

# Posti Group Corporation's Financial Statements 2015

February 12, 2016

**Weaker result for Postal Services, Parcel and Logistics business turns to profit**



**posti**



POSTI GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE, FEBRUARY 12, 2016 AT 10:00 A.M. (EET)

## Weaker result for Postal Services, Parcel and Logistics business turns to profit

### Posti Group Corporation's Financial Statements and Board of Directors' Report for 2015

#### October–December 2015

- The Group's net sales decreased by 11.6% to EUR 434.7 (491.7) million in October–December. Comparable net sales, excluding the international freight business, decreased by 6.4%.
- Net sales decreased by 3.8% in Postal Services, by 19.4% in Parcel and Logistics Services, by 24.5% in Itella Russia, and by 6.0% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 10.0%. The comparable net sales of Parcel and Logistics Services decreased by 5.3%.
- Posti Group's operating result before non-recurring items improved, boosted particularly by Parcel and Logistics Services, to EUR 25.4 (23.5) million, or 5.8% (4.8%) of net sales.
- The operating result before non-recurring items declined to EUR 24.8 (36.9) million in Postal Services and to EUR -0.9 (2.1) million in Itella Russia. The operating result before non-recurring items improved to EUR -0.4 (-12.6) million in Parcel and Logistics Services and to EUR 3.5 (3.4) million in OpusCapita.
- The operating result was weighed down by non-recurring items amounting to EUR -15.7 (-12.6) million, which includes provisions related to Itella Russia's warehousing business.
- The operating result was EUR 9.7 (10.9) million, or 2.2% (2.2%) of net sales.
- On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states to BaltCap.
- In November, the postal industry had no agreement in force after the previous collective agreement expired on October 31, 2015. The strikes during the negotiations had a negative impact on Posti Group's result. The new collective agreement approved on November 30, 2015, eliminated the previous compensation for termination and restrictions on the use of outsourcing, which improves Posti's competitiveness.
- During the Christmas season, Posti handled more than a million parcels in one week for the first time. The number of parcels Posti delivered to consumers in December increased by 7% from the previous year. Posti recruited 3,350 seasonal assistants for the Christmas season.

#### Year 2015

- Posti Group's net sales decreased by 11.2% to EUR 1,650.3 (1,858.7) million. Comparable net sales, excluding the international freight business, decreased by 6.1%.
- The total number of parcels delivered by Posti during the year exceeded 33 million. Parcel volume grew by 2.3%.
- Mail delivery volumes continued to decline as expected. The Finnish logistics market did not see a turn for the better. The situation in Russia deteriorated significantly. The ruble depreciated by 12% compared to the previous year.
- Net sales decreased by 3.5% in Postal Services, by 17.4% in Parcel and Logistics Services, by 30.9% in Itella Russia, and by 1.2% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 7.7%. The comparable net sales of Parcel and Logistics Services decreased by 3.8%.
- Posti Group achieved 90% of the target of its EUR 75 million performance improvement program, the Group's general expenses were reduced with the help of the 'Way of Working' program.
- Posti Group's operating result before non-recurring items was EUR 48.7 (50.8) million, representing 2.9% (2.7%) of net sales.
- The operating result before non-recurring items improved to EUR 0.6 (-21.7) million in Parcel and Logistics Services. The operating result before non-recurring items declined to EUR 56.4 (66.0) million in Postal Services, to EUR -5.1 (2.5) million in Itella Russia and to EUR 14.5 (20.0) million in OpusCapita.

- The operating result for 2015 was improved by non-recurring items amounting to EUR 7.2 (-45.0) million, which includes EUR 44.2 million in gains from the sale of real estate, EUR 8.4 million in personnel restructuring costs, and EUR 28.6 million in impairment, provisions and other items.
- Personnel expenses decreased by EUR 91.3 million, or by 10.8% year-on-year. The Group conducted several cooperation negotiations during the year, and the number of employees decreased by 1,691 year-on-year.
- The operating result was EUR 55.9 (5.8) million, or 3.4% (0.3%) of net sales.
- The operating result before taxes was EUR 43.3 (-4.6) million.
- The Group's cash flow from operating activities decreased to EUR 81.9 (93.2) million.
- Gearing was -10.5% (17.2%). Equity ratio stood at 47.8% (45.9%).
- In June, the Board of Directors of Posti Group approved the company's strategic goals for 2015–2017.
- On April 30, 2015, Posti Group Corporation sold its road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland, to the Danish company NTG Nordic Transport Group.
- Posti launched a renewal of its retail network. Going forward, Posti will operate 21 postal outlets of its own, and services were transferred to partners at 77 outlets.
- On April 30, 2015, OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp.
- Vice President of the Operations unit Yrjö Eskola was appointed as a member of the Posti Group Corporation Executive Board as of July 1, 2015.
- Patrik Sallner was appointed CEO of OpusCapita. Sallner took up his post as CEO on October 5, 2015.
- The name of the company was changed to Posti Group Corporation on January 1, 2015. From January 1, 2015, the names of the business groups are: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. Since the beginning of 2015, Posti Group Corporation's result is reported on the basis of the new business groups.
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 18.0 million be distributed.

<b>Key figures of Posti Group</b>	<b>10–12</b>	<b>10–12</b>	<b>1–12</b>	<b>1–12</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net sales, EUR million	434.7	491.7	1,650.3	1,858.7
Operating result (non-IFRS), EUR million*	25.4	23.5	48.7	50.8
<i>Operating result (non-IFRS), %*</i>	<i>5.8</i>	<i>4.8</i>	<i>2.9</i>	<i>2.7</i>
Operating result (EBIT), EUR million	9.7	10.9	55.9	5.8
<i>Operating result (EBIT), %</i>	<i>2.2</i>	<i>2.2</i>	<i>3.4</i>	<i>0.3</i>
Result before taxes, EUR million	6.1	7.6	43.3	-4.6
Result for the period, EUR million	4.2	4.5	36.0	-4.4
<i>Return on equity (12 months), %</i>			<i>6.1</i>	<i>-0.7</i>
<i>Return on invested capital (12 months), %</i>			<i>6.3</i>	<i>1.0</i>
<i>Equity ratio, %</i>			<i>47.8</i>	<i>45.9</i>
<i>Gearing, %</i>			<i>-10.5</i>	<i>17.2</i>
Gross capital expenditure, EUR million	16.8	14.6	60.6	57.5
Average number of employees			22,219	24,617
Dividend			18.0**	-
<i>*) Non-IFRS = excluding non-recurring items</i>				
<i>***) Board of Directors' proposal to the Annual General Meeting</i>				



## Heikki Malinen, President and CEO:

*"The year 2015 was difficult for Posti Group due to the transformation of the communication sector and the weak market situation in our business environment. Our net sales decreased across all business groups. Declining volumes in Posti's core business of delivering letters and publications reduced net sales by nearly EUR 75 million. Domestic freight transport volumes decreased as the total market continued to decline. Itella Russia's net sales were eroded by the weak ruble and the problems of the Russian economy.*

*In spite of the decrease in net sales, the Group's operating result remained at the previous year's level. This has, however, required many substitution measures and painful decisions. We have had to compensate for the losses through cost savings, efficiency improvements, price increases, and personnel reductions.*

