the same as their fair value.

No transfers between fair value hierarchy levels were made during 2021 or 2020. 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

2021

EUR million	Shares
Carrying amount 1 Jan	**1.0**
Exercises	-
Carrying amount 31 Dec	**1.0**

2020

EUR million	Shares
Carrying amount 1 Jan	**1.0**
Exercises	0.0
Carrying amount 31 Dec	**1.0**
Total profits and losses recognized on assets held at the end of the reporting period	
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.

Risk management organization

The Group's financing and financial risk management is centralized to Group Treasury in Posti Group corporation in line with the treasury policy 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 operations. The business operations 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 operations. 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 in the balance sheet related to financial operations. Unhedged exposure is permitted within the limits specified in the Group's treasury policy. Loans granted by the parent company to subsidiaries are in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. Due to high hedging costs of Russian ruble the Group has not hedged the ruble-denominated receivables of the parent company during the presented financial years. The Group may hedge contract based operative cash flows at maximum to 100 percent of the following 12 months cash flows. On the balance sheet dates December 31, 2021, and December 31, 2020, the Group did not have highly probable operative cash flows defined as hedged items or related hedging currency derivatives under hedge accounting. On the balance sheet date, the Group had currency derivatives with a nominal value of EUR 23.2 (2020: 18.9) million in total used to hedge against the currency risk associated with loans, receivables and commitments.

The Group is also exposed to translation risks in connection with the net investments in subsidiaries outside the euro area. The objective of translation risk management is to ensure that exchange rate fluctuations do not cause any material changes in the Group's gearing. On the balance sheet date, the Group had not hedged against translation risk in any of the foreign net investments.

In December 2021, the Group divested the companies forming the Itella Russia business group. After the divestment, the Group has no operations in Russia.

Major transaction risk positions on the balance sheet date

2021	EUR-companies			
EUR million	SEK	USD	SDR	RUB
Trade receivables and payables	-0.1	-0.2	-11.5	1.2
Loans and bank accounts*	22.6	0.0		
Derivatives	-22.7			
Open position	-0.3	-0.2	-11.5	1.2

2020	EUR-companies			
EUR million	SEK	USD	SDR	RUB
Trade receivables and payables	-0.3	0.7	-10.7	4.7
Loans and bank accounts*	19.6	0.0	-	10.9
Derivatives	-19.4	-	-	-
Open position	-0.1	0.7	-10.7	15.6

* Includes cash and cash equivalents, interest-bearing receivables and liabilities.

The sensitivity analysis on currency risk is based on the items denominated in other than functional currencies of the group companies on the balance sheet date. Strengthening of the euro by ten percent against all other currencies would have an impact of EUR +1.0 (2020: -0.5) million on the Group's profit before taxes.

Major translation risk positions on the balance sheet date

EUR million	SEK	NOK	PLN	RUB
Net investments				
2021	62.1	1.3	6.8	-
2020	61.9	1.2	6.7	48.0

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. According to the treasury policy the interest rate risk of the debt portfolio is managed by balancing the proportion of the floating and fixed rate debt in the debt portfolio, taking into account the number, the maturity and the value of the debt instruments as well as the market conditions. The proportion of the fixed interest rate debt is to be at minimum 20% of the debt portfolio, including the interest rate derivatives. The interest rate risk of the interest bearing financial assets is managed by investing the assets into different investment classes, interest periods and maturities. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged with interest rate derivatives within the limits defined in treasury policy.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 306.1 (2020: 388.8) million and interest-bearing receivables to EUR 161.1 (2020: 160.1) million. On the balance sheet date, the Group had a long-term floating rate loan EUR 60.0 (2020: 120.0) million which had been hedged by an interest rate swap to a fixed rate. The Group has applied hedge accounting to the interest rate swap hedging the loan. The interest rate swap has identical critical terms as the hedged loan, such as notional amount, reference rate, reset dates, interest rate floor, interest periods and maturity. As all critical terms matched during the year, there is an economic relationship and the hedge is expected to be 100% effective. The amount of the fair value recognized in other comprehensive income is presented in a statement of changes in equity.

The effects of the interest rate swap on the Group's financial position and performance are as follows:

EUR million	2021	2020
Carrying amount (non-current liability)	-0.9	-1.4
Notional amount	60.0	60.0
Maturity date	2024	2024
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instrument during the year	0.6	0.2
Change in value of hedged item used to determine hedge effectiveness	-0.6	-0.2

Interest-bearing receivables and debt according to interest rate fixing

2021 EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Liquid funds and debt certificates	-138.4	-22.7		-161.1
Loans from financial institutions	60.0			60.0
Lease liabilities	53.1	143.3	48.5	244.8
Other liabilities	1.3			1.3
Net debt	-24.1	120.6	48.5	145.0
Impact of interest rate swaps	-60.0	60.0		
Total	**-84.1**	**180.6**	**48.5**	**145.0**

2020 EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Liquid funds and debt certificates	-133.7	-26.4		-160.1
Loans from financial institutions	119.9			119.9
Lease liabilities	51.7	140.8	73.8	266.2
Other liabilities	2.8			2.8
Net debt	**40.6**	**114.4**	**73.8**	**228.7**
Impact of interest rate swaps	-60.0	60.0		
Total	**-19.4**	**174.4**	**73.8**	**228.7**

The sensitivity analysis on interest rate risk includes interest-bearing receivables, loans and interest rate derivatives. An increase of 1 percentage point in the interest rates at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.4 (2020: +0.0) million and other items of equity by EUR +0.8 (2020: +0.9) million before taxes.

Electricity price risk

The electricity price risk management aims to reduce the volatility in the 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.

Derivative contracts

2021 EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	23.2	0.6	0.6	0.0
Interest rate swaps, hedge accounting	60.0	-0.9	-	-0.9

2020 EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	18.9	-0.5	-	-0.5
Interest rate swaps, hedge accounting	60.0	-1.4	-	-1.4

Offsetting of financial instruments

Derivative assets	2021	2020
Derivative assets, reported as gross amount	0.6	-
Related derivative liabilities subject to master netting agreements	0.0	-
Net amount	0.6	-

Derivative liabilities	2021	2020
Derivative liabilities, reported as gross amount	0.9	1.9
Related derivative assets subject to master netting agreements	0.0	0.0
Net amount	0.9	1.9

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.

