



POSTI GROUP CORPORATION INTERIM REPORT, APRIL 29, 2020 AT 9:00 A.M. (EET)

Posti Group Corporation Interim Report 1–3/2020



Posti Group 1–3/2020: Adjusted operating result was stable – net sales outlook for 2020 lowered due to the increased uncertainty caused by the coronavirus

Posti Group Corporation Interim Report 1–3/2020

January–March

Financial highlights

- Net sales decreased by 3.1% to EUR 384.2 (396.6) million.
- Adjusted EBITDA was EUR 40.8 (40.6) million, or 10.6% (10.2%) of net sales.
- EBITDA increased to EUR 40.1 (36.4) million, or 10.4% (9.2%) of net sales.
- The adjusted operating result improved to EUR 12.6 (12.2) million, representing 3.3% (3.1%) of net sales.
- The operating result improved to EUR 11.9 (8.0) million, representing 3.1% (2.0%) of net sales.
- Net debt to adjusted EBITDA was 1.1x (1.9x).
- Posti is updating its outlook for 2020 due to the impact of coronavirus pandemic.

Operational highlights

- The global coronavirus pandemic began to impact negatively on Posti's operations in March, even though Posti's Parcel and eCommerce business group benefited from the growth of online shopping caused by coronavirus.
- The execution of Posti's strategy and the transformation of postal industry continued:
 - Posti's logistics solutions continued to grow. The combined net sales of Parcel and eCommerce, Transval and Freight Services represented almost 51% (49%) of the Group's net sales.
 - The parcel volume of Finland and the Baltic countries increased by 6% (8%). At the same time, the number of addressed letters decreased by 15% (14%) in Finland.
 - The share of mail items covered by the universal service obligation continued to decrease and accounted for only 2.6% (3.6%) of all Posti's mail items delivered.
- On February 24, 2020, Posti signed an agreement, under which it would acquire Aditro Logistics, one of the leading contract logistics companies in the Nordics. The acquisition was in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses. The transaction was closed after the reporting period on April 2.

Outlook for 2020 (updated)

Posti Group Corporation lowers its outlook for net sales in 2020 due to the growing impact of coronavirus (COVID-19) pandemic. The outlook regarding the development of Posti Group Corporation's adjusted operating result in 2020 remains unchanged.

The coronavirus situation makes the macro economic outlook extremely difficult to predict for the full year. Because of this, also Posti's full year outlook includes a significant level of uncertainty.

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

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

Previously, Posti expected that its net sales in 2020, excluding possible new acquisitions and divestments, would remain on par with the previous year. The Group's adjusted operating result in 2020 was expected to increase from the previous year.

Key figures of Posti Group

	1-3 2020	1-3 2019	1-12 2019
Net sales*, EUR million	384.2	396.6	1,564.6
Adjusted EBITDA*, EUR million	40.8	40.6***	152.3***
Adjusted EBITDA margin*, %	10.6	10.2***	9.7***
EBITDA*, EUR million	40.1	36.4	140.6
EBITDA margin*, %	10.4	9.2	9.0
Adjusted operating result*, EUR million	12.6	12.2***	36.2***
Adjusted operating result margin*, %	3.3	3.1***	2.3***
Operating result*, EUR million	11.9	8.0	18.5
Operating result margin*, %	3.1	2.0	1.2
Result for the period*, EUR million	7.0	5.6	14.1
Return on equity (12 months), %	3.5	7.6	4.3
Return on capital employed (12 months), %	3.5	6.6	4.5
Net debt, EUR million	161.5	242.1	164.3
Net debt / adjusted EBITDA	1.1x	1.9x***	1.0x***
Equity ratio, %	40.1	37.6	40.0
Operative free cash flow, EUR million	-0.6	24.2	14.7
Gross capital expenditure*, EUR million	28.2	59.7	133.7
Personnel, end of period*	20,890	20,946	20,468
Personnel on average*, FTE	15,894	16,661	16,569
Earnings per share, basic, EUR	0.17	0.27	0.47
Dividend per share, EUR			0.75**
Dividends, EUR million			29.8**

* Continuing operations

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

*** Restated based on the new definition of special items

Turkka Kuusisto, President and CEO

The first quarter of 2020 was dominated by the early development of the coronavirus situation. However, our financial performance in the first quarter was even more dominated, especially in the beginning of the quarter, by the recovery from the postal strike that has heavily impacted our business from the end of 2019 onwards.

Despite the challenges caused by coronavirus and the recovery from the postal strike in the latter half of 2019, our profitability developed favorably. This shows that our whole organization has worked very hard and gained the trust of our existing and new customers.

In our Postal business, we can clearly see the impact of the strike on our customers' product mix as well as the increased use of digital communication tools instead of traditional mail. At the end of the first quarter, our Postal business was impacted by the coronavirus with accelerated decline in volumes especially in Media and Retail business. The severe



volume decline requires speeding up the renewal of postal regulation in order to maintain and secure mail delivery services in the coming years.

In our Parcel and eCommerce business, the impact of the postal strike in 2019 could clearly be seen during the first months of the year. However, the business recovered towards the end of the quarter. In the last weeks of March, the impact of coronavirus boosted our daily parcel volumes to all-time high levels. We are continuing to develop our eCommerce business on multiple fronts to meet the future demands of Parcel and eCommerce business and customer experience.

In Transval, we continued to develop our warehouse and logistics services in line with our strategy. In March, we acquired a retail specialist KV Turva. The transaction strengthens our offering in the retail stores and expands Transval's services across the country.