*The most significant source of satisfaction was the strong improvement in the result of the Parcel and Logistics Services business group. Its operating result turned to profit on the strength of determined efficiency improvement measures and restructuring. In the previous year, the logistics business recorded a significant loss. Going forward, we expect various logistics services to be the engine of Posti's growth. Posti delivered over 33 million parcels last year, which represents an increase of more than 2%. In the latter part of the year, we unfortunately lost parcel volume to our competitors due to strikes.*

*Posti Group's operating result for 2015 showed a significant improvement from the previous year. The improved result is attributable to the positive result of Parcel and Logistics Services as well as a sale and leaseback transaction worth EUR 120 million, which involved Posti selling logistics properties located in Finland. The operating result in the comparison period was weighed down by non-recurring costs of EUR 45 million.*

*In Russia, the market situation became bleaker during the year. The substantially weaker national economy, declining consumer purchasing power and the weak ruble are currently complicating the business operations of foreign companies operating in Russia, and Itella Russia is no exception. Unfortunately, the prospects for 2016 involve significant continued uncertainty.*

*Posti faces unavoidable structural reforms as the volumes of traditional mail decline. Digitalization and intensifying competition give Posti no alternative but to quickly adapt to the changes. At the same time, we will seek new growth, particularly in logistics, warehousing, e-commerce, and new consumer services. We also see significant growth potential in OpusCapita's financial management software, financial processes and automation services.*

*Posti must carefully manage its profitability. While Posti's non-IFRS operating result improved from 2.7% to 2.9%, profitability is short of the target level of 5%. It is a concern that the operating result of the company's cornerstone, Postal Services, declined by as much as 15% last year, which represents a decrease of approximately EUR 10 million. The decline in volume has forced Posti to initiate cooperation negotiations.*

*Securing profitability is crucial for Posti also because we operate without public subsidies. In order for us to develop our operations and invest in growth projects, our operations must have a financially solid foundation. Increasing digitalization is also forcing us to achieve renewal in our operations. To accomplish this, we must allocate more resources to the digitalization of our services and production. Our investments last year amounted to EUR 61 million, which is 75% of depreciation. We must increase our level of investment in the medium term. We cannot fall behind in digitalization."*

## APPENDICES

Financial Statements Release and the Board of Directors' Report (pdf)  
Corporate Governance Statement 2015 (pdf)

## FURTHER INFORMATION

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## DISTRIBUTION



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Key media  
[www.posti.com/talous](http://www.posti.com/talous)

FINANCIAL CALENDAR IN 2016  
Interim Report Q1/2016: April 29, 2016  
Interim Report Q2/2016: July 18, 2016  
Interim Report Q3/2016: October 31, 2016

IMAGES AND LOGOS  
[www.posti.com/media](http://www.posti.com/media)

**Posti Group** is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in nine countries. Our net sales in 2015 amounted to EUR 1,650 million. We employ approximately 22,000 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. All of our services in Finland are carbon neutral. [www.posti.com](http://www.posti.com).





## Posti Group Corporation

### Board of Directors' Report 2015

#### Operating environment 2015

The economic climate was challenging in 2015. The trend appeared positive until June 2015, with growth in the national economy. However, the situation took a turn for the worse in June and deteriorated further toward the end of the year. Consumer demand remained weak.

Posti's parcel services volume grew by 2% (2%) year-on-year, and market share increased slightly. Posti delivered more than 33 million parcels during the year. The number of parcels going through Posti's parcel points grew by 42% year-on-year. Parcel volumes grew until June. In Posti's parcel volume, the turn for the worse occurred in the fall, trailing the negative turn in the overall market by one quarter.

In postal services, the decline in volume was steeper in the final quarter. The volume of addressed letters decreased by -10% in October–December, and the rate of decline for the full year was -8% (-10%). The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -27% (-13%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by -9% (-10%).

Industrial action late in the year had a negative impact particularly on parcel services, as customers sought alternative delivery channels in the busy Christmas season.

The situation in the Russian market deteriorated substantially toward the end of the year. The ruble exchange rate fluctuated significantly throughout the year, and the closing rate was down 12% year-on-year. The general economic climate is weak. Warehouse processing volumes fell and the demand for air and sea freight declined. The final quarter of 2015 was substantially weaker than the previous year. The warehouse fill rate remained at a good level, but processing volumes fell substantially.

The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. OpusCapita transmitted a total of 540

million transactions during the year. The total transaction volume includes printed letters, mailed paper letters, and electronic transactions. The electronic transaction volume was 205 million transactions, which represents 38% of OpusCapita's total transaction volume. Growth was the fastest in the volumes of electronic invoices with a cumulative growth rate of 6%.

#### Performance improvement program

The Group has a performance improvement program for 2015–2016 underway, aiming at EUR 75 million in cost savings. Some 90% of the savings target was achieved by the end of the year. Savings have been achieved by increasing the efficiency of production and Posti's retail network, as well as the purchasing operations of ICT and sourcing, among other things.

In addition to the performance improvement program, the Group implemented a 'Way of Working' program to achieve savings by reducing training, recreation and travel expenses.

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

Cooperation negotiations commenced on January 26, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit led to the dismissal of nine employees in total. Cooperation negotiations commenced by OpusCapita on May 21, 2015, regarding the restructuring of the Finnish digitizing production unit of Customer Service & Operations were concluded on June 16, 2015. The outcome of the negotiations was that the need for personnel reductions is 15 permanent employees. Cooperation negotiations commenced on August 13, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit were completed on September 23, 2015. The outcome of the negotiations was that the need for personnel



reductions on financial and production-related grounds was 11 permanent employees.

### **Net sales and operating result in October–December**

The Group's net sales in the fourth quarter were EUR 434.7 (491.7) million. Net sales decreased by 11.6%. In local currencies, the decline in net sales was 8.7%. Comparable net sales, excluding the international freight business, decreased by 6.4%.

Net sales decreased in all business groups.

The operating result before non-recurring items was EUR 25.4 (23.5) million, or 5.8% (4.8%) of net sales. The operating result before non-recurring items improved in Parcel and Logistics Services and declined in Postal Services and Itella Russia. The operating result before non-recurring items remained at the previous year's level in OpusCapita.

The operating result was EUR 9.7 (10.9) million, or 2.2% (2.2%) of net sales. The result before taxes was EUR 6.1 (7.6) million.

### **Net sales and operating result in 2015**

The Group's net sales in 2015 were EUR 1,650.3 (1,858.7) million. Net sales decreased by 11.2%. The decline in net sales was due to the divestment of the Scandinavian freight business, the weak market situation and exchange rate development in Russia, as well as the decrease in domestic delivery and freight volumes in Finland. In local currencies, the decline in net sales was 8.8%. Comparable net sales, excluding the international freight business, decreased by 6.1%.

Net sales decreased in all business groups. Net sales declined by 5.2% in Finland and by 32.4% in other countries. The decrease in net sales was particularly attributable to the divestment of international freight operations and the substantial depreciation of the ruble. International operations accounted for 16.8% (22.0%) of net sales.

The operating result before non-recurring items was EUR 48.7 (50.8) million, or 2.9% (2.7%) of net sales.

Non-recurring items totaled EUR 7.2 (-45.0) million in 2015. Posti Group sold several properties during the financial year, recording a total sales gain of EUR 44.2 million. The most significant of these transactions took place on April 22, 2015, when

Posti Group sold and leased back its postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula. The transaction price was EUR 120 million. The selling of warehouses in Scandinavia was related to the divestment of Scandinavian freight operations. The non-recurring items also include EUR 8.4 million in personnel restructuring costs and EUR 28.6 million in impairment, provisions, and other items. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR 55.9 (5.8) million, or 3.4% (0.3%) of net sales.

