Posti's financial review 2019

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Posti in brief

Posti is the leading postal and logistics service provider in Finland. Our core business includes postal services, parcel and e-commerce as well as logistics solutions. We have the widest network coverage in Finland, and we visit around three million households and companies every weekday.

We operate in eight countries. Our net sales in 2019 was approximately **EUR 1.6 billion**. Our industry is undergoing a major transformation and our customers' need for new services is growing. Letter volumes are declining while parcel volumes are breaking records.

The change is evident: in 2019, we distributed more parcels than ever - **over 50 million**. We are constantly developing multi-channel services to meet the changing needs of our customers.

Posti's business groups are:

Postal Services

Parcel & eCommerce

Logistics Solutions

Itella Russia

The Parcel & eCommerce business and the Logistics Solutions business now account for more than 50% of Posti's net sales.

Over 90% of Posti's net sales consist of fully competitive services (corporate letters, publications, parcels and other items). The regulated universal service accounts for only about 7% of net sales. Posti´s operations are financed with the service fees paid by customers, the company does not receive state subsidy for its operations.

Net sales	Adjusted operating result	Personnel	Parcel growth	We visit daily
1.6 billion	**39 million**	**20,500**	**+7%**	**3 million**
EUR	EUR	at the end of year	in Finland and Baltics	customers

From the President and CEO

If we look at our net sales development in 2019, we can see that the implementation of this strategy is progressing well. Parcel and eCommerce and Logistics Solutions already counted over 50% of our net sales.

The Group's net sales increased to EUR 1,564.6 (1,559.3) million in 2019. At the end of the year, our adjusted operating result was EUR 39.0 (47.0) million, resulting 2.5% (3.0%) of net sales. International net sales accounted for 9.5 (9.6) percent.

In our strategy, we seek growth especially from parcel and e-commerce and logistics businesses. If we look at our net sales development in 2019, we can see that the implementation of this strategy is progressing well. Parcel and eCommerce and Logistics Solutions already counted over 50% of our net sales.

The acquisition of Transval Group in the beginning of 2019 was a big contributing factor in net sales development. In 2019, Transval contributed about EUR 100 million in net sales and strategically strengthened Posti's offering in the logistics area. In our Freight business we made good effort to improve our overall efficiency during 2019. In addition, during 2019 we have taken many steps forward to strengthen the performance in Itella Russia while the overall market environment continues to be challenging.

If we look at the whole year, very good results were achieved in the Parcel & eCommerce side: the number of parcel lockers grew strongly, and we now have a network of around 1,700 lockers around Finland. We have grown our locker network to support our goal to make our services easily accessible along everyday routes. In addition, we opened a space focused on eCommerce, called Box, in the center of Helsinki. The OmaPosti application was the most downloaded app several times during the past year. On top of all, our sales performed well especially in Sweden and we managed to win several large online retailers as customers.

The last quarter of 2019 was dominated by the strike of the Finnish Post and Logistics Union PAU. As the fourth quarter traditionally contributes a significant portion to Posti's annual results, the strike had a significant impact on our annual results. Group's financial results up to the third quarter were indicating a strong financial year. However, since the Q4 net sales and results were substantially impacted by the strike and weakened the full year net sales. As a result, net sales remined at the previous year´s level.

In the fourth quarter, we also saw the dropping of Christmas Card volumes by more than 30% from the previous year. As the Christmas Cards have traditionally been a significant contributor to the Postal Services` annual results, the negative volume development and the effect of the strike will put additional pressure on Postal Services cost structure in the future.

Posti had been negotiating with PAU since last spring to find solutions that would secure Posti's competitiveness and jobs in the ongoing major industry transformation. I am very pleased that we finally achieved a settlement and industrial peace in November 2019 after difficult negotiations and a long strike period. The postal industry is going through a major shift and finding a solution was not easy.

With renewals, we aim to ensure the competitiveness of traditional postal services for as long as possible. Together with customers and regulators we can have an impact. This requires renewals in our own operations as well as in postal regulation. Posti is a service company, and we want to listen carefully to our customers' needs.

Posti`s strategy has been updated for 2020-2022. In line with our revised strategy, we will respond to the changing needs of our consumer and business customers better than before. Our goal is to be the winner of eCommerce and the most reliable partner in logistics outsourcing as well as keep the mail relevant. We will develop customer-oriented services by utilizing data and intelligent technology. We are still seeking growth especially in Parcel and eCommerce and Logistics, where we see great potential for Posti in the future. I am especially proud of our new ambitious goal to remove emissions from our services by 2030. It is time to add concrete actions and lead the way towards carbon free services.

We are now looking ahead and will continue developing our operations and renewing our business, together with our employees and our customers. I want to thank our customers who trusted us in 2019. Additionally, I want to express my sincerest thanks to our employees in the eight country we operate in.