Terminal due assets	2021	2020
Terminal due assets, reported as gross amount	67.7	65.8
Related terminal due liabilities subject to offsetting rules	61.3	54.9
Net amount	6.4	10.9

Terminal due liabilities	2021	2020
Terminal due liabilities, reported as gross amount	79.6	75.1
Related terminal due assets subject to offsetting rules	61.3	54.9
Net amount	18.3	20.2

Terminal dues related to international mail are subject to offsetting rules defined in international multilateral contracts, such as Universal Postal Convention. Terminal dues have not been offset in the balance sheet. Terminal due assets are included in balance sheet line trade and other receivables and contain invoiced and accrued receivables as well as advances paid. Terminal due liabilities are included in balance sheet lines trade and other payables and advances received and contain invoiced and accrued payables as well as advances received. Advances paid and received are not included in financial assets and liabilities.

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 2025, and a non-binding commercial paper program of EUR 200.0 million.

On the balance sheet date, the Group had liquid funds of EUR 151.1 (2020: 160.1) million and unused committed credit facilities of EUR 150.0 (2020: 150.0) 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 (2020: 200.0) million.

EUR million	2021	2020
Cash and cash equivalents	97.2	91.0
Money market investments and investments in bonds	53.9	69.1
Liquid funds	151.1	160.1

Contractual cash flows from financial liabilities and derivatives including interest payments

2021 EUR million	2022	2023	2024	2025	2026–	Total
Loans from financial institutions	0.4	0.4	60.2			60.9
Lease liabilities	57.4	50.5	43.3	34.1	78.7	264.1
Other liabilities	0.4	0.9				1.3
Trade payables and other liabilities	132.1					132.1
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.2			1.1
Currency derivatives, cash flows payable	22.7					22.7
Currency derivatives, cash flows receivable	-23.2					-23.2
Total	**190.2**	**52.2**	**103.7**	**34.1**	**78.7**	**458.9**

2020 EUR million	2021	2022	2023	2024	2025–	Total
Loans from financial institutions	0.7	60.5	0.4	60.2		121.7
Lease liabilities	56.1	46.9	40.5	35.3	110.4	289.1
Other liabilities	1.4	1.3				2.8
Trade payables and other liabilities	126.6					126.6
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.4	0.2		1.5
Currency derivatives, cash flows payable	19.4					19.4
Currency derivatives, cash flows receivable	-18.9					-18.9
Total	**185.7**	**109.2**	**41.2**	**95.7**	**110.4**	**542.2**

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 credit and counterparty risk related to investing of liquid funds and derivative contracts are managed by the limits set for the counterparties. The assessment method for expected credit losses of investments is described in Accounting principles in section Financial assets and liabilities. During the financial year the Group has not recognized impairment losses of investments. On the balance sheet date December 31, 2021, the recognized expected credit loss was insignificant.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The Group applies a simplified provision matrix approach for expected credit losses on trade receivables. Terminal due receivables form a separate category in trade receivables, since the expected credit loss on terminal due receivables is minor due to netting arrangement and customer base. Trade receivables include EUR 46.9 (2020: 40.1) million terminal due receivables. More than 180 days overdue receivables include EUR 19.4 (2020: 6.7) million terminal due receivables. Credit losses recognized were EUR 1.3 (2020: 1.5) million.

Aging of trade receivables

EUR million	2021	2020
Not yet due	218.4	204.2
1–30 days overdue	1.4	15.4
31–60 days overdue	1.0	1.1
61–90 days overdue	0.6	0.4
91–180 days overdue	1.4	0.7
Overdue more than 181 days	19.4	7.9
Trade receivables gross	**242.2**	**229.6**
Expected credit loss	-1.5	-1.8
Trade receivables net	**240.7**	**227.8**

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 2021 and 2020. The Group's loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing net debt to adjusted EBITDA and equity ratio.

Net debt

EUR million	2021	2020
Interest-bearing liabilities	306.1	388.8
Cash and cash equivalents	97.2	91.0
Investments in maturities over 3 months	53.9	69.1
Debt certificates	10.0	0.0
Total	**145.0**	**228.7**
Net debt / Adjusted EBITDA	0.8x	1.3x
Equity ratio, %	42.1	36.9

Reconciliation of net debt

2021

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

2020

EUR million		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2020**	**128.5**	**192.5**	**321.0**	**141.7**	**15.0**	**164.3**
Cash flows		-11.5	-57.3	-68.8	19.4	-15.0	-73.2
Business acquisitions		5.0	93.3	98.3	0.0	0.0	98.3
Effect of exchange rate changes		0.0	-3.5	-3.5	-1.0	0.0	-2.5
Other non-cash items		0.6	41.2	41.8	0.0	0.0	41.8
Carrying amount on	**Dec 31, 2020**	**122.6**	**266.2**	**388.8**	**160.1**	**0.0**	**228.7**
Fair value on	**Dec 31, 2020**	**123.0**	**266.2**	**389.2**			

24. Lease agreements

The Group leases mainly premises, vehicles and production machinery. The lease terms for premises vary up to more than 10 years. Leased premises consist of postal centers, warehouses, offices, parcel sorting centers, terminals, premises for retail as well as smaller local delivery sites. Typical vehicle lease term is from 3 to 6 years. Vehicle category includes larger and smaller trucks, cars and different vehicles for postal delivery purposes. Machinery category includes significant number of leased warehouse forklifts.

Extension options are included in many of the major premise lease contracts. Posti management reviews the options in lease contracts annually and based on business forecasts and circumstances on December 31, 2021, Posti has not recognized option periods in lease liability.

Posti's lease contracts do not include variable lease payments, e.g., lease payments variable according to net sales. Generally lease contacts do not include lease incentive payments.

Some lease contracts for real estates and vehicles have clauses that contents of the lease contract can be renegotiated if Finnish state's shareholding decreases in Posti Group Corporation.

Posti has committed to some future real estate leasing contracts, in which the lease commencement date is later than December 31, 2021. The estimated increasing impact of these commitments to lease liability will be about EUR 21 million.

Right-of-use assets

EUR million	2021	2020
Land	0.0	0.1
Buildings	197.6	229.6
Vehicles	33.4	24.5
Machinery and other	8.2	8.6
Total	**239.2**	**262.8**

Specification of right-of-use assets is presented in the note Right-of-use assets.