The Group's net financing costs amounted to EUR 12.5 (10.4) million.

The Group's result for the period was EUR 36.0 (-4.4) million.

Return on equity stood at 6.1 percent (-0.7 percent).

As of the beginning of 2015, services that fall under the universal service obligation exist both in Postal Services and Parcel and Logistics Services. Operations under the universal service obligation amounted to EUR 154.8 (147.1) million in 2015, which was 9.4% of the entire Group's net sales.

### **Postal Services**

#### October–December

The Postal Services business group's net sales declined in October–December by 3.8% to EUR 207.3 (215.5) million. The decrease in net sales was due to a decline in the domestic delivery product volume. The decline in the volume of addressed domestic letters accelerated in the fourth quarter. The number of items shipped to Russia from Chinese e-commerce operators grew. Posti delivered more than 30 million Christmas cards, which was 4% fewer than the previous year.

The business group's operating result before non-recurring items declined and amounted to EUR 24.8 (36.9) million. Non-recurring items recognized in the review period totaled EUR -0.0 (0.1) million. Cost adaptation measures have not fully compensated for the decline in the volume of domestic delivery products.



The operating result was EUR 24.8 (37.0) million. Strikes late in the year had a negative impact on the publication business as well as the delivery volumes of addressed letters.

#### Year 2015

The Postal Services business group's net sales decreased by 3.5% to EUR 742.3 (769.0) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. The volumes of addressed letters, newspapers and magazines decreased significantly compared to the previous year. The volumes of electronic letters and unaddressed deliveries grew. Posti has found new business by delivering items shipped to Russia by Chinese online stores.

The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Since the beginning of March 2015, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week. The aim of Postinen is to improve the competitiveness of paper communications and the profitability of delivery. Postinen makes the sorting more efficient and saves working hours when the bunching is done by machines. Postinen also acts as a new kind of marketing tool for the advertisers.

The business group's operating result before non-recurring items declined and amounted to EUR 56.4 (66.0) million. Non-recurring items recognized during the period totaled EUR 0.9 (0.1) million. The strong result early in the year was supported by improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2015. Cost adaptation measures implemented during the year did not fully compensate for the decline in the volume of domestic delivery products. The decline in the volume of addressed domestic letters accelerated in the fourth quarter.

The operating result was EUR 57.3 (66.1) million.

The year-on-year development of mail delivery volumes was as follows:

- Addressed letters, -8% (-10%)
- Unaddressed direct marketing, +5% (-33%)
- Newspapers, -27% (-13%)
- Magazines, -9% (-10%)
- Electronic letters, +4% (+7%)

The volume of addressed letters declined by -8% (-10%). The volume of unaddressed deliveries increased as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -27% (-13%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by -9% (-10%).

The number of Netposti users increased by 8% year-on-year and stood at 636,000 at the end of the year. Netposti is an electronic mailbox provided by Posti.

#### **Parcel and Logistics Services**

##### October–December

The Parcel and Logistics Services business group's net sales in October–December decreased by 19.4% and amounted to EUR 148.6 (184.3) million. Comparable net sales, excluding the international freight business, decreased by 5.3%.

The volume of parcel services decreased by 2% from the previous year. The postal strike had a negative impact on parcel volumes in the fourth quarter, as customers sought alternative delivery channels for the busy Christmas sales season. Posti delivered 3.5 million parcels in Finland in October–December. Parcel volumes grew in consumer parcels and declined in parcels sent by businesses. The number of parcels Posti delivered in December increased by 7% from the previous year.

Net sales declined in domestic freight as the total volume of the national market continued to decline. In addition, the share of net sales represented by fuel surcharges declined year-on-year due to fuel prices remaining at a lower level.

The net sales of the warehousing business decreased from the previous year due to a decline in processing volumes as well as fill rates. In the fourth quarter, Posti signed several logistics outsourcing agreements. Posti and Anttila signed a multi-year agreement, under which Posti will be responsible for the warehousing services of Anttila's department stores and online stores with associated value-added services, transport of products to the stores and transport and return services of online store products for consumer customers.





A new robot-assisted hybrid warehouse was opened in Vantaa, and a new logistics center was opened in Lieto to serve as an e-commerce hub.

The business group's operating result before non-recurring items improved to EUR -0.4 (-12.6) million. The improvement was particularly attributable to the divestment of international freight operations, improved operational efficiency in Finland, and higher consumer parcel services volume. Non-recurring items recognized during the period totaled EUR -1.8 (-7.6) million.

The business group's operating result improved to EUR -2.2 (-20.2) million.

#### Year 2015

The Parcel and Logistics Services business group's operating result before non-recurring items turned to profit in spite of a decrease in net sales. Net sales decreased by 17.4% to EUR 596.7 (722.7) million. Comparable net sales, excluding the international freight business, decreased by 3.8%. Net sales declined in the freight and warehousing businesses.

Net sales grew in parcel services. Posti delivered more than 33 million parcels in Finland during the year. Posti's parcel services volume in Finland grew by 2.3% year-on-year (2.0%). The use of parcel points increased, with the number of parcels growing by 42% year-on-year.

The business group's operating result before non-recurring items improved to EUR 0.6 (-21.7) million. The improved operating result was particularly attributable to the divestment of international freight operations, higher demand for parcel services, and measures implemented by the Group to increase the efficiency of production operations.

The operating result was affected by non-recurring expenses of EUR -13.2 (-12.5) million, arising from the restructuring of Posti's retail network and the sale of international freight operations.

The business group's operating result improved to EUR -12.6 (-34.2) million.

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

On April 23, 2015, Posti announced it will renew its service network. As part of the renewal, Posti will expand its network by approximately 100 new service points and transfer services at 77 of its own postal outlets to be managed by partners. Going forward, Posti will operate 21 postal outlets of its own.

Posti had 1,401 service points at the end of the year. After 21 new parcel points were taken into use during the year, their number totaled 480 at the end of December.

#### **Itella Russia**

##### October–December

Measured in local currency, Itella Russia's net sales decreased by 10% in October–December. The decrease in net sales was due to the weak overall economic situation and lower warehouse processing volumes. The demand for air and sea freight also declined. Operational efficiency in warehousing was improved. The final quarter of the year was substantially weaker than the strong fourth quarter in the comparison year.

The warehouse fill rate was at a good level. The fill rate for warehouses in the Moscow area was 86% at the end of December. The average fill rate for all warehouses in Russia was also 86% at the end of December.

Euro-denominated net sales decreased by 24.5% to EUR 30.8 (40.7) million.

The business group's operating result before non-recurring items was EUR -0.9 (2.1) million. The weaker result was attributable to the currency basis of lease expenses as the ruble depreciated as well as the decline in processing volumes.

The operating result was EUR -12.8 (2.1) million. The result includes a provision of EUR 11.7 million for loss-making agreements related to the loss of a customer and currency depreciation.

##### Year 2015

Measured in local currency, Itella Russia's net sales decreased by 7.7%. The decrease in net sales was due to the weak economic climate, the significant decline in Russia's GDP, and weaker international trade. The current expectation is that volumes will remain low in 2016.