Our Freight Services business made good progress in executing its strategy and improving its efficiency compared to the previous year. Due to the expected impact of coronavirus on the overall economy, it is imperative that the freight business continues its efficiency improvement measures.

Despite a difficult operating environment, our Russian operations performed very well in the first quarter. We continued to improve our profitability due to the improved scope of our business operations. During the first quarter, the Russian ruble depreciated significantly.

In February, we signed an agreement to acquire Aditro Logistics, one of the leading contract logistics companies in the Nordics. The acquisition was in line with our strategy to expand our geographical footprint. The transaction was closed after the reporting period on April 2.

Lastly, I want to express my sincere thanks to every employee at Posti. We started the quarter in a situation where our business was still suffering from the effects of the postal strike. The coronavirus pandemic added a significant extra burden on all of us and fundamentally changed the way we work and do business. However, you have all worked extremely hard and demonstrated, once again, your capability to serve our customers under exceptional circumstances.

Unfortunately, we expect these exceptional circumstances to continue at least for a while. This means we have to prepare for the business impact and adjust our operations in certain business areas. On April 21, after the reporting period, we announced the initiation of cooperation negotiations at Freight Services on temporary layoffs for a fixed period. Potential layoffs are also negotiated at Home Services. As part of the adjustments, the Leadership Team of Posti Group will also waive one month's pay.

However, Posti's financial position is strong and we are well prepared for even such exceptional circumstances as the current coronavirus pandemic. Despite the challenges created by the coronavirus situation, it also brings us new opportunities. By identifying and seizing them, I am confident that we will get through also these challenging times.

APPENDICES

[Posti Group's 1-3/2020 Interim Report in full \(PDF\)](#)

FINANCIAL CALENDAR 2020 FOR INTERIM REPORTS

January–June: Thursday, August 6, 2020

January–September: Thursday, October 29, 2020

FURTHER INFORMATION

Turkka Kuusisto, President and CEO, and Tom Jansson, CFO
Tel. +358 20 452 3366 (MediaDesk)

DISTRIBUTION

Key media

www.posti.com/financials

IMAGES AND LOGOS

www.posti.com/media

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

Changes in reporting

Posti's two reportable segments are Mail, Parcel and Logistics Services and Itella Russia. The first of these consists of four operating segments: Postal Services, Parcel and eCommerce, Transval and Freight Services. The operating segments have been changed at the beginning of 2020 by splitting Logistics Solutions into Transval and Freight Services. Mail, Parcel and Logistics Services' revenue is reported based on the new operating segments and 2019 net sales have been restated accordingly.

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

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

Market situation and business environment, January–March 2020

The major transformation of the postal industry and the decline of mail volumes continued in the first quarter of 2020. At the same time, eCommerce markets continued their growth, boosted in March by the increase of online shopping due to the coronavirus pandemic.

The rapid spread of coronavirus is having a significant impact on global trade. As a result, it is widely expected to drive the Finnish economy into recession, making the earlier optimistic scenarios of quick recovery unlikely. IMF forecasts that the global economy will shrink by 3% in 2020. This would make the downturn deeper than in the 2008–2009 financial crisis.

The Finnish government has announced measures to fight the impacts of the economic shutdown. However, the dramatic and fast decline of the overall economy has already materialized to some extent. At the moment, economic forecasts include a lot of uncertainty, and different projections for the Finnish GDP decline in 2020 vary between approximately -5% and -10%, depending on the duration of the lockdown and the timing and duration of the recovery. According to the Ministry of Finance's baseline scenario, the Finnish economy will shrink by 5.5% in 2020, the biggest drop in GDP being in the second quarter of this year. After that, the recovery of the economy is expected to begin, the forecasted GDP growth in this scenario being 1.3% in 2021 and 2022.

Permanent and temporary layoffs and the rising unemployment level are expected to hit consumer confidence and household consumption in Finland, making consumers more careful with their purchasing decisions. According to the Ministry of Finance, the number of unemployed people in Finland will rise significantly, pushing the unemployment rate up to 8% for 2020.

According to IMF, the coronavirus pandemic is expected to have a big impact on the Russian economy as well. According to their latest forecast, the Russian GDP will contract by 5.5% in 2020, but then pick up and grow by 3.5% in 2021.

Coronavirus is rapidly transforming the way we live and work. The global outbreak has already impacted everyone's lives. We are not only learning to do more work remotely, but self-isolation and social distancing have changed the way people communicate, shop and use different services – without leaving their homes. New digital services and solutions are rapidly emerging. The buying habits of consumers have changed, and people are buying more and more products online. In addition to the retail sector, digital transformation has taken a big leap forward also in services and public sector. Many service providers and public sector players are offering new ways to use their services online. These changes are expected to further accelerate the growth of eCommerce and the digitalization of paper-based messaging.

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

Posti is prepared for different kinds of exceptional circumstances and has raised its level of preparedness because of the coronavirus pandemic. Posti acts according to the instructions provided by Finnish government officials (Finnish Institute for Health and Welfare THL and the Ministry of Social Affairs and Health) and protects the health of its personnel and customers in different countries according to these instructions.

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

As of today, the main impact of coronavirus on Posti's operations has been the following: Due to the exceptionally large volume of parcels, Posti has increased its number of employees and deliveries as well as obtained new parcel handling facilities in order to be able to provide its services as normally as possible. Posti has also been forced to close some of its service points and mailboxes because the premises that they are located on are closed due to the coronavirus.