Lease liabilities

EUR million	2021	2020
Non-current lease liabilities	193.4	214.9
Current lease liabilities	51.4	51.3
Total	**244.8**	**266.2**

Lease liabilities maturity

EUR million	2021	2020
Less than 1 year	57.4	56.1
1–5 years	154.2	152.9
More than 5 years	52.4	80.1
Minimum lease payments total	264.1	289.1
Future interest expenses	-19.3	-22.9
Total	**244.8**	**266.2**

Income statement items for leases

EUR million	2021	2020, restated
Depreciations		
Land	0.1	0.1
Buildings	44.0	42.4
Vehicles	10.5	10.3
Machinery and other	3.5	3.4
Total	**58.1**	**56.1**
Interest expense, leases	5.6	5.3
Incomes from subleasing right-of-use assets	2.7	2.6

Lease expenses not recognized in balance sheet

EUR million	2021	2020, restated
Lease expenses in income statement, short-term leases	31.5	27.0
Lease expenses in income statement, low-value asset leases	0.7	0.7
Total	**32.2**	**27.7**

Total cash outflow of leases was EUR 93.7 (2020: 87.2) million

Short-term lease expenses include lease contracts valid until further notice that the Group has assessed to not recognize on the balance sheet. Short-term lease expenses include also lease expenses arised from ad hoc leases for vehicles or machinery.

Posti did not have gains or losses arising from sale and leaseback transactions during periods reported.

Posti had no lease expenses due to variable lease payments components.

Lease commitments not recognized in balance sheet

EUR million	2021	2020
Less than 1 year	10.9	9.6
1–5 years	0.5	1.2
Total	**11.4**	**10.9**

Leases as lessor

Posti Group operates also as a lessor to external parties. Some office or production premises are leased out in individual cases and Posti has assessed these to be operating leases. The Posti Group does not act as a lessor in finance lease contracts.

Lease payment receivables

EUR million	2021	2020
Less than 1 year	2.0	2.0
1–5 years	2.6	2.3
More than 5 years	1.9	2.3
Total	**6.5**	**6.5**

25. Pledges, commitments and other contingent liabilities

EUR million	2021	2020
Pledges given for own behalf:		
Bank guarantees	8.9	9.1
Guarantees	3.4	3.6
Pledges	1.3	0.9
Total	**13.6**	**13.7**

Litigation

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

Other contingent liabilities

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

26. 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 parent company Posti Group Oyj's subsidiaries, associates and joint operations as well as its sole shareholder, the State of Finland. Related parties also include the members of the Board of Directors, the President and CEO, the Posti Leadership Team and the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party. Also entities that are controlled or jointly controlled by, or are associates of the State of Finland, are related parties of Posti. Posti has group-wide procedures in place to assess potential conflicts of interest, and to ensure that any transactions with related parties can be considered as ordinary course of business, executed at arm's-length principles.

The key management consists of the members of the Board of Directors, President and CEO and members of the Posti Leadership Team.

Transactions with related parties

Transactions between group companies are eliminated in the group's consolidated financial statement. Posti Group had no material transactions with its associated company in the reporting periods.

No financial loans have been granted to the key management. Posti did not have significant business transactions with the key management or their related parties during the periods presented.

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.

Management remuneration

EUR million	2021	2020
President and CEO	0.9	0.6
Posti Leadership Team (excl. CEO)	4.5	2.5
Board of Directors	0.4	0.4
Supervisory Board	0.0	0.0
Total	**5.8**	**3.6**

President and CEO or members in Posti Leadership Team do not have supplementary pension plans.

President and CEO and Executive Board

EUR million		2021	2020
Salary *	President and CEO	0.5	0.4
Short-term bonus	President and CEO	0.2	0.1
Long-term incentive	President and CEO	0.2	0.1
		0.9	**0.6**
Salary *	Posti Leadership Team (excl. CEO)	3.1	1.7
Short-term bonus	Posti Leadership Team (excl. CEO)	0.7	0.4
Long-term incentive	Posti Leadership Team (excl. CEO)	0.7	0.4
		4.5	**2.5**

* Salary includes fringe benefits, holiday compensations, insurance coverage and possible special incentives. Salary presented in table excludes pension contributions. Costs under the Finnish statutory pension scheme for the President and CEO amounted to EUR 0.2 (2020: 0.1) million and for the Posti Leadership Team amounted to EUR 0.8 (2020: 0.4) million.

Salary increases are partly explained by the fact that in 2020, three members of the Leadership Team took up their duties in the middle of the period. Posti Leadership team also waived one month's salary as part of the covid related measures in 2020. In 2021, there were personnel changes, and one additional person joined the management team. 2021 salaries include one-time compensations for leaving management team members and overlapping salary payments for new and former management team members.

Board of Directors remuneration

EUR 1,000	2021	2020
Sanna Suvanto-Harsaae (Chair) **	79.8	55.3
Per Sjödell (Deputy chair)	52.2	57.1
Raija-Leena Hankonen-Nybom **	39.0	25.6
Harri Hietala **	34.8	24.3
Sirpa Huuskonen **	34.8	24.3
Kari-Pekka Laaksonen *	33.9	
Frank Marthaler	55.2	55.2
Minna Pajumaa	37.8	40.2
Hanna Vuorela **	37.2	26.1
Satu Ollikainen ***	6.6	1.8
Markku Pohjola (Chair) ****		21.6
Suvi-Anne Siimes (Deputy chair) ****		14.1
Eero Hautaniemi ****		13.5
Anna Martinkari ****		16.5
Arja Talma ****		14.7
Pertti Miettinen *****		4.2
	411.3	**394.6**

* Member of the Board since April 9, 2021
** Member of the Board since May 14, 2020
*** Member of the Board since November 16, 2020
**** Member of the Board until May 14, 2020
***** Member of the Board until November 16, 2020

27. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries Dec 31, 2021	Group's holding %	Country
Aditro Logistics AB	100	Sweden
Aditro Logistics Holding AB	100	Sweden
Aditro Logistics Inhouse Services AB	100	Sweden
Aditro Logistics Norge AS	100	Norway
Aditro Logistics Staffing AB	100	Sweden
Global Mail FP Oy	100	Finland
Humanlink Estonia Oü	100	Estonia
Humanlink Baltic Latvia SIA	100	Latvia
Itella Estonia OÜ	100	Estonia
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
Kiinteistö Oy Graniitti Bastukärr	100	Finland
KV Turva Oy	100	Finland
NLC International Corporation Ltd	100	Cyprus
Posti Fokus Oy	100	Finland
Posti Global Oy	100	Finland
Posti Kiinteistöt Oy	100	Finland
Posti Kuljetus Oy	100	Finland
Posti Messaging GmbH	100	Germany
Posti Messaging Oy	100	Finland
Posti Messaging OÜ	100	Estonia
Posti Messaging SIA	100	Latvia
Posti Messaging Sp. z o.o.	100	Poland
Posti Oy	100	Finland
Posti Palvelut Oy	100	Finland
Posti Scandinavia AB	100	Sweden
Suomen Transval Group Oy	100	Finland
Suomen Transval Oy	100	Finland
Transval 3PL Contract Logistics Oy	100	Finland
Transval 3PL EteläSuomi Oy	100	Finland
Transval 3PL Pääkaupunkiseutu Oy	100	Finland
Transval 4PL Contract Logistics Oy	100	Finland
Transval Action Oy	100	Finland
Transval Akatemia Oy	100	Finland
Transval Chain Oy	100	Finland

Subsidiaries Dec 31, 2021	Group's holding %	Country
Transval Craft Oy	100	Finland
Transval Distribution Oy	100	Finland
Transval Espoo Oy	100	Finland
Transval Extra Oy	100	Finland
Transval Fast Oy	100	Finland
Transval Flex Oy	100	Finland
Transval Flow Oy	100	Finland
Transval Handling Oy	100	Finland
Transval Helsinki Oy	100	Finland
Transval Henkilöstöpalvelut Etelä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Itä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Keski-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Länsi-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Oy	100	Finland
Transval Jyväskylä Oy	100	Finland
Transval Kilo Oy	100	Finland
Transval Logistics 10 Oy	100	Finland
Transval Logistics Oy	100	Finland
Transval Management Oy	100	Finland
Transval Motion Oy	100	Finland
Transval Move Oy	100	Finland
Transval Myymäläpalvelut Oy	100	Finland
Transval Services Oy	100	Finland
Transval Sigma Oy	100	Finland
Transval Solutions Oy	100	Finland
Transval Supply Oy	100	Finland
Transval Support Oy	100	Finland
Transval Terminal Oy	100	Finland
Transval Tuusula Oy	100	Finland
Transval Uusimaa Oy	100	Finland
Transval Vaasa Oy	100	Finland
Transval Vantaa Oy	100	Finland
Transval Warehousing Oy	100	Finland
Transval Wholesale Oy	100	Finland
Transval Works Oy	100	Finland
Valdoring Oy	100	Finland
Vindea Oy	100	Finland

28. Events after the reporting period

On January 1, 2022, Transval closed the sale of Humanlink Estonia store services business and Humanlink Baltic Latvia SIA shares to the operative management of the companies.

On January 13, 2022, Posti announced it plans to merge its business groups Parcel & eCommerce and Freight Services into a new business group. The planned change is estimated to have an impact on organizational structures, working practices and job roles. The change enhances cross-business co-operation in line with Posti's strategy execution.

On January 17, 2022, Posti announced it had signed an agreement with the owners of the Swedish logistics company Veddestagruppen, under which Posti Group acquires the entire share capital of Veddestagruppen AB. The acquisition was completed on January 31, 2022. Veddestagruppen will be integrated with Posti Group's Swedish subsidiary Aditro Logistics.

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PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

Income statement of the parent company

EUR	Note	2021	2020
Net sales	1	**12,370,414.23**	**16,833,461.14**
Other operating income	2	778,441.32	330,665.79
Personnel expenses	3	-6,009,071.13	-5,677,134.22
Depreciation, amortization and impairment losses	4	-476,702.01	-765,942.08
Other operating expenses	5	-17,917,287.49	-23,253,286.74
Operating profit/loss		**-11,254,205.08**	**-12,532,236.11**
Financial income and expenses	7	90,208,243.01	1,286,471.84
Profit/loss before appropriations		**78,954,037.93**	**-11,245,764.27**
Group contributions	8	8,520,000.00	46,429,000.00
Profit/loss before income tax		**87,474,037.93**	**35,183,235.73**
Income tax	9	365,046.45	-15,128,491.35
Profit/loss for the financial period		**87,839,084.38**	**20,054,744.38**

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Balance sheet of the parent company

EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	10	1,037,262.17	637,991.09
Tangible assets	11	1,488,047.07	1,536,411.24
Investments	12	514,557,172.85	509,220,852.71
Total non-current assets		**517,082,482.09**	**511,395,255.04**
Current assets			
Non-current receivables	13	79,239,965.57	66,093,292.23
Current receivables	14	79,623,405.49	81,893,773.04
Current investments	15	75,377,042.48	75,609,382.10
Cash and bank		1,816.42	1,759.98
Total current assets		**234,242,229.96**	**223,598,207.35**
Total assets		**751,324,712.05**	**734,993,462.39**

EUR	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity	16		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		-689,679.54	-1,155,756.35
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		140,436,967.74	151,682,223.36
Profit/loss for the financial period		87,839,084.38	20,054,744.38
Total equity		**440,290,134.51**	**383,284,973.32**
Provisions	17	**274,923.00**	**277,465.00**
Liabilities			
Non-current	19	62,347,930.03	123,977,484.40
Current	20	248,411,724.51	227,453,539.67
Total liabilities		**310,759,654.54**	**351,431,024.07**
Total equity and liabilities		**751,324,712.05**	**734,993,462.39**

Cash flow statement of the parent company

EUR	2021	2020
Cash flow from operations		
Profit/loss before appropriations	78,954,037.93	-11,245,764.27
Adjustments:		
Depreciation and amortization	476,702.01	765,942.08
Gains or losses on disposal of fixed assets	129,856.81	884,819.74
Financial income (-) and expense (+)	-66,740,241.01	-1,286,471.84
Impairment losses on non-current investments	-23,468,002.00	0.00
Other adjustments	190,957.51	24,071.84
Cash flow before change in working capital	**-10,456,688.75**	**-10,857,402.45**
Interest-free current receivables, increase (-), decrease (+)	15,885,303.77	-3,908,889.34
Interest-free current liabilities, increase (+), decrease (-)	1,080,661.93	-180,141.66
Interest-free non-current liabilities, increase (+), decrease (-)	-1,146,454.02	834,901.53
Change in working capital	**15,819,511.68**	**-3,254,129.47**
Cash flow from operating activities before financial items and taxes	**5,362,822.93**	**-14,111,531.92**
Interests paid	-1,499,066.11	-2,418,176.77
Interests received	3,080,816.59	10,836,280.19
Other financial items	23,489,794.30	75,786.22
Income tax paid	-9,637,555.55	-159,925.74
Cash flow from financial items and taxes	**15,433,989.23**	**8,333,963.90**