By December 31, 2015, the closing rate of the Russian ruble had declined by 12%. The ruble exchange rate was highly volatile during the year. Euro-denominated net sales decreased by 30.9% to EUR 118.9 (172.0) million.

The business group's operating result before non-recurring items was EUR -5.1 (2.5) million. The weaker operating result was attributable to lower volumes as well as the development of the ruble exchange rate and currency-linked lease expenses.

The average warehouse fill rate during the year was 84% in Moscow and 86% in other areas. The operating result also decreased, and totaled EUR -25.0 (2.4) million. The operating result includes EUR 7.6 million in impairment losses, the majority of which were allocated to customer relationships capitalized in conjunction with the acquisition of Itella Russia in 2008. The result includes a provision of EUR 11.7 million for loss-making agreements related to the loss of a customer and currency depreciation.

Itella Russia's investments amounted to EUR 2.9 (2.6) million.

## **OpusCapita**

### October–December

OpusCapita's net sales decreased by 6.0% to EUR 63.2 (67.2) million in October–December. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. The volumes of iPost products decreased by 14% from the previous year. The decline in volumes accelerated in the final quarter.

Non-recurring items recognized during the period totaled EUR 0.2 (-3.5) million. The operating result before non-recurring items remained largely unchanged from the previous year at EUR 3.5 (3.4) million. The operating result was strengthened by efficiency improvement measures implemented in the final quarter.

The volumes of the traditional printing business declined in all operating countries. The result of the outsourcing business was weighed down by additional personnel costs related to customer projects. Investments in development programs related to supply chain financing solutions, robotics and internationalization increased.

The operating result improved, amounting to EUR 3.6 (-0.1) million. The improved result was attributable to non-recurring expenses being lower than in the previous year.

On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states to BaltCap. The transaction included OpusCapita AS, which operates in Estonia and Latvia, as well as UAB OpusCapita, which operates in Lithuania. The transaction allows OpusCapita to focus on its strategic business areas in Europe.

### Year 2015

OpusCapita's net sales decreased by 1.2% to EUR 256.7 (259.6) million. Some 59% of the net sales are from Finland, while the remaining 41% is from other countries. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. The volumes of iPost products decreased by 12% from the previous year.

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

OpusCapita transmitted a total of 540 million transactions during the year. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 205 million transactions, which represents 38% of OpusCapita's total transaction volume. Growth was fastest in the volumes of electronic invoices with a cumulative growth rate of 6%.

The decline in paper-based volumes is expected to continue in OpusCapita's markets, which puts greater emphasis on electronic transactions, financing solutions and software-based solutions in business. This trend is expected to lead to a higher share of foreign revenue.

The Financial Accounting Outsourcing unit recorded a weak result. In response to this, a performance improvement program was initiated in the unit in the fall.



Non-recurring items recognized during the period totaled EUR -1.2 (-7.3) million. The operating result before non-recurring items declined to EUR 14.5 (20.0) million.

The operating result improved to EUR 13.3 (12.7) million.

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

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

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

OpusCapita's investments amounted to EUR 9.6 (5.8) million. The investments were related to development projects, both for customers and the company's own processes, as well as licenses.

### Key Figures for Business Groups

EUR million	10-12/2015	10-12/2014	Change	1-12/2015	1-12/2014	Change
<b>Net sales</b>						
Postal Services	207.3	215.5	-3.8%	742.3	769.0	-3.5%
Parcel and Logistics Services	148.6	184.3	-19.4%	596.7	722.7	-17.4%
Itella Russia	30.8	40.7	-24.5%	118.9	172.0	-30.9%
OpusCapita	63.2	67.2	-6.0%	256.7	259.6	-1.2%
Other operations	2.1	15.5	-86.7%	8.7	48.6	-82.0%
Intra-Group sales	-17.2	-31.5		-73.0	-113.3	
<b>Posti Group</b>	<b>434.7</b>	<b>491.7</b>	<b>-11.6%</b>	<b>1,650.3</b>	<b>1,858.7</b>	<b>-11.2%</b>
<b>Operating result (non-IFRS)*</b>						
Postal Services	24.8	36.9	-32.8%	56.4	66.0	-14.5%
Parcel and Logistics Services	-0.4	-12.6	-	0.6	-21.7	-
Itella Russia	-0.9	2.1	-	-5.1	2.5	-
OpusCapita	3.5	3.4	1.8%	14.5	20.0	-27.2%
Other operations	-1.6	-6.3	-	-17.7	-16.0	-
<b>Posti Group</b>	<b>25.4</b>	<b>23.5</b>	<b>7.9%</b>	<b>48.7</b>	<b>50.8</b>	<b>-4.2%</b>
<b>Operating result (EBIT)</b>						
Postal Services	24.8	37.0	-33.0%	57.3	66.1	-13.3%
Parcel and Logistics Services	-2.2	-20.2	-	-12.6	-34.2	-
Itella Russia	-12.8	2.1	-	-25.0	2.4	-
OpusCapita	3.6	-0.1	-	13.3	12.7	5.1%
Other operations	-3.8	-8.0	-	22.8	-41.2	-
<b>Posti Group</b>	<b>9.7</b>	<b>10.9</b>	<b>-11.1%</b>	<b>55.9</b>	<b>5.8</b>	<b>867.5%</b>
<b>Operating result (non-IFRS), %*</b>						
Postal Services	12.0%	17.1%		7.6%	8.6%	

Parcel and Logistics Services	-0.3%	-6.8%		0.1%	-3.0%	
Itella Russia	-2.8%	5.2%		-4.3%	1.5%	
OpusCapita	5.5%	5.1%		5.7%	7.7%	
<b>Posti Group</b>	<b>5.8%</b>	<b>4.8%</b>		<b>2.9%</b>	<b>2.7%</b>	
<b>Operating result (EBIT), %</b>						
Postal Services	12.0%	17.2%		7.7%	8.6%	
Parcel and Logistics Services	-1.5%	-11.0%		-2.1%	-4.7%	
Itella Russia	-41.6%	5.2%		-21.0%	1.4%	
OpusCapita	5.7%	-0.1%		5.2%	4.9%	
<b>Posti Group</b>	<b>2.2%</b>	<b>2.2%</b>		<b>3.4%</b>	<b>0.3%</b>	

\*) Non-IFRS = excluding non-recurring items

### Cash flow and capital expenditure

The consolidated cash flow from operating activities before capital expenditure was EUR 81.9 (93.2) million.

Capital expenditure amounted to EUR 55.9 (46.6) million. The Group invested in vehicles, production projects, and parcel points during the year. Investments were also made in terminal improvement projects and the transport fleet.

Proceeds from divestments totaled EUR 136.4 (2.6) million. The most significant divestment was a real estate sale on April 22, 2015, where Posti Group sold and leased back its postal centers in Tampere, Kuopio, and Oulu, as well as its warehouse in Tuusula and the freight terminal in Pirkkala that is estimated to be completed in late 2016.

At the end of the year, liquid assets totaled EUR 257.0 (186.7) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 290.3 (295.5) million. The equity ratio was 47.8% (45.9%), and gearing was -10.5% (17.2%).

### Research and development

Research and development expenditure in 2015 was EUR 12.9 (11.2) million, or 0.8% (0.6%) of the Group's total operating expenses.

The development of new electronic services continued in Postal Services. Posti's new home services were also researched, developed and piloted during the year. A new product was

launched for unaddressed advertising. Since the beginning of March 2015, households have been delivered advertisements and other unaddressed items in a separate wrapped bundle twice a week.