Despite border closures, goods are still moving into and out of Finland, but they are partly transported via exceptional routes and may subsequently be subject to delays.

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

Posti provides regular updates on the impact of coronavirus on its operations on its website Posti.com.

Net sales and profitability, January–March 2020

Net sales

The Group's net sales decreased by 3.1% to EUR 384.2 (396.6) million, mainly due to the decrease of Postal services' net sales. The number of working days in Finland in the first quarter was 63 (63). The number of working days affects the Group's net sales and result. Net sales decreased by 2.5% in Finland and by 8.5% in other countries, mainly due to decreased net sales in Russia. The share of international operations in Posti's business decreased and accounted for 9.4% (10.0%) of net sales in the first quarter of the year.

The postal strike that took place in Finland in the second half of 2019 continued to impact Posti's Mail, Parcel and Logistics Services segment in the first quarter of 2020. Within the segment, the volume decline caused by the strike had a negative effect especially on the net sales of Postal Services and Freight Services. Even though the volumes of Parcel and eCommerce business group recovered reasonably well from the strike, the strike had an impact on the operations of this business group as well, especially in the beginning of the year. The acquired Transval was included in Posti's first quarter 2019 figures only for two months.

Posti has continued its growth in logistics solutions according to its strategy. The net sales of Parcel and eCommerce, Transval and Freight Services represent almost 51% (49%) of the Group's net sales.

Net sales decreased in Itella Russia by 12.1%, mainly due to the restructuring actions of warehouses.

Profitability

The Group's adjusted EBITDA increased to EUR 40.8 (40.6) million, or 10.6% (10.2%) of net sales. EBITDA increased to EUR 40.1 (36.4) million, or 10.4% (9.2%) of net sales. The adjusted operating result improved to EUR 12.6 (12.2) million, or 3.3% (3.1%) of net sales, mainly due to the efficiency improvements in Freight Services and the continued profitability improvements of Itella Russia.

The operating result improved to EUR 11.9 (8.0) million, or 3.1% (2.0%) of net sales. Special items affecting the operating result in the first quarter, EUR 0.7 (4.2) million, were related to personnel restructuring costs.

Posti Group's operating result includes an expected credit loss allowance of EUR 2.5 million due to the coronavirus situation.

Operations under the universal service obligation amounted to EUR 23.9 (27.0) million, or 6.2% (6.8%) of the Group's net sales and 2.6% (3.6%) of delivery volumes.

Mail, Parcel and Logistics Services

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

- Addressed letters: -15% (-14%)
- Parcels in Finland and the Baltics: 6% (8%)
- Freight volumes* measured in waybills: -9% (1%)

* The reported figure for freight excludes food logistics

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 12.9 (12.1) million parcels. The figure does not include letter-like e-commerce items.

Net sales

The net sales of Mail, Parcel and Logistics Services decreased to EUR 366.6 (376.4) million. Net sales are itemized in the following table.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	1–3 2020	1–3 2019*	Change
Postal Services	172.9	183.5	-5.8%
Parcel and eCommerce	105.6	101.2	4.4%
Transval	50.2	43.0	16.7%
Freight Services	41.4	51.2	-19.2%
Other and eliminations	-3.5	-2.5	
Total	366.6	376.4	-2.6%

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

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

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

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 12.9 (12.1) million parcels. The figure does not include letter-like e-commerce items. At the end of March, Posti had 1,769 (1,178) parcel lockers, making Posti's parcel locker network one of the largest in Europe. In the first quarter, the number of parcels going through Posti's parcel lockers grew by 65%, or over one million parcels, compared to the first quarter of 2019. Posti aims to increase the number of parcel lockers to 4,000 by the end of 2022. By increasing the number of parcel lockers, Posti can meet consumers' needs and tackle the challenges posed by the rapid growth in e-commerce.

The net sales of Freight Services decreased by 19.2% to EUR 41.4 (51.2) million, mainly due to the discontinuation of Posti's Grocery Logistics business, slow recovery from the postal strike as well as the negative impact of coronavirus.

Transval business group's net sales grew by 16.7% to EUR 50.2 (43.0) million. The net sales figures of Transval are not fully comparable with the previous year's figures as the acquired Transval was included in Posti's first quarter 2019 figures only for two months.

Profitability

The adjusted EBITDA of Mail, Parcel and Logistics Services decreased to EUR 37.9 (41.5) million, or 10.3% (11.0%) of net sales. EBITDA decreased to EUR 37.4 (39.8) million. The adjusted operating result decreased to EUR 13.5 (18.5) million, or 3.7% (4.9%) of net sales. The decrease was mainly due to the product mix and volume decline of Postal Services, accelerated by the postal strike, and the decreased profitability of Transval. Additionally, investments made in Parcel and eCommerce business due to the fast growth of online shopping volumes negatively impacted the profitability. The decline was partly compensated by the improved profitability of Freight Services.

The operating result declined to EUR 13.0 (16.8) million. Special items affecting the operating result in the first quarter amounted to EUR 0.5 (1.7) million and were mainly related to personnel restructuring costs.

Itella Russia

Net sales

Itella Russia's net sales measured in local currency decreased by 13.5%. Reported euro-denominated net sales decreased by 12.1% to EUR 17.8 (20.2) million. Net sales decreased in Contract Logistics due to restructuring actions of warehouses and in Road Transport. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

The average fill rate for warehouses in Moscow was 84% (76%), while in other regions it was 49% (39%).