EUR	2021	2020
Cash flow from operating activities	**20,796,812.16**	**-5,777,568.02**
Investments in tangible and intangible assets	-957,465.73	-403,879.28
Other investments	-7,139,318.14	-48,850,102.92
Proceeds from sale of other investments	1,530,005.63	222,500.00
Loans granted	-24,905,906.03	-25,671,639.00
Repayments of loan receivables	11,728,817.21	29,752,246.79
Dividends received	65,000,000.00	4,539,994.67
Cash flow from investing activities	**45,256,132.94**	**-40,410,879.74**
Increases in current loans	35,000,000.00	167,500,000.00
Repayment of current loans	-166,500,000.00	-137,534,725.11
Dividends paid	-31,300,000.00	-29,800,000.00
Group contributions received and paid	46,429,000.00	16,268,000.00
Cash flow from financing activities	**-116,371,000.00**	**16,433,274.89**
Change in cash and cash equivalents	**-50,318,054.90**	**-29,755,172.87**
Change in group cash pool	48,555,766.09	-21,479,268.27
Cash and cash equivalents received in merger	1,530,005.63	0.00
Change in cash and cash equivalents	**-232,283.18**	**-51,234,441.14**
Cash and cash equivalents at the beginning of the financial period	**75,611,142.08**	**126,845,583.22**
Cash and cash equivalents at the end of the financial period	**75,378,858.90**	**75,611,142.08**

Accounting Policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish accounting and company legislation.

Revenue recognition and net sales

The Major part of Posti Group Corporation's revenues consists of management and administration services rendered to Posti Group's subsidiaries. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes 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.

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.

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 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 at the acquisition.

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

Posti Group Corporation classifies its financial assets into the following categories: measured at amortized cost and measured at fair value through profit or loss. The classification is based on Posti Group Corporation's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets, whose business model is to hold the assets until maturity for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Other financial assets are measured at fair value through profit or loss.

Financial assets are recognized and derecognized at the settlement date. Posti Group Corporation 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 Posti Group Corporation. Any gain or loss arising on derecognition of a financial asset is recognized directly in profit or loss and presented in finance income or expenses (or in other operative income or expenses for trade receivables), together with foreign exchange gains and losses.

Financial assets at amortized cost
Financial assets at amortized cost include investments in bonds and money-market investments, fixed-term bank deposits as well as trade receivables and other receivables. Interest income from these financial assets is included in financial income using the effective interest rate method.

Posti Group Corporation assesses the expected credit losses associated with its debt instruments carried at amortized cost on forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, Posti Group Corporation applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

For trade receivables, Posti Group Corporation applies a simplified loss allowance matrix approach whereby the impairment loss is measured over the life of the asset unless the asset is already written off. Write-off is based on indicators that here is no reasonable expectation of recovery for example due to failure to make contractual payments or bankruptcy. The changes in loss allowance and loss from write-off are presented in other operating expenses.

Financial assets at fair value through profit or loss
Posti Group Corporation classifies investments in equity instruments as financial assets at fair value through profit or loss. This category includes unlisted shares. The changes in the fair value of investments in equity instruments are recognized in financial income or expenses at each balance sheet date.

Also, derivatives for which hedge accounting is not applied are included in the financial assets at fair value through profit or loss. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

Financial liabilities
Posti Group Corporation classifies its financial liabilities either into financial liabilities at amortized cost or financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost
Non-derivative financial liabilities are classified as financial liabilities at amortized cost. They are initially recognized at fair value based on the consideration received. Transaction costs are included in the initial carrying amount of financial liabilities. Subsequently, financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivatives for which hedge accounting is not applied. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

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. Gain 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. Posti Group Corporation recognizes derivative contracts as hedges of highly probable future transactions (cash flow hedge) or as economic hedges, to which hedge accounting is not applied.

When hedge accounting is applied, Posti Group Corporation documents at the inception of the hedging transaction the relationship between the hedged item and the hedge instruments as well as the objectives of Posti Group Corporation's risk management and the strategy for carrying out the hedging transaction. Posti Group Corporation also documents and assesses prospectively at inception of the hedge and at each reporting date the effectiveness of the hedging relationship by inspecting the hedge instruments' ability to offset the changes in fair values or cash flows of hedged items.

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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. Possible ineffective portion is recognized through profit or loss according to its nature either in other operating income or expenses or financial items. Amounts accumulated in equity are reclassified into profit or loss when the hedged item is recognized through profit or loss. Posti Group Corporation applies cash flow hedging for hedging against interest-rate risk of a loan with variable interest-rate. 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 accumulated fair value gain or loss is retained in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accumulated fair value gain or loss is recognized trough profit or loss immediately.

For certain derivative instruments while entered into for risk management purposes, hedge accounting is not applied. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. For these contracts, the 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 calculated by valuing forward contracts at the present value of the forward rates on the reporting date and the fair value of interest-rate swaps is the present value of future interest cash flows. The fair values of interest rate swap related options are based on the generally used option pricing models.