In Parcel and Logistics Services, the focus was on comprehensive supply chain solutions and logistics solutions for multi-channel commerce. A fast hybrid warehouse for e-commerce was commissioned in Voutila. The warehouse is directly integrated with parcel sorting, which enables services such as same-day deliveries. The new logistics center Posti Group opened in Lieto late in the year is a hub for e-commerce. The logistics center in Vantaa, the robot-assisted hybrid warehouse and the Lieto logistics center offer e-commerce operators as many as two or three additional days of sales during peak seasons.

The company successfully piloted its new warehouse management system. In freight operations, the focus was on improving profitability as well as services required by the common carrier segment. Posti Group's new cloud service GLUE (Generic Layer for Universal E-commerce) provides e-commerce with opportunities for growth. GLUE brings customers, online stores, and suppliers under the same network.

Posti Group has introduced new functions to its digital channels, including a delivery time forecast. These services are aimed at providing customers with even better opportunities for self-service, also via mobile. The product portfolio and contract structures have been clarified and simplified. The development efforts will continue in the new financial year.



Itella Russia developed warehouse management systems and carried out an extensive e-commerce project in partnership with a customer. The use of the voice-controlled goods picking system, introduced at warehouses in the previous year, was expanded, with more than 50% of the processing volume now based on this technology. The warehouses also worked on other developments, such as a goods scanning system.

OpusCapita launched a new bank-independent supply chain financing solution. Its other new products included automation services related to software robotics as well as the collection of sales receivables. OpusCapita also continued the development of the new global multi-channel invoice processing platform and invested in the development of SaaS-based end-to-end solutions that support Purchase-to-Pay and Order-to-Cash processes.

### Environmental impacts

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

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

In March, Posti will publish a corporate responsibility report for 2015 that includes more detailed information on environmental responsibility.

### Share capital and shareholding

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

options, or other rights with entitlement to company shares.

### Administration and auditors

#### *Annual General Meeting*

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 18, 2015. The meeting adopted the 2014 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

The Annual General Meeting also decided that the Board of Directors be composed of eight members.

The following continued as members of the Board of Directors:

- Arto Hiltunen, M.Sc. (Econ.)
- Petri Järvinen, Global Supply Chain Planning Director, Mölnlycke Health Care, Sweden
- Petri Kokko, Director, Google Deutschland GmbH
- Jussi Kuutsa, Country Director, SRV, Russia
- Päivi Pesola, CFO, Fortum Power and Heat Oy
- Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance (TELA)

Kirsi Nuotto, Senior Vice President, Human Resources, Outotec Oyj, was elected to join the Board as a new member.

Arto Hiltunen continues as the Chairman of the Board of Directors and Päivi Pesola as the Vice Chairman.

The Supervisory Board consists of twelve members.

The following continued as members of the Supervisory Board:

- Ritva Elomaa, MP, True Finns Party
- Lars-Erik Gästgivars, MP, Swedish People's Party of Finland
- Maria Guzenina, MP, Social Democratic Party
- Satu Haapanen, MP, The Greens of Finland
- Sari Moisanen, temporary Managing Director, Left Alliance



- Outi Mäkelä, MP, National Coalition Party
- Reijo Ojennus, entrepreneur, True Finns Party
- Mauri Pekkarinen, MP, Centre Party
- Raimo Piirainen, MP, Social Democratic Party
- Tuomo Puumala, MP, Centre Party
- Teuvo V. Riikonen, Chief Executive Officer, Christian Democrats
- Kimmo Sasi, MP, National Coalition Party

Mauri Pekkarinen continued as the Chairman of the Supervisory Board and Satu Haapanen as Vice Chairman.

The Annual General Meeting approved the Board of Directors' proposal to not distribute a dividend and to transfer the profit for the period to retained earnings.

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

Members of the Board of Directors receive a monthly remuneration and a meeting fee. Members of the Supervisory Board receive a meeting fee.

#### *Extraordinary General Meeting*

Posti Group Corporation's Extraordinary General Meeting was held in Helsinki on November 12, 2015. The Extraordinary General Meeting elected members of the Supervisory Board and appointed the Supervisory Board's Chairman and Vice Chairman for a term ending at the close of the next Annual General Meeting.

The following were elected as new members of the Supervisory Board:

- Rami Lehto, MP, True Finns Party
- Eeva-Maria Maijala, MP, Centre Party
- Marisanna Jarva, MP, Centre Party
- Mats Nylund, MP, Swedish People's Party of Finland
- Sari Raassina, MP, National Coalition Party
- Lulu Ranne, M.Sc. (Tech.), True Finns Party
- Markku Rossi, MP, Centre Party
- Satu Taavitsainen, MP, Social Democratic Party
- Jani Toivola, MP, The Greens of Finland

- Kari Tolvanen, MP, National Coalition Party

Maria Guzenina, MP, Social Democratic Party, and Sari Moisanen, temporary Managing Director, Left Alliance, continued as members.

Markku Rossi, MP, was elected Chairman of the Supervisory Board and Jani Toivola, MP, was elected Vice Chairman of the Supervisory Board.

#### **Employees**

At the end of the year, the Group employed 21,598 (23,289) people. The Group's average number of personnel was 22,219 (24,617). At the end of the year, a total of 4,724 (5,264) employees worked outside Finland. The number of employees working in Finland was 16,874 (18,025).

Personnel distribution was as follows:

Postal Services	69 (106)
Parcel and Logistics Services	1,478 (1,902)
Itella Russia	2,646 (2,920)
OpusCapita	2,178 (2,292)
Other functions (Operations and Group Functions)	15,227 (16,069)

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

The Group's personnel expenses decreased by EUR 91.3 million, or by 10.8% year-on-year. Personnel expenses included EUR 8.4 (25.8) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 9% year-on-year.

Salaries and wages paid by the Group decreased by EUR 77.8 million from the previous year.

Based on the result for the financial year, no bonus will be paid to the personnel fund.

Group personnel	2015	2014	2013
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Salaries and wages, EUR million	606.9	684.7	713.4
Employees on December 31	21,598	23,289	25,877
Average number of employees	22,219	24,617	27,253

The company entered into 338 new permanent employment contracts in Finland in 2015. Personnel reductions amounted to 423 person-years. Out of this total, 328 person-years were related to production and finance and 42 person-years were reduced through voluntary resignation and pension plans. In addition, 53 person-years were related to acquisitions.

In January 2014, Posti launched the Uusi polku (New path) program, which offers not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of 2015, a total of 1,327 employees had applied for the program and 925 had been approved.

### Changes in corporate structure

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

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

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

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

OpusCapita Regnskap AS sold the Swedish company Redovia Group AB on September 1, 2015.

Itella Logistics A/S (Denmark), OpusCapita s.r.o. (Czech Republic) and Itella Information S.R.L. (Romania) were merged into the parent company

Posti Group Corporation in November 2015, while Itella Information Kft (Hungary) was merged into the parent company in December 2015.

### Events after the financial period

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

On January 26, 2016, Posti Group announced it will commence cooperation negotiations, the sphere of which covers a total of 7,600 employees. The negotiations concern Production administration and basic delivery, the entire Sales and Customer Service unit, and certain Group functions. The preliminary estimated reduction need is 860 people.