Profitability

The adjusted EBITDA continued to improve and was EUR 3.4 (1.6) million, or 19.3% (7.8%) of net sales. EBITDA was EUR 3.4 (1.6) million.

The adjusted operating result improved to EUR 1.2 (-1.0) million. The operating result was EUR 1.2 (-1.0) million. The result was positively impacted by the closure of unprofitable warehouses.

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

Key figures for segments, continuing operations

EUR million	1-3 2020	1-3 2019*	1-12 2019*
Net sales			
Mail, Parcel and Logistics Services	366.6	376.4	1,482.2
Itella Russia	17.8	20.2	82.8
Other and unallocated	0.5	0.5	2.0
Intra-Group sales	-0.7	-0.6	-2.5
Posti Group	384.2	396.6	1,564.6
Net sales change-%			
Mail, Parcel and Logistics Services	-2.6 %	2.2 %	1.7 %
Itella Russia	-12.1 %	-24.4 %	-20.3 %
Posti Group	-3.1 %	0.4 %	0.3 %

Adjusted EBITDA			
Mail, Parcel and Logistics Services	37.9	41.5	139.4
Itella Russia	3.4	1.6	13.9
Other and unallocated	-0.5	-2.6	-1.0
Posti Group	40.8	40.6	152.3
Adjusted EBITDA, %			
Mail, Parcel and Logistics Services	10.3%	11.0%	9.4%
Itella Russia	19.3%	7.8%	16.8%
Posti Group	10.6%	10.2%	9.7%
EBITDA			
Mail, Parcel and Logistics Services	37.4	39.8	133.9
Itella Russia	3.4	1.6	10.4
Other and unallocated	-0.7	-5.0	-3.8
Posti Group	40.1	36.4	140.6
EBITDA, %			
Mail, Parcel and Logistics Services	10.2%	10.6%	9.0%
Itella Russia	19.3%	7.8%	12.6%
Posti Group	10.4%	9.2%	9.0%

Key figures for segments, continuing operations

EUR million	1-3 2020	1-3 2019*	1-12 2019*
Adjusted operating result			
Mail, Parcel and Logistics Services	13.5	18.5	45.8
Itella Russia	1.2	-1.0	3.4
Other and unallocated	-2.1	-5.3	-13.0
Posti Group	12.6	12.2	36.2
Adjusted operating result, %			
Mail, Parcel and Logistics Services	3.7%	4.9%	3.1%
Itella Russia	6.5%	-5.1%	4.1%
Posti Group	3.3%	3.1%	2.3%
Operating result			
Mail, Parcel and Logistics Services	13.0	16.8	36.3
Itella Russia	1.2	-1.0	-0.1
Other and unallocated	-2.3	-7.8	-17.8
Posti Group	11.9	8.0	18.5

Operating result, %			
Mail, Parcel and Logistics Services	3.6%	4.5%	2.5%
Itella Russia	6.5%	-5.1%	-0.1%
Posti Group	3.1%	2.0%	1.2%

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

Financial position and investments

The consolidated cash flow from operating activities was EUR 23.3 (51.1) million, the cash flow from investing activities EUR -0.8 (-40.7) million and cash flow from financing activities EUR -18.0 (-56.6) million. The cash flow from operating activities was impacted by the change in net working capital. Cash flow from investing activities in 2019 was impacted by the acquisition of Transval. Financing activities in 2019 and 2020 are not fully comparable due to a different payment schedule for dividends.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 12.1 (54.2) million. The comparison figures in the first quarter of 2019 were impacted by the acquisition of Transval with a purchase price of EUR 50.2 million.

At the end of March, liquid assets amounted to EUR 148.6 (95.6) million, and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 310.0 (337.7) million, out of which lease liabilities were EUR 186.5 (208.1) million. The net debt totaled EUR 161.5 (242.1) million. The equity ratio was 40.1% (37.6%).

Share capital and shareholding

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

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

Changes in management

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

Employees

The Group's personnel	1-3 2020	1-3 2019	1-12 2019
Personnel at period-end*	20,890	20,946	20,468
Personnel on average, FTE**	15,894	16,661	16,569

*Continuing operations

**Full time equivalent personnel on average

Personnel at the end of the period was:

- Finland: 18,743 (18,533) employees
- Other countries of operation: 2,133 (2,413) employees

The Group's personnel expenses amounted to EUR 168.9 (175.2) million, decreasing 3.6% from the previous year. The personnel expenses included EUR 0.7 (2.2) million in restructuring costs. Excluding restructuring costs, the personnel expenses decreased by 2.8% year-on-year.

Cooperation negotiations

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

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

On March 24, 2020, Transval initiated cooperation negotiations on potential layoffs. Approximately 3,600 persons were within the scope of the negotiations. The negotiations have been concluded for operations personnel. As a result of the negotiations, Transval has the option of initiating staggered layoffs for a fixed period among personnel during 2020. The scope and duration of possible layoffs can vary significantly between business functions, with the possible duration ranging from 1 to 90 days. Transval has carried out several initiatives to mitigate the impact of the coronavirus pandemic and to minimize the need for layoffs.

Acquisitions, divestments and changes in corporate structure

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

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

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

Legal proceedings

In 2017, Suomen Suoramainonta Oy requested that the Finnish Competition and Consumer Authority investigate competition in the unaddressed mail delivery market. Unaddressed delivery refers to the delivery of advertisements and free distribution papers to households. On March 31, 2020, Posti announced that the Finnish Competition and Consumer Authority (FCCA) has decided to discontinue the processing of Suomen Suoramainonta's request for action regarding

Posti's conduct in the unaddressed mail delivery market. The FCCA found nothing wrong with Posti's pricing or conduct in the market.