1. Net sales by geographical location

EUR	2021	2020
Finland	11,860,591.15	16,304,626.53
Russia	509,823.08	528,834.61
Total	**12,370,414.23**	**16,833,461.14**

2. Other operating income

EUR	2021	2020
Gains on sale of intangible and tangible assets	0.00	222,500.00
Rental income	67,169.10	66,030.64
Other operating income	711,272.22	42,135.15
Total	**778,441.32**	**330,665.79**

3. Personnel expenses

EUR	2021	2020
Wages and salaries	5,697,364.10	6,250,678.70
Pension expenses	165,424.35	-767,036.73
Other social expenses	146,282.68	193,492.25
Total	**6,009,071.13**	**5,677,134.22**
Management remuneration		
President and CEO	910,993.00	480,537.00
Executive Board (excl. CEO)	1,562,342.00	992,194.00
Board of Directors	411,340.00	394,557.00
Supervisory Board	23,600.00	30,900.00
Total	**2,908,275.00**	**1,898,188.00**

	2021	2020
Average number of personnel during the financial period		
Administrative employees	37	39
Total	**37**	**39**

4. Depreciation, amortization and impairment losses

EUR	2021	2020
Intangible rights	428,337.84	736,724.59
Machinery and equipment	48,364.17	29,217.49
Total	**476,702.01**	**765,942.08**

5. Other operating expenses

EUR	2021	2020
Rents and leases	282,418.96	300,982.22
Losses on sale of fixed assets	129,856.81	1,107,319.74
Personnel related costs	262,637.12	300,650.42
Travelling expenses	29,333.53	130,990.64
Marketing expenses	467,643.26	757,701.98
Entertainment expenses	33,854.25	32,791.22
Facility maintenance expenses	38,209.38	18,079.22
Office and administrative expenses	4,046,747.56	5,851,937.59
IT operating costs	11,198,020.86	13,459,414.41
Materials and services	300.47	2,568.05
Other operating expenses	1,428,265.29	1,290,851.25
Total	**17,917,287.49**	**23,253,286.74**

6. Auditors' remuneration

EUR	2021	2020
Audit	165,548.99	181,338.98
Tax advisory	2,000.00	3,850.00
Other services	32,577.00	54,011.00
Total	**200,125.99**	**239,199.98**

7. Financial income and expenses

EUR	2021	2020
Financial income		
Dividend income from Group companies	65,000,000.00	4,539,994.67
Interest income from Group companies	2,172,476.02	2,763,601.52
Interest income from others	667,051.49	714,373.49
Exchange rate gains		
Interest-bearing receivables and liabilities	833,952.81	1,229,974.00
Currency derivatives, non-hedge accounting	1,206,836.92	323,800.59
Other financial income from Group companies	1,040,095.81	1,097,741.27
Total	**70,920,413.05**	**10,669,485.54**
Financial expense		
Interest expense to Group companies	308,346.01	1,033,443.41
Interest expense to others	1,252,715.76	1,455,553.92
Exchange rate losses		
Interest-bearing receivables and liabilities	469,769.83	5,215,152.22
Currency derivatives, non-hedge accounting	853,917.18	1,424,069.98
Impairment losses in Group companies	7,306.86	49,576.74
Reversals of impairment losses in Group companies	-23,561,000.00	-
Impairment losses on non-current investments	1,069,138.80	-67,718.60
Other financial expences	311,975.60	272,936.03
Total	**-19,287,829.96**	**9,383,013.70**

EUR	2021	2020
Change in fair value of hedging interest rate derivatives recognized in the fair value reserve loss (-), gain (+)	-862,099.43	-1,444,695.44
of which deferred tax	172,419.89	288,939.09

8. Group contributions

EUR	2021	2020
Group contributions received	69,700,000.00	55,817,000.00
Group contributions distributed	-61,180,000.00	-9,388,000.00
Total	**8,520,000.00**	**46,429,000.00**

9. Income tax

EUR	2021	2020
Income tax on group contributions	1,704,000.00	9,285,800.00
Income tax on business activities	-1,680,840.16	-2,986,520.62
Income tax from previous years	-383,708.09	8,309,461.12
Change in deferred tax assets	-4,498.20	519,750.85
Total	**-365,046.45**	**15,128,491.35**

10. Intangible assets

EUR	2021	2020
Intangible rights		
Acquisition cost 1 Jan	10,503,767.44	28,092,317.84
Additions	116,060.80	337,729.28
Disposals	-2,563,610.66	-17,926,279.68
Acquisition cost 31 Dec	**8,056,217.58**	**10,503,767.44**
Accumulated amortization 1 Jan	9,865,776.35	27,055,331.44
Accumulated amortization on disposals	-2,433,753.85	-17,926,279.68
Amortization for the financial period	428,337.84	736,724.59
Accumulated amortization 31 Dec	**7,860,360.34**	**9,865,776.35**
Book value 31 Dec	**195,857.24**	**637,991.09**

EUR	2021	2020
Prepayments		
Cost 1 Jan	0.00	0.00
Additions	841,404.93	0.00
Cost 31 Dec	**841,404.93**	**0.00**
Book value 31 Dec	**841,404.93**	**0.00**
Total intangible assets	**1,037,262.17**	**637,991.09**

11. Tangible assets

EUR	2021	2020
Land and water		
Acquisition cost 1 Jan	891,396.01	891,396.01
Acquisition cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**
Machinery and equipment		
Acquisition cost 1 Jan	161,214.21	101,495.26
Additions	0.00	66,150.00
Disposals	-66,707.77	-6,431.05
Acquisition cost 31 Dec	**94,506.44**	**161,214.21**
Accumulated depreciation 1 Jan	67,796.48	45,010.04
Depreciation for the financial period	48,364.17	29,217.49
Accumulated depreciation on disposals	-66,707.77	-6,431.05
Accumulated depreciation 31 Dec	**49,452.88**	**67,796.48**
Book value 31 Dec	**45,053.56**	**93,417.73**
Other tangible assets		
Acquisition cost 1 Jan	551,597.50	617,122.27
Disposals	0.00	-65,524.77
Acquisition cost 31 Dec	**551,597.50**	**551,597.50**
Accumulated depreciation 1 Jan	0.00	
Accumulated depreciation 31 Dec	**0.00**	**0.00**
Book value 31 Dec	**551,597.50**	**551,597.50**
Total tangible assets	**1,488,047.07**	**1,536,411.24**