OpusCapita announced on February 8, 2016 a new planned organization and operating model in order to implement its new strategy and to improve profitability. As part of the change, OpusCapita will start cooperation negotiations to reduce approximately 80 positions, of which a maximum of 50 in Finland and in total some 30 in other countries. The aim is to gain annual savings of at least 10 million euros.

### Business risks

The risk management process in 2015 took into consideration the changes to the organizational structure implemented at the start of the year. As a result of the Operations organization being established to assume responsibility for production operations to a large extent, the business groups and units now have a stronger focus on the management of strategic risks, while Operations focuses on operational risks and damage risks related to postal operations and freight.

The Group's insurance cover was developed systematically, and tenders were invited for the Group's statutory accident insurance in Finland.

Key strategic risks were related to the decline in postal delivery volumes, which progressed more rapidly than expected, as well as the economic recession and other changes related to markets or the business environment that were unexpected or more extensive than anticipated. From the Group's point of view, Russia also involves significant



financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Other strategic risks are related to Posti's competitive ability, Posti's ability to implement its strategy and develop new business models and its corporate culture, as well as regulation by the authorities. Operational risks are primarily related to profitability, the renewal of ICT operations, and business interruptions and other disruptions.

The Finnish Government is preparing a Postal Act reform, which will remove the requirement of licences from Postal operators, currently granted by the Government. In Posti's view, the new reform will provide to Posti's competitors a distinct competitive advantage. If the reforms will not apply to regulation of universal service, respectively, Posti's ability to produce universal service profitably will weaken. It will increase the efficiency measures as well.

#### *Strategic risks*

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

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

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

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

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct

financial losses and pose a strategic risk that limits business development. Our goal is to ensure successful integration through careful planning and monitoring.

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

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

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

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

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

The protection and development of key production and warehouse facilities and the continuity of the ICT infrastructure are critical in the management of operational risks related to loss and interruption. If materialized, in a fire, for example, such risks



could result in substantial losses of customer accounts and value for Posti.

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

#### *Other risks*

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

In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability. The Safe Workplace project is underway at Posti in Finland to further develop the management of occupational safety risks related to employees. The aim of the project is to halve the number of accidents by 2018.

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years. Changes may cause disturbances to mail deliveries and processes. We seek to minimize these risks through active cooperation with employees, good change implementation planning, the Uusi polku program launched at the beginning of 2014 and professional communication.

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

#### **Legal proceedings**

On September 18, 2015, the District Court of Helsinki issued another positive ruling in favor of Posti regarding a dispute concerning the refund of value added taxes. Posti is not deemed liable to compensate value added taxes paid by its customers. Posti's contract customers filed a claim with the Helsinki District Court for the damage of

value added taxes of postal services totaling slightly over EUR 100 million. According to the District Court, including the VAT in the postal services referred to in the case was not contrary to EU law. The plaintiffs consisted of seven large-scale financing and insurance institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeal.

#### **Outlook for 2016**

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

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

Comparable net sales in euros for 2016 are expected to decrease compared to 2015. The Group's operating result before non-recurring items is expected to improve from 2015. There is significant uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant non-recurring items. Changes in the exchange rates, particularly ruble, can affect the Group's net sales, operating result and balance sheet.

Capital expenditure is expected to increase remarkably from 2015.

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

In the financial statements, the parent company's distributable funds total EUR 710,146,335.35, of which the profit for the 2015 financial year is EUR 1,365,597.50.

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 18.0 million be distributed.



Helsinki, February 11, 2016  
Posti Group Corporation  
Board of Directors

**APPENDICES**

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



## Financial Statements Review January-December 2015

### Key figures of Posti Group

	<b>10-12 2015</b>	<b>10-12 2014</b>	<b>1-12 2015</b>	<b>1-12 2014</b>
Net sales, MEUR	434,7	491,7	1 650,3	1 858,7
Operating result (non-IFRS), MEUR *)	25,4	23,5	48,7	50,8
Operating result (non-IFRS), % *)	5,8	4,8	2,9	2,7
Operating result (EBIT), MEUR	9,7	10,9	55,9	5,8
Operating result (EBIT), %	2,2	2,2	3,4	0,3
Result before taxes, MEUR	6,1	7,6	43,3	-4,6
Result for the period, MEUR	4,2	4,5	36,0	-4,4
Return on equity (12 months), %			6,1	-0,7
Return on invested capital (12 months), %			6,3	1,0
Equity ratio, %			47,8	45,9
Gearing, %			-10,5	17,2
Gross capital expenditure, MEUR	16,8	14,6	60,6	57,5
Employees on average			22 219	24 617
Dividends, MEUR			18,0**)	-

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

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

## Consolidated Income Statement

EUR million	10-12 2015	10-12 2014	1-12 2015	1-12 2014
<b>Net sales</b>	<b>434,7</b>	<b>491,7</b>	<b>1 650,3</b>	<b>1 858,7</b>
Other operating income	4,1	2,9	57,4	12,6
Share of associated companies' results	0,1	0,0	0,1	0,0
Materials and services	115,8	136,7	437,6	526,7
Employee benefits	191,2	214,7	756,5	847,8
Depreciation and amortisation	19,2	21,2	80,5	86,0
Impairment losses	3,2	1,9	11,9	4,4
Other operating expenses	99,8	109,1	365,4	400,5
<b>Operating result (EBIT)</b>	<b>9,7</b>	<b>10,9</b>	<b>55,9</b>	<b>5,8</b>
% of net sales	2,2 %	2,2 %	3,4 %	0,3 %
Financial income and expenses	-3,6	-3,3	-12,5	-10,4
<b>Result before income tax</b>	<b>6,1</b>	<b>7,6</b>	<b>43,3</b>	<b>-4,6</b>
% of net sales	1,4 %	1,6 %	2,6 %	-0,2 %
Income tax	-1,9	-3,1	-7,4	0,2
<b>Result for the financial period</b>	<b>4,2</b>	<b>4,5</b>	<b>36,0</b>	<b>-4,4</b>
% of net sales	1,0 %	0,9 %	2,2 %	-0,2 %

## Consolidated Statement of Comprehensive Income

<b>Result for the financial period</b>	<b>4,2</b>	<b>4,5</b>	<b>36,0</b>	<b>-4,4</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>				
Available-for-sale financial assets	-0,1	-0,9	-0,1	0,3
Translation differences	-6,8	-56,0	-9,0	-73,3
Tax effect	0,0	0,2	0,0	-0,1
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gains and losses	3,0	-2,8	4,6	-5,4
Tax effect	-0,6	0,6	-0,9	1,1
<b>Comprehensive income for the financial period</b>	<b>-0,1</b>	<b>-54,5</b>	<b>30,5</b>	<b>-81,9</b>