Business risks

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

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

Posti is executing a comprehensive business transformation to adapt to the changing business environment and customer needs. The success of the chosen transformation strategy, including realization of the related growth and efficiency improvements, includes several uncertainties such as dependency on a few large customers and partners, risks especially related to the labor market negotiations and Posti ICT systems and infrastructure reliability, security and cost-efficiency related risks. Due to its history, Posti operates a complex service, process and related ICT systems architecture. This may not fully meet the requirements of Posti's current or planned new businesses or support them. Given the increased importance of cyber security and other data related risks in Posti Group's operations and risk portfolio, the company has recently increased its focus and competences within the area.

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

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

Events after the review period

On April 2, 2020, Posti announced that it had completed the acquisition of the Swedish logistics company Aditro Logistics. Posti announced on February 24, 2020, that it had signed an agreement on the acquisition of Aditro Logistics. The transaction was subject to customary competition clearance in Sweden, which had now been completed and approved.

As of April 1, 2020, Aditro Logistics will be reported as one of the three reportable segments of Posti, in addition to Mail, Parcel and Logistics Services and Itella Russia.

On April 21, Posti announced the initiation of cooperation negotiations at Freight Services on temporary layoffs for a fixed period. The negotiations were initiated on 27 April 2020, with approximately 1,100 persons in scope of the negotiations at Posti Ltd and Posti Kuljetus Ltd. The objective of the negotiations is to find flexible solutions in order to minimize the impact on personnel. The initial estimate is that the negotiations may result in up to 90 days' phased layoffs during 2020.

On April 21, Posti announced that it is also negotiating at Home Services on possible temporary layoffs for a fixed period in personal assistance functions. The initial estimate on the need for layoffs minimal. Posti Home Services employed approximately 600 persons in March.

Helsinki, April 28, 2020

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Interim report tables

Calculation of key figures

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

EBITDA*		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA*		EBITDA excluding special items.
Adjusted operating result*		Operating result excluding special items.
Special items*		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations and changes in contingent purchase considerations originated from business combinations.
Gross capital expenditure*		Additions to intangible assets and property, plant and equipment including additions to right-of-use assets as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on equity, %	100 x	$\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$
Return on capital employed, %	100 x	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / adjusted EBITDA		$\frac{\text{Net debt}}{\text{Adjusted EBITDA (12 months rolling)}}$
Interest-bearing borrowings		Non-current and current interest-bearing borrowings and lease liabilities.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE*		Full time equivalent personnel on average.
Operative free cash flow**		Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less payments of lease liabilities.

* Continuing operations

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

Interim report tables January-March 2020

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

Continuing operations

EUR million	1-3 2020	1-3 2019	1-12 2019
Net sales	384.2	396.6	1,564.6
Other operating income	3.8	3.9	19.3
Materials and services	-106.0	-117.3	-482.9
Employee benefits	-168.9	-175.2	-672.7
Other operating expenses	-73.0	-71.6	-287.8
Depreciation and amortisation	-28.2	-28.4	-114.9
Impairment losses	-0.1	0.0	-7.2
Operating result	11.9	8.0	18.5
Finance income	1.6	2.6	11.9
Finance expenses	-5.4	-1.8	-13.9
Result before income tax	8.1	8.8	16.5
Income tax	-1.1	-3.1	-2.4
Result for the period from continuing operations	7.0	5.6	14.1
Result for the period from discontinued operations	0.0	5.1	4.9
Result for the period	7.0	10.8	19.0
Earnings per share (EUR per share)			
Group total	0.17	0.27	0.47
Continuing operations	0.17	0.14	0.35
Discontinued operations	0.00	0.13	0.12

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

Condensed consolidated Statement of Comprehensive Income

Result for the period	7.0	10.8	19.0
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges	-2.2	-0.8	-0.8
Translation differences	-15.2	5.6	10.4
Income tax relating to these items	0.4	0.2	0.2
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		1.1	1.1
Income tax relating to these items		-0.2	-0.2
Comprehensive income for the period	-10.0	16.7	29.6

Condensed consolidated Balance Sheet

Assets

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Non-current assets			
Goodwill	152.9	151.6	151.9
Other intangible assets	69.0	57.2	58.5
Investment property	3.6	3.8	3.7
Property, plant and equipment	291.4	319.1	314.0
Right-of-use assets	184.3	207.6	190.5
Other non-current investments	1.0	3.4	1.0
Non-current receivables	0.3	1.2	0.3
Deferred tax assets	10.7	9.4	8.8
Total non-current assets	713.2	753.2	728.7
Current assets			
Inventories	4.2	4.4	4.6
Trade and other receivables	296.0	371.8	299.7
Current income tax receivables	2.1	3.4	4.6
Current financial assets	90.7	35.2	101.9
Cash and cash equivalents	58.0	60.5	54.9
Total current assets	450.9	475.3	465.7
Assets classified as held for sale	0.0	5.4	0.0
Total assets	1,164.1	1,233.9	1,194.4