12. Investments

EUR	2021	2020
Shares in Group companies		
Acquisition cost 1 Jan	1,037,893,216.86	993,077,934.40
Additions	7,139,318.14	48,850,102.92
Disposals	-1,710,000.00	-4,034,820.46
Acquisition cost 31 Dec	**1,043,322,535.00**	**1,037,893,216.86**
Accumulated impairment losses 1 Jan	529,289,539.92	529,289,539.92
Book value 31 Dec	**514,032,995.08**	**508,603,676.94**
Other shares and holdings		
Acquisition cost 1 Jan	961,889.89	919,361.33
Additions		42,528.56
Acquisition cost 31 Dec	**961,889.89**	**961,889.89**
Accumulated impairment losses 1 Jan	344,714.12	344,714.12
Impairment losses	92,998.00	0.00
Book value 31 Dec	**524,177.77**	**617,175.77**
Receivables from Group companies		
Capital loan receivables		
Acquisition cost 1 Jan	23,561,000.00	23,561,000.00
Disposals	-23,561,000.00	0.00
Acquisition cost 31 Dec	**0.00**	**23,561,000.00**
Accumulated impairment losses 1 Jan	23,561,000.00	23,561,000.00
Reversal of impairment losses	-23,561,000.00	0.00
Book value 31 Dec	**0.00**	**0.00**
Total investments	**514,557,172.85**	**509,220,852.71**

13. Non-current receivables

EUR	2021	2020
Receivables from Group companies		
Loan receivables	78,635,345.98	63,434,666.13
Total	**78,635,345.98**	**63,434,666.13**
Receivables from others		
Loan receivables	159,304.92	2,101,290.43
Deferred tax assets	445,314.67	557,335.67
Total	**604,619.59**	**2,658,626.10**
Total non-current receivables	**79,239,965.57**	**66,093,292.23**

14. Current receivables

EUR	2021	2020
Receivables from Group companies		
Trade receivables	151.30	93,314.92
Loan receivables	0.00	1,533,228.89
Interest receivables	408,431.83	378,945.66
Prepayments and accrued income	74,055,298.52	74,982,299.26
Total	**74,463,881.65**	**76,987,788.73**
Receivables from others		
Trade receivables	8,150.00	8,010.44
Loan receivables	752,829.89	0.00
Other receivables	7,920.32	1,334,906.21
Prepayments and accrued income	4,390,623.63	3,563,067.66
Total	**5,159,523.84**	**4,905,984.31**
Total current receivables	**79,623,405.49**	**81,893,773.04**
Key items in prepayments and accrued income		
Interest receivables	411,140.47	495,645.69
Other prepayments and accrued income	3,979,483.16	3,067,421.97
Total	**4,390,623.63**	**3,563,067.66**

15. Financial instruments and financial risk management

2021

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		78.8		78.8	78.8	
Non-current financial assets	**1.0**	**78.8**		**79.8**	**79.8**	
Financial assets – current						
Trade and other receivables		79.6		79.6	79.6	
Currency derivatives	0.6			0.6	0.6	2
Money market investments		29.4		29.4	29.5	2
Investments in quoted bonds		19.7		19.7	19.9	1
Investments in unlisted bonds		4.8		4.8	4.8	2
Debt certificates		10.0		10.0	10.0	
Current financial assets	**0.6**	**143.5**		**144.1**	**144.3**	
Money market investments		11.5		11.5	11.5	2
Cash and bank				0.0	0.0	
Cash and cash equivalents		**11.5**		**11.5**	**11.5**	
Total financial assets	**1.6**	**233.8**		**235.3**	**235.6**	
Financial liabilities – non-current						
Loans from financial institutions		59.9		59.9	60.1	
Non-current borrowings		**59.9**		**59.9**	**60.1**	
Interest-rate derivatives			0.9	0.9	0.9	2
Other non-current financial liabilities		**0.0**	**0.9**	**0.9**	**0.9**	
Financial liabilities – current						
Liabilities to Group companies		239.0		239.0	239.0	2
Currency derivatives	0.0			0.0	0.0	2
Trade and other payables		9.2		9.2	9.2	
Current borrowings	**0.0**	**248.2**		**248.2**	**248.2**	
Total financial liabilities	**0.0**	**308.1**	**0.9**	**309.0**	**309.2**	

2020

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		65.5		65.5	65.5	
Non-current financial assets	**1.0**	**65.5**		**66.5**	**66.5**	
Financial assets – current						
Trade and other receivables		81.9		81.9	81.9	
Money market investments		42.7		42.7	42.8	1
Investments in quoted bonds		23.4		23.4	23.1	2
Investments in unlisted bonds		3.0		3.0	3.0	2
Debt certificates		0.0		0.0	0.0	
Current financial assets		**151.0**		**151.0**	**150.8**	
Money market investments		6.5		6.5	6.5	2
Cash and bank		0.0		0.0	0.0	
Cash and cash equivalents		**6.5**		**6.5**	**6.5**	
Total financial assets	**1.0**	**223.0**		**224.0**	**223.8**	
Financial liabilities – non-current						
Loans from financial institutions		119.8		119.8	120.2	
Non-current borrowings		**119.8**		**119.8**	**120.2**	
Interest-rate derivatives			1.4	1.4	1.4	2
Other non-current financial liabilities		**0.0**	**1.4**	**1.4**	**1.4**	
Financial liabilities – current						
Commercial papers		208.9		208.9	208.9	
Liabilities to Group companies	0.5			0.5	0.5	2
Trade and other payables		18.5		18.5	18.5	
Current borrowings	**0.5**	**227.4**		**227.9**	**227.9**	
Total financial liabilities	**0.5**	**347.2**	**1.4**	**349.1**	**349.5**	

The financial risk management of the company has been described on note Financial instruments and financial risk management of the consolidated financial statements.

The Company follows the Group's treasury policy and risk management principles.

16. Equity

EUR	2021	2020
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	**70,000,000.00**	**70,000,000.00**
Fair value reserve 1 Jan	-1,155,756.35	-1,286,756.70
Profit or loss at fair value, other current investments	466,076.81	131,000.35
Fair value reserve 31 Dec	**-689,679.54**	**-1,155,756.35**
Restricted equity total	**69,310,320.46**	**68,844,243.65**
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	**142,703,761.93**	**142,703,761.93**
Retained earnings 1 Jan	171,736,967.74	181,482,223.36
Dividend distribution	-31,300,000.00	-29,800,000.00
Retained earnings 31 Dec	**140,436,967.74**	**151,682,223.36**
Profit/loss for the financial year 31 Dec	**87,839,084.38**	**20,054,744.38**
Total unrestricted equity	**370,979,814.05**	**314,440,729.67**
Total equity	**440,290,134.51**	**383,284,973.32**
Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	140,436,967.74	151,682,223.36
Development costs	-841,404.93	0.00
Profit/loss for the financial period	87,839,084.38	20,054,744.38
Total	**370,138,409.12**	**314,440,729.67**