## Consolidated Statement of Financial Position

EUR million	31 Dec 2015	31 Dec 2014
<b>Non-current assets</b>		
Goodwill	186,0	183,1
Other intangible assets	50,7	59,4
Investment property	10,3	11,0
Property, plant and equipment	406,0	516,4
Investments in associated companies	0,1	0,0
Other non-current investments	6,2	5,9
Non-current receivables	1,5	10,5
Deferred tax assets	18,0	16,0
<b>Total non-current assets</b>	<b>678,9</b>	<b>802,2</b>
<b>Current assets</b>		
Inventories	4,7	5,1
Trade and other receivables	262,5	268,5
Income tax receivables	1,0	1,7
Financial assets available-for-sale	0,2	0,3
Financial assets held to maturity	95,0	12,0
Financial assets at fair value through profit or loss	128,9	88,0
Cash and cash equivalents	130,1	98,7
<b>Total current assets</b>	<b>622,4</b>	<b>474,3</b>
<b>Non-current assets classified as held for sale</b>	<b>3,6</b>	<b>14,7</b>
<b>Total assets</b>	<b>1 304,8</b>	<b>1 291,3</b>
<b>Equity</b>		
Share capital	70,0	70,0
Contingency reserve	142,7	142,7
Fair value reserve	0,1	0,2
Translation differences	-103,6	-94,6
Retained earnings	495,2	455,6
<b>Total equity</b>	<b>604,4</b>	<b>573,8</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	23,1	31,6
Non-current interest-bearing loans	126,7	283,5
Other non-current liabilities	10,3	11,4
Non-current provisions	17,0	12,6
Defined benefit pension plan liabilities	11,6	16,3
<b>Total non-current liabilities</b>	<b>188,6</b>	<b>355,4</b>
<b>Current liabilities</b>		
Current interest-bearing loans	163,6	12,0
Trade payables and other liabilities	322,1	343,9
Income tax payables	14,9	0,3
Current provisions	10,2	6,0
<b>Total current liabilities</b>	<b>510,8</b>	<b>362,1</b>
<b>Liabilities associated with non-current assets classified as held for sale</b>	<b>1,0</b>	<b>-</b>
<b>Total liabilities</b>	<b>700,4</b>	<b>717,5</b>
<b>Total equity and liabilities</b>	<b>1 304,8</b>	<b>1 291,3</b>

## Consolidated Cash Flow Statement

EUR million	1-12 2015	1-12 2014
<b>Result for the financial period</b>	<b>36,0</b>	<b>-4,4</b>
Adjustments to cash flow	74,7	91,7
Change in net working capital	-18,2	21,3
<b>Cash flow before financial items and income tax</b>	<b>92,4</b>	<b>108,6</b>
Financial items (net)	-7,6	-10,5
Income tax paid	-3,0	-4,9
<b>Cash flow from operating activities</b>	<b>81,9</b>	<b>93,2</b>
Purchase of intangible assets	-17,7	-11,4
Purchase of property, plant and equipment	-34,7	-31,5
Proceeds from sale of intangible and tangible assets	122,2	1,9
Business acquisitions	-3,5	-3,6
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	14,2	0,7
Financial assets at fair value through profit or loss	-42,0	0,2
Financial assets held to maturity	-83,0	-12,0
Cash flow from other investments	4,0	9,5
<b>Cash flow from investing activities</b>	<b>-40,4</b>	<b>-46,3</b>
Change in loans (net)	4,3	-12,3
Payments of finance lease liabilities	-12,2	-10,9
<b>Cash flow from financing activities</b>	<b>-8,0</b>	<b>-23,2</b>
<b>Change in cash and cash equivalents</b>	<b>33,4</b>	<b>23,7</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>98,7</b>	<b>81,0</b>
Effect of changes in exchange rates	-0,3	-5,9
Change in fair value of cash and cash equivalents	-1,8	-
<b>Cash and cash equivalents at the end of the period</b>	<b>130,1</b>	<b>98,7</b>

## Consolidated Statement of Changes in Equity

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
<b>Equity 1 January 2014</b>	<b>70,0</b>	<b>142,7</b>	<b>0,0</b>	<b>-21,3</b>	<b>464,4</b>	<b>655,8</b>
<b>Comprehensive income</b>						
Result for the financial period					-4,4	-4,4
Other items of Comprehensive income:						
Change in fair value reserve			0,2			0,2
Change in translation differences				-73,3		-73,3
Actuarial gains and losses					-4,3	-4,3
<b>Comprehensive income for the financial period</b>			<b>0,2</b>	<b>-73,3</b>	<b>-8,8</b>	<b>-81,9</b>
<b>Equity 31 December 2014</b>	<b>70,0</b>	<b>142,7</b>	<b>0,2</b>	<b>-94,6</b>	<b>455,6</b>	<b>573,8</b>
<b>Equity 1 January 2015</b>	<b>70,0</b>	<b>142,7</b>	<b>0,2</b>	<b>-94,6</b>	<b>455,6</b>	<b>573,8</b>
<b>Comprehensive income</b>						
Result for the financial period					36,0	36,0
Other items of Comprehensive income:						
Change in fair value reserve			-0,1			-0,1
Change in translation differences				-9,0		-9,0
Actuarial gains and losses					3,7	3,7
<b>Comprehensive income for the financial period</b>			<b>-0,1</b>	<b>-9,0</b>	<b>39,6</b>	<b>30,5</b>
<b>Equity 31 December 2015</b>	<b>70,0</b>	<b>142,7</b>	<b>0,1</b>	<b>-103,6</b>	<b>495,2</b>	<b>604,4</b>



## Notes

### 1. Accounting Principles

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

### Changes in segment reporting

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

### 2. Segment Information

EUR million	10-12 2015	10-12 2014	1-12 2015	1-12 2014
<b>Net sales by business segment</b>				
Postal Services	207,3	215,5	742,3	769,0
inter-segment sales	-12,1	-13,1	-52,4	-51,3
Parcel and Logistics Services	148,6	184,3	596,7	722,7
inter-segment sales	-0,1	-0,3	-0,3	-0,9
Itella Russia	30,8	40,7	118,9	172,0
inter-segment sales	0,0	0,0	0,0	-0,4
OpusCapita	63,2	67,2	256,7	259,6
inter-segment sales	-2,9	-3,1	-11,5	-12,8
Other operations	2,1	15,5	8,7	48,6
inter-segment sales	-2,1	-15,1	-8,8	-47,9
Total eliminations	-17,2	-31,5	-73,0	-113,3
<b>Total</b>	<b>434,7</b>	<b>491,7</b>	<b>1 650,3</b>	<b>1 858,7</b>
<b>Operating result by business segment (non-IFRS) *)</b>				
Postal Services	24,8	36,9	56,4	66,0
Parcel and Logistics Services	-0,4	-12,6	0,6	-21,7
Itella Russia	-0,9	2,1	-5,1	2,5
OpusCapita	3,5	3,4	14,5	20,0
Other operations	-1,6	-6,3	-17,7	-16,0
<b>Total</b>	<b>25,4</b>	<b>23,5</b>	<b>48,7</b>	<b>50,8</b>
<b>Non-recurring items by business segment</b>				
Postal Services	0,0	-0,1	-0,9	-0,1
Parcel and Logistics Services	1,8	7,6	13,2	12,5
Itella Russia	11,9	0,0	19,9	0,1
OpusCapita	-0,2	3,5	1,2	7,3
Other operations	2,1	1,6	-40,5	25,2
<b>Total</b>	<b>15,7</b>	<b>12,6</b>	<b>-7,2</b>	<b>45,0</b>

**Operating result (EBIT) by business segment**

Postal Services	24,8	37,0	57,3	66,1
Parcel and Logistics Services	-2,2	-20,2	-12,6	-34,2
Itella Russia	-12,8	2,1	-25,0	2,4
OpusCapita	3,6	-0,1	13,3	12,7
Other operations	-3,8	-8,0	22,8	-41,2
<b>Total</b>	<b>9,7</b>	<b>10,9</b>	<b>55,9</b>	<b>5,8</b>