Equity and liabilities

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Equity attributable to the shareholders of the parent company			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-3.0	-1.3	-1.3
Translation differences	-105.5	-95.1	-90.3
Retained earnings	330.8	315.6	323.8
Total shareholders' equity	434.9	432.0	444.9
Non-current liabilities			
Deferred tax liabilities	18.8	20.8	20.6
Non-current interest-bearing borrowings	122.1	123.7	122.4
Non-current interest-bearing lease liabilities	142.7	160.0	146.8
Other non-current payables	6.7	10.8	6.9
Advances received	13.4	14.1	13.6
Non-current provisions	4.5	10.2	4.8
Defined benefit pension plan liabilities	7.8	8.7	8.0
Total non-current liabilities	316.0	348.3	323.1
Current liabilities			
Current interest-bearing borrowings	1.4	5.9	6.5
Current interest-bearing lease liabilities	43.8	48.1	45.3
Trade and other payables	292.2	314.5	296.2
Advances received	65.0	70.3	67.4
Current income tax liabilities	3.7	4.3	0.7
Current provisions	7.0	10.5	10.2
Total current liabilities	413.2	453.7	426.4
Total liabilities	729.2	802.0	749.5
Total equity and liabilities	1,164.1	1,233.9	1,194.4

Condensed consolidated Statement of Cash Flows

EUR million	1-3 2020	1-3 2019	1-12 2019
Result for the period	7.0	10.8	19.0
Adjustments to cash flow	30.6	24.2	111.1
Change in net working capital	-15.6	19.2	8.1
Cash flow before financial items and income tax	22.0	54.1	138.2
Financial items (net)	-0.5	-0.6	-5.4
Income tax paid	1.8	-2.4	-6.5
Cash flow from operating activities	23.3	51.1	126.3
Purchase of intangible assets	-7.7	-6.5	-22.2
Purchase of property, plant and equipment	-3.7	-6.7	-34.2
Proceeds from sale of intangible and tangible assets	0.3	0.1	4.9
Business acquisitions, net of cash acquired	-0.7	-41.0	-49.8
Proceeds from business disposals less cash and cash equivalents	0.0	-5.3	67.6
Cash flow from financial assets	11.1	20.1	-46.6
Cash flow from other investments	-0.2	-1.4	1.1
Cash flow from investing activities	-0.8	-40.7	-79.3
Repayment of current loans	-5.0	-14.8	-14.2
Increases in non-current loans		0.3	
Repayment of non-current loans	-0.4		-0.9
Payments of lease liabilities	-12.5	-13.7	-55.2
Dividends paid	-	-28.4	-28.4
Cash flow from financing activities	-18.0	-56.6	-98.8
Change in cash and cash equivalents	4.5	-46.2	-51.8
Cash and cash equivalents at the beginning of the period	54.9	106.6	106.6
Effect of exchange rates changes	-1.5	0.1	0.1
Cash and cash equivalents at the end of the period	58.0	60.5	54.9
Operative free cash flow, reconciliation			
Cash flow from operating activities	23.3	51.1	126.3
Purchase of intangible assets and property, plant and equipment	-11.4	-13.2	-56.4
Payments of lease liabilities	-12.5	-13.7	-55.2
Operative free cash flow	-0.6	24.2	14.7

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

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Jan 1, 2020	70.0	142.7	-1.3	-90.3	323.8	444.9
Comprehensive income						
Result for the period					7.0	7.0
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-1.7			-1.7
Translation differences				-15.2		-15.2
Remeasurements of post-employment benefit obligations, net of tax						
Comprehensive income for the period			-1.7	-15.2	7.0	-10.0
Mar 31, 2020	70.0	142.7	-3.0	-105.5	330.8	434.9

Jan 1, 2019	70.0	142.7	-0.7	-100.7	332.4	443.7
Comprehensive income						
Result for the period					10.8	10.8
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-0.6			-0.6
Translation differences				5.6		5.6
Remeasurements of post-employment benefit obligations, net of tax					0.9	0.9
Comprehensive income for the period			-0.6	5.6	11.6	16.7
Transactions with equity holders						
Dividends paid					-28.4	-28.4
Mar 31, 2019	70.0	142.7	-1.3	-95.1	315.6	432.0

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

Notes

1. Accounting Policies

The interim report release has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this interim statement release, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2019. Amendments to IFRS standards effective as of 1 January 2020 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim statement release is unaudited.

Operative free cash flow - new key figure

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

2. Foreign exchange rates

	1-3 2020	1-12 2019
Average rate		
RUB	73.7020	72.4593
SEK	10.6658	10.5867
NOK	10.4551	9.8497
Closing rate	Mar 31, 2020	Dec 31, 2019
RUB	85.9486	69.9563
SEK	11.0613	10.4468
NOK	11.5100	9.8638

3. Operating segments

The Group's business is characterized by seasonality. Net sales and operating result of the segments do not accrue 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.

Posti's two reportable segments are Mail, Parcel and Logistics Services and Itella Russia. First mentioned consists of four operating segments: Postal Services, Parcel and eCommerce, Transval and Freight Services. Operating segments have been changed at the beginning of 2020 by splitting Logistics Solutions into Transval and Freight Services. Logistics Solutions Administration organization ceased simultaneously to exist. To ensure comparability, Logistics Solutions Administration 2019 expenses have been restated from Mail, Parcel and Logistics Services segment to Other and unallocated. 2019 net sales reporting has been restated according to the new operating segments.

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Parcel and eCommerce offers parcel and eCommerce services and home services. Transval offers supply chain outsourcing services including warehousing and in-house logistics services and Freight Services transport services for companies. Itella Russia offers comprehensive logistics services to both Russian and international companies.