17. Provisions

EUR	2021	2020
Pension provision	274,923.00	277,465.00
Total	**274,923.00**	**277,465.00**

18. Deferred tax assets

EUR	2021	2020
From provision	54,984.60	55,493.00
From impairments	87,542.42	68,942.82
Other items	302,787.65	432,899.85
Total	**445,314.67**	**557,335.67**

19. Non-current liabilities

EUR	2021	2020
Loans from financial institutions	59,948,904.27	119,849,408.61
Interest-rate derivatives, hedge accounting	862,099.43	1,444,695.44
Other non-current liabilities	1,536,926.33	2,683,380.35
Total	**62,347,930.03**	**123,977,484.40**

20. Current liabilities

EUR	2021	2020
Amounts owed to Group companies		
Trade payables	-178,182.26	-32,815.56
Other liabilities	239,313,984.47	208,936,162.32
Total	**239,135,802.21**	**208,903,346.76**
Amounts owed to others		
Trade payables	1,076,467.22	1,148,010.55
Other liabilities	2,934,403.06	4,684,689.63
Accruals and deferred income	5,265,052.02	12,717,492.73
Total	**9,275,922.30**	**18,550,192.91**
Total current liabilities	**248,411,724.51**	**227,453,539.67**
Key items in other liabilities		
Payroll and related social costs	441,470.98	293,586.39
VAT-liability	2,453,915.68	3,259,195.03
Purchase price accrual	0.00	480,000.00
Other liabilities	39,016.40	651,908.21
Total	**2,934,403.06**	**4,684,689.63**
Key items in accruals and deferred income		
Payroll and related social costs	1,928,337.90	1,814,065.82
Accrued interests	105,921.67	143,421.67
Other accruals and deferred income	3,230,792.45	10,760,005.24
Total	**5,265,052.02**	**12,717,492.73**
Interest-bearing liabilities		
Non-current liabilities	59,948,904.27	119,849,408.61
Current liabilities	36,000,000.00	107,500,000.00
Total	**95,948,904.27**	**227,349,408.61**

21. Pledged assets, commitments and other liabilities

EUR	2021	2020
Pledges given for Group companies		
Guarantees	152,070,315.00	165,184,944.00
Total	**152,070,315.00**	**165,184,944.00**
Lease contracts unpaid amounts		
Payable within one year	63,412.62	71,280.44
Payable in later years	33,050.39	89,792.53
Total	**96,463.01**	**161,072.97**
Rental liabilities	**0.00**	**815.00**
Currency forward contracts		
Fair value	554,957.91	-477,091.80
Nominal value	23,225,577.73	18,874,931.70
Interest rate swaps		
Fair value	-862,099.43	-1,444,695.44
Nominal value	60,000,000.00	60,000,000.00

Derivative instruments are used for hedging the foreign exchange rate risk and interest rate 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 company's long-term variable-interest loan has been converted to fixed-interest loan with an interest-rate swap.

22. Shares and holdings of Posti Group Corporation

Company name and domicile	Number of shares	Ownership (%)	Book value
Group companies			
Global Mail FP Oy, Helsinki	4,200	99.92	45,838,632.95
Posti Scandinavia AB, Stockolm	4,000	100.00	1,781.31
Itella Logistics SIA, Riga	20	100.00	400,000.00
Itella Logistics UAB, Vilnius	1,000	100.00	918,147.59
Posti Kiinteistöt Oy, Helsinki	103,488	100.00	192,730,895.55
Posti Palvelut Oy, Helsinki	500	50.00	102,500.00
NLC International Corporation, Limassol	3,844	100.00	1.00
Posti Oy, Helsinki	2,538,295	100.00	107,968,237.70
Posti Messaging Oy, Helsinki	1,000	100.00	47,985,238.65
Posti Fokus Oy, Helsinki	500	100.00	7,500.00
Suomen Transval Group Oy, Helsinki	75,460	100.00	52,492,089.27
Transval Henkilöstöpalvelut Oy, Helsinki	10	100.00	3,251,200.00
Aditro Logistics Holding AB, Bromma	1,910,200	100.00	52,333,221.06
Posti Global Oy, Helsinki	999	99.90	10,003,550.00
Total			**514,032,995.08**
Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	1.00
Huhtakeskus Oy, Jyväskylä	328	3.28	1.00
Cooperative Vereiniging 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
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Stella Care Oy	94,545	17	42,528.56
Golfsarfvik	1		28,560.00
Total			**524,177.77**

Board of Directors' proposal for the distribution of profit

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2021, the parent company's distributable funds totals EUR 370,138,409.12 of which the profit for the financial year accounts for EUR 87,839,084.38

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 32,000,000.00 to be distributed and EUR 338,138,409.12 to be retained in the shareholders' equity.

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

Helsinki, February 16, 2022

Sanna Suvanto-Harsaae
Chair of the Board of Directors

Turkka Kuusisto
President and CEO

Per Sjödell

Raija-Leena Hankonen-Nybom

Harri Hietala

Sirpa Huuskonen

Kari-Pekka Laaksonen

Frank Marthaler

Minna Pajumaa

Hanna Vuorela

Satu Ollikainen

Our auditor's report has been issued today.

Helsinki, February 16, 2022

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen
Authorized Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Posti Group Oyj

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 and cash flows 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 Oyj (business identity code 1531864-4) for the year ended 31 December, 2021. 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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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
Goodwill valuation *Refer to Accounting policies and to note 11 in the consolidated financial statements for the related disclosures.* At 31 December 2021 the Group's goodwill balance is valued at 190 million euro and is allocated to the Group's four 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. The goodwill allocated to Postal Services CGU amounts to 15 million euro, the goodwill allocated to Parcel and eCommerce CGU amounts to 75 million euro, the goodwill allocated to Transval amounts to 62 million euro and the goodwill allocated to Aditro amounts to 38 M€. Our work is focused on the risk that goodwill may be overstated in these CGU:s.	Our audit focused on assessing the appropriateness of management's judgment 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 in the 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 11 in the financial statements.

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 a 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 to 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 about 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 with 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.

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

Appointment

We were first appointed as auditors by the annual general meeting in 2012. Our appointment represents a total period of uninterrupted engagement of 10 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises 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 other information and, in doing so, consider whether the other information 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 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 report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other statements

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 16 February 2022
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Mikko Nieminen
KHT

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