**Financial income and expenses**

	<b>-3,6</b>	<b>-3,3</b>	<b>-12,5</b>	<b>-10,4</b>
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<b>Result for the financial period</b>	<b>4,2</b>	<b>4,5</b>	<b>36,0</b>	<b>-4,4</b>
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**EUR million****31 Dec  
2015****31 Dec  
2014****Assets**

Postal Services	262,1	390,8
Parcel and Logistics Services	288,5	321,4
Itella Russia	126,1	149,4
OpusCapita	172,7	171,5
Non-current assets classified as held for sale	3,6	14,7
Other operations and unallocated	456,9	248,2
Eliminations	-5,1	-4,7
<b>Total</b>	<b>1 304,8</b>	<b>1 291,3</b>

**Liabilities**

Postal Services	163,5	165,4
Parcel and Logistics Services	119,2	143,7
Itella Russia	27,0	22,2
OpusCapita	36,1	42,1
Non-current assets classified as held for sale	1,0	-
Other operations and unallocated	358,8	348,7
Eliminations	-5,1	-4,7
<b>Total</b>	<b>700,4</b>	<b>717,5</b>

**Personnel at end of the period**

Postal Services	69	106
Parcel and Logistics Services	1 478	1 902
Itella Russia	2 646	2 920
OpusCapita	2 178	2 292
Other operations **)	15 227	16 069
<b>Total</b>	<b>21 598</b>	<b>23 289</b>

\*) Non-IFRS = excluding non-recurring items

### 3. Acquired businesses and business divestments

#### Acquired businesses 2015

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

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

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

#### Analysis of net assets acquired

##### Effect on assets

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

##### Effect on liabilities

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

##### Components of acquisition cost

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

##### Cash flow effect of the acquisition

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

#### Business divestments in 2015

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

### 4. Net sales by geographical location

<b>EUR million</b>	<b>10-12 2015</b>	<b>10-12 2014</b>	<b>1-12 2015</b>	<b>1-12 2014</b>
Finland	336,8	368,4	1 265,3	1 358,8
Scandinavia	26,8	53,9	140,4	211,5
Russia	30,7	40,7	118,5	171,8
Other countries	40,4	28,6	126,1	116,5
<b>Total</b>	<b>434,7</b>	<b>491,7</b>	<b>1 650,3</b>	<b>1 858,7</b>

#### 5. Changes in property, plant and equipment

<b>EUR million</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Carrying amount on 1 January	516,4	625,5
Additions	43,2	46,3
Disposals and transfers between items	-78,4	-66,9
Depreciation and impairment	-67,4	-68,4
Translation differences	-7,8	-20,1
<b>Carrying amount at the end of the period</b>	<b>406,0</b>	<b>516,4</b>

#### 6. Fair values of interest-bearing loans

<b>EUR million</b>	<b>Carrying amount 31 Dec 2015</b>	<b>Fair value 31 Dec 2015</b>	<b>Carrying amount 31 Dec 2014</b>	<b>Fair value 31 Dec 2014</b>
<b>Non-current interest-bearing loans</b>				
Bonds	99,8	104,1	251,3	263,6
Finance lease liabilities	26,4	26,4	32,1	32,1
Other interest-bearing loans	0,5	0,5	0,1	0,1
<b>Total</b>	<b>126,7</b>	<b>131,0</b>	<b>283,5</b>	<b>295,9</b>
<b>Current interest-bearing loans</b>				
Bonds	150,4	154,0	-	-
Finance lease liabilities	13,2	13,2	11,8	11,8
Other	0,0	0,0	0,2	0,2
<b>Total</b>	<b>163,6</b>	<b>167,2</b>	<b>12,0</b>	<b>12,0</b>

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

EUR million	Total	Level 1	Level 2	Level 3
<b>31 December 2015</b>				
<b>Financial assets measured at fair value</b>				
Non-current receivables				
Other non-current investments	6,2			6,2
Derivative contracts				
Interest rate derivatives, non-hedge accounting	1,9		1,9	
Financial assets at fair value through profit and loss				
Money market investments	123,4		123,4	
Bonds	45,5	35,8	9,7	
Derivative contracts				
Currency derivatives, non-hedge accounting	0,1		0,1	
Available-for-sale financial assets				
Equity fund investments	0,2			0,2
<b>Total</b>	<b>177,3</b>	<b>35,8</b>	<b>135,1</b>	<b>6,4</b>

### Financial liabilities measured at fair value

Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,0		0,0	
Electricity derivatives, non-hedge accounting	0,9	0,9		
<b>Total</b>	<b>0,9</b>	<b>0,9</b>	<b>0,0</b>	<b>-</b>

EUR million	Total	Level 1	Level 2	Level 3
<b>31 December 2014</b>				
<b>Financial assets measured at fair value</b>				
Non-current receivables				
Other non-current investments	5,9			5,9
Derivative contracts				
Interest rate derivatives, hedge accounting	3,9		3,9	
Financial assets at fair value through profit and loss				
Money market investments	104,3		104,3	
Bonds	41,7	32,0	9,7	
Derivative contracts				
Currency derivatives, non-hedge accounting	2,2		2,2	
Electricity derivatives, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,3			0,3
<b>Total</b>	<b>158,2</b>	<b>32,0</b>	<b>120,1</b>	<b>6,2</b>

### Financial liabilities measured at fair value

Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,2		0,2	
Electricity derivatives, non-hedge accounting	0,6	0,6		
<b>Total</b>	<b>0,9</b>	<b>0,6</b>	<b>0,2</b>	<b>-</b>

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

Hierarchy levels:

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

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

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

Investments in money markets instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information (Level 2). The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. The fair value of currency forward contracts is calculated by measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market price on the reporting date.

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

EUR million	Available-for-sale shares and equity fund investments
<b>2015</b>	
Carrying amount on 1 January	6,2
Total profits and losses	
In income statement	
Available-for-sale financial assets	0,0
In other comprehensive income	
Available-for-sale financial assets	-0,1
Acquisitions	0,4
Exercises	0,0
<b>Carrying amount on 31 December</b>	<b>6,4</b>

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

In financial income and expenses	0,0
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### 8. Contingent liabilities

EUR million	31 Dec 2015	31 Dec 2014
Pledges for own behalf	10,9	12,2
Lease commitments	305,7	263,8

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

**Derivative contracts**

<b>EUR million</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
<b>Currency derivatives</b>		
Non-hedge accounting		
Fair value	0,0	1,9
Nominal value	8,6	47,9
<b>Interest rate derivatives</b>		
Non-hedge accounting		
Fair value	1,9	-
Nominal value	70,0	-
Hedge accounting		
Fair value	-	3,9
Nominal value	-	70,0
<b>Electricity derivatives</b>		
Non-hedge accounting		
Fair value	-0,9	-0,6
Nominal value	2,5	4,1

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

**9. Events after the reporting period**

Events after the reporting period have been disclosed in the Board of Directors' Report.

**10. Foreign exchange rates**

	<b>1-12 2015</b>	<b>1-12 2014</b>
Average rate		
RUB	68,0090	51,0154
SEK	9,3543	9,0966
NOK	8,9419	8,3553
	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Closing rate		
RUB	80,6736	72,3370
SEK	9,1895	9,3930
NOK	9,6030	9,0420



posti