Majority of Group's net sales is derived from Finland. Geographical distribution of net sales is presented in Note 4. Net sales by geographical location. Mail, Parcel and Logistics services include Postal Services and Parcel and eCommerce with diverse customer base including private, corporate and public customers as well as foreign postal administrations. Services are mainly short-term services. Transval and Freight Services serve corporate customers with long-term contracts. Itella Russia operates in Russia offering services to Russian and international corporate customers.

1-3
2020

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	366.4	17.8	384.2	0.0		384.2
Inter-segment sales	0.2		0.2	0.5	-0.7	
Net sales	366.6	17.8	384.4	0.5	-0.7	384.2
EBITDA	37.4	3.4	40.8	-0.7		40.1
Special items included in EBITDA:						
Personnel restructuring costs	0.5		0.5	0.1		0.7
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-0.1		-0.1			-0.1
Onerous contracts						
Other				0.1		0.1
Special items included in EBITDA total	0.5		0.5	0.2		0.7
Adjusted EBITDA	37.9	3.4	41.3	-0.5		40.8
Operating result	13.0	1.2	14.2	-2.3		11.9
Special items included in operating result:						
Special items included in EBITDA	0.5		0.5	0.2		0.7
Impairment losses						
Special items total	0.5		0.5	0.2		0.7
Adjusted operating result	13.5	1.2	14.7	-2.1		12.6
Financial income and expense						-3.8
Income tax						1.1
Result for the period from continuing operations						7.0
Result for the period from discontinued operations						
Result for the period						7.0

1-3
2019
restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	376.2	20.2	396.5	0.1		396.6
Inter-segment sales	0.2		0.2	0.4	-0.6	
Net sales	376.4	20.2	396.7	0.5	-0.6	396.6
EBITDA	39.8	1.6	41.4	-5.0		36.4
Special items included in EBITDA:						
Personnel restructuring costs	1.7		1.7	0.4		2.2
Onerous contracts						
Other				2.0		2.0
Special items included in EBITDA total	1.7		1.7	2.5		4.2
Adjusted EBITDA	41.5	1.6	43.1	-2.6		40.6
Operating result	16.8	-1.0	15.7	-7.8		8.0
Special items included in operating result:						
Special items included in EBITDA	1.7		1.7	2.5		4.2
Impairment losses						
Special items total	1.7		1.7	2.5		4.2
Adjusted operating result	18.5	-1.0	17.5	-5.3		12.2
Financial income and expense						0.8
Income tax						3.1
Result for the period from continuing operations						5.6
Result for the period from discontinued operations						5.1
Result for the period						10.8

1-12
2019
restated

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

Net sales of Mail, Parcel and Logistics Services

EUR million	1-3 2020	1-3 2019 restated	1-12 2019 restated
Postal Services	172.9	183.5	683.9
Parcel and eCommerce	105.6	101.2	407.7
Transval	50.2	43.0	199.7
Freight Services	41.4	51.2	204.5
Other and eliminations	-3.5	-2.5	-13.7
Total	366.6	376.4	1,482.2

Mar 31, 2020

EUR million	Mail, Parcel and Logistics Services					Eliminations	Group total
	Itella Russia	Segments total	Other and unallocated				
Assets	874.3	84.1	958.5	206.6	-1.0	1,164.1	
Liabilities	353.3	14.5	367.7	362.4	-1.0	729.2	
Capital expenditure	18.6	0.8	19.4	8.9		28.2	
Depreciation and amortization	24.3	2.3	26.6	1.6		28.2	
Impairment losses	0.1	0.0	0.1	0.0		0.1	
Personnel, end of period	19,065	1,190	20,255	635		20,890	
Personnel on average, FTE	14,078	1,183	15,261	633		15,894	

Mar 31, 2019**restated****EUR million**

Assets	920.9	116.8	1,037.6	202.4	-11.5	1,228.5
Non-current assets classified as held for sale		5.4				5.4
Liabilities	389.7	29.1	418.8	394.7	-11.5	802.0
Capital expenditure	54.8	0.8	55.7	4.0		59.7
Depreciation and amortization	23.0	2.6	25.6	2.7		28.4
Impairment losses	0.0		0.0	0.0		0.0
Personnel, end of period	18,714	1,503	20,217	729		20,946
Personnel on average, FTE	14,470	1,473	15,943	718		16,661

Dec 31, 2019**restated****EUR million**

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

4. Net sales by geographical area

EUR million	1-3 2020	1-3 2019	1-12 2019
Finland	325.5	332.2	1,311.8
Other Nordic countries	19.2	23.0	81.8
Russia	17.7	20.2	82.4
Other countries	21.8	21.2	88.5
Total	384.2	396.6	1,564.6

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

5. Acquired businesses

Business acquisitions in January-March 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. Acquisition price was EUR 8 million. No goodwill was recognized, as most part of the acquisition price was recognized in intangible rights as customer portfolio. In addition, a personnel related liability of EUR 1.9 million was recognized.

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

6. Property, plant and equipment and right-of-use assets

The changes in the carrying amount of property, plant and equipment are as follows:

EUR million		Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Carrying amount	Jan 1	314.0	327.6	327.6
Change in accounting policy, IFRS 16			-9.5	-9.5
Acquired businesses		0.1	5.9	5.9
Additions		3.0	4.0	32.8
Business divestments			-1.1	-5.7
Disposals and transfers between items		0.0	0.0	-4.2
Amortization, continuing operations		-10.2	-10.9	-43.4
Impairment, continuing operations		-0.1	0.0	-0.4
Amortization and impairment, discontinued operations			0.0	-0.1
Translation differences		-15.4	8.5	11.0
Moved to assets classified as held for sale			-5.4	
Carrying amount, end of the period		291.4	319.1	314.0

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

EUR million		Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Carrying amount	Jan 1	190.5		
Change in accounting policy, IFRS 16			217.4	217.4
Acquired businesses			4.7	4.8
Additions		8.1	0.1	28.5
Business divestments			-1.0	-1.0
Disposals and transfers between items		-0.8	0.0	-2.6
Depreciation, continuing operations		-12.9	-13.7	-55.7
Depreciation and impairment, discontinued operations			-0.2	0.1
Translation differences		-0.5	0.2	-1.1
Carrying amount, end of the period		184.3	207.6	190.5

Specification of right-of-use asset:

EUR million		Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Land		0.2	0.4	0.3
Buildings		157.5	179.1	163.7
Vehicles		21.7	23.6	21.3
Machinery and other		5.0	4.4	5.1
Carrying amount, end of the period		184.3	207.6	190.5

7. Goodwill and other intangible assets

The changes in the carrying amount of a total of goodwill and other intangible assets are as follows:

EUR million		Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Carrying amount	Jan 1	210.4	204.4	204.4
Acquired businesses		9.6	63.6	66.2
Additions		7.7	6.5	22.2
Business divestments			-60.9	-60.9
Disposals and transfers between items				3.0
Amortization, continuing operations		-4.7	-2.8	-15.8
Impairment, continuing operations			0.0	-6.8
Amortization and impairment, discontinued operations			-0.9	-0.9
Translation differences		-1.2	-1.2	-0.8
Carrying amount, end of the period		221.8	208.8	210.4

8. Net debt and liquid funds

EUR million		Borrowings	Lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2020	128.5	192.5	321.0	141.7	15.0	164.3
Cash flows		-5.4	-12.5	-17.9	8.4	-15.0	-11.3
Business acquisitions		0.1	0.0	0.1	0.0	0.0	0.1
Effect of exchange rates changes		0.0	0.4	0.4	-1.5	0.0	1.9
Other non-cash items		0.0	6.4	6.5	0.0	0.0	6.5
Carrying amount	Mar 31, 2020	123.3	186.8	310.0	148.6	0.0	161.5
Fair value	Mar 31, 2020	123.5	186.8	310.3			

EUR million		Borrowings	Lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2019	119.7	10.0	129.7	131.0	30.0	-31.3
Cash flows		-14.8	-13.7	-28.5	-35.6	-30.0	37.1
Business acquisitions		24.3	4.3	28.6	0.0	0.0	28.6
Effect of exchange rates changes		0.0	-0.1	-0.1	0.1	0.0	-0.3
Other non-cash items		0.0	208.1	208.1	0.0	0.0	208.1
Carrying amount	Mar 31, 2019	129.2	208.5	337.7	95.6	0.0	242.1
Fair value	Mar 31, 2019	129.6	208.5	338.1			

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

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Cash and cash equivalents	58.0	60.5	54.9
Money market investments and investments in bonds	90.6	35.1	86.8
Liquid funds	148.6	95.6	141.7

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

EUR million	Total	Level 1	Level 2	Level 3
Mar 31, 2020				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	1.0			1.0
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Total	1.0		0.0	1.0
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.7		1.7	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	2.4		2.4	
Total	4.0		4.0	
Mar 31, 2019				
Financial assets measured at fair value				
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Currency derivatives, hedge accounting				
Equity fund investments				
Total	3.5		0.1	
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.6		1.6	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Total	1.6		1.6	

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

Hierarchy levels:

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

Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question.

To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.

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

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 25.4 million and their carrying value EUR 26.6 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Pledges for own behalf			
Bank guarantees	9.1	9.4	9.1
Guarantees	3.6	3.8	3.6
Pledges	0.0	0.8	0.0
Total	12.7	14.0	12.7

Lease commitments not recognized in balance sheet

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Maturity of minimum lease payments:			
Less than a year	7.6	6.3	8.8
1-5 years	0.6	3.9	0.5
Total	8.2	10.2	9.3

Other contingent liabilities

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

Derivative contracts

EUR million	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
Currency derivatives			
Non-hedge accounting			
Fair value	-2.3	0.1	0.1
Nominal value	97.2	13.0	6.2
Interest rate derivatives			
Hedge accounting			
Fair value	-1.7	-1.6	-1.6
Nominal value	60.0	60.0	60.0

11. Events after the reporting period

On April 2, 2020, Posti announced that it had completed the acquisition of the Swedish logistics company Aditro Logistics. Posti announced on February 24, 2020, that it had signed an agreement on the acquisition of Aditro Logistics. The transaction was subject to customary competition clearance in Sweden, which had now been completed and approved.

As of April 1, 2020, Aditro Logistics will be reported as one of the three reportable segments of Posti, in addition to Mail, Parcel and Logistics Services and Itella Russia.

On April 21, Posti announced the initiation of cooperation negotiations at Freight Services on temporary layoffs for a fixed period. The negotiations were initiated on 27 April 2020, with approximately 1,100 persons in scope of the negotiations at Posti Ltd and Posti Kuljetus Ltd. The objective of the negotiations is to find flexible solutions in order to minimize the impact on personnel. The initial estimate is that the negotiations may result in up to 90 days' phased layoffs during 2020.

On April 21, Posti announced that it is also negotiating at Home Services on possible temporary layoffs for a fixed period in personal assistance functions. The initial estimate on the need for layoffs minimal. Posti Home Services employed approximately 600 persons in March.