Turkka Kuusisto

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Strategy

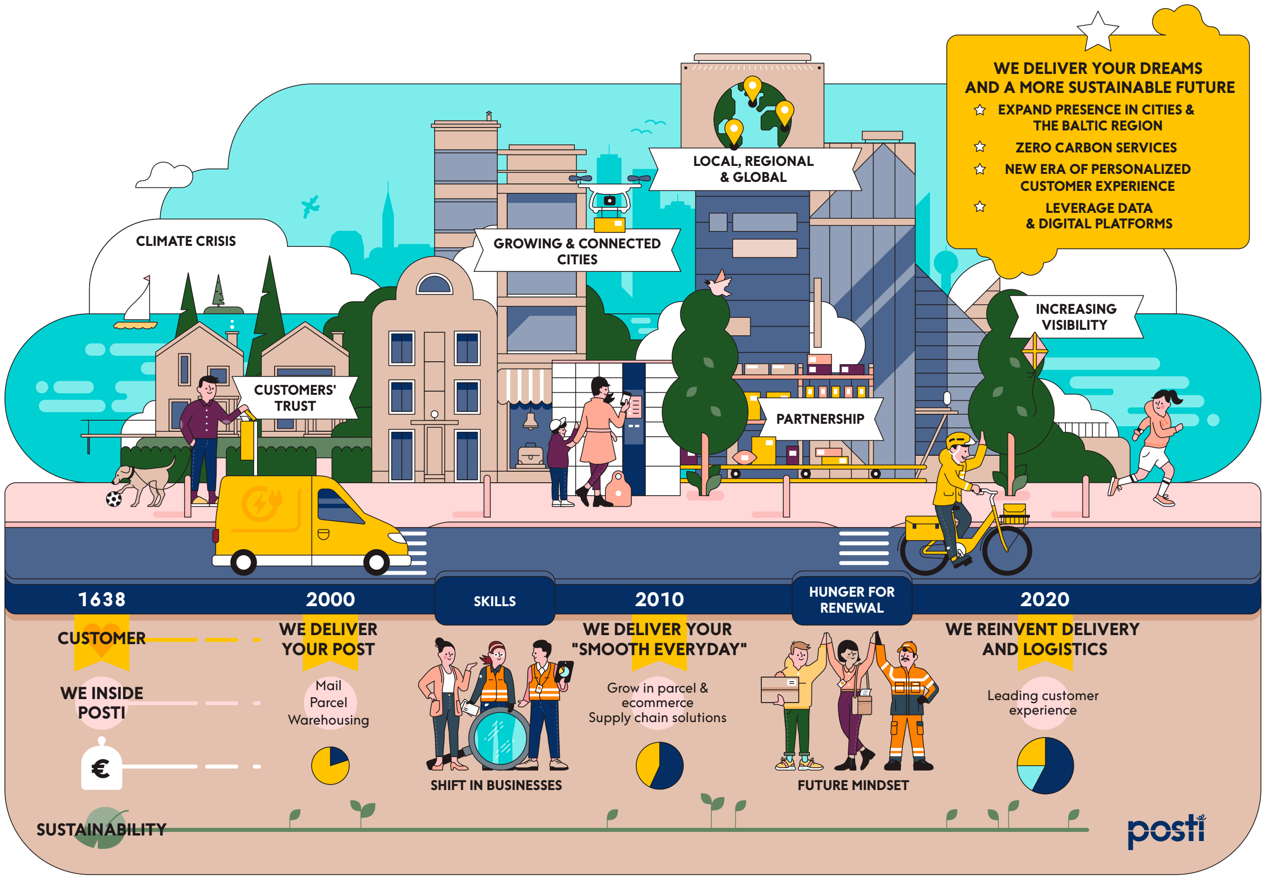
Our customers have always been at the center of what we do and today this is more important than ever.

How we work and live has changed as changing consumer behavior and aging population drive growth for services. Customers expect digital experiences and a full visibility in in real time. Industry borders have become less relevant. Urbanization will continue to increase. Companies and cities need to take a larger role in solving the climate crisis.

Our strategy has been updated for years 2020–2022. We are seeking growth especially in Parcel and eCommerce and Logistics, where we see great potential for Posti in the future. Our goal is to build a winning e-commerce customer experience and be the most reliable outsourcing partner in logistics, as well as continue to keep the mail relevant by building customer-centric digital and physical delivery services.

We will develop customer-oriented services by utilizing data and intelligent technology.

Posti plays a significant role in promoting a more environmentally sustainable tomorrow. Our ambitious goal is to be carbon free in 2030.



Board of Director's Report 2019

Description of the business model

Posti is a service company in the postal and logistics industry that serves both private individuals and business customers as well as the public sector.

Posti's business consists of delivery services for parcels and printed products, e-commerce services, comprehensive supplychain solutions, such as warehousing and inhouse logistics services, as well as a broad range of transport services for businesses and organizations, including freight services. Posti also provides various digital services as well as home and care services.

Posti's business is managed in four business groups: Postal Services, Parcel & eCommerce, Logistics Solutions and Itella Russia. Posti reports its results of operations for Mail, Parcel and Logistics Services and Itella Russia.

The company operates in 8 countries. At the end of the 2019 financial year, the number of personnel stood at approximately 20,500. In Finland, the company employed about 18,300 people at the end of the financial year, which makes it one of the country's largest private-sector employers.

Business environment

The peak of the cycle in the Finnish economy is now over and economic growth is temporarily losing momentum. Although growth for the 2020 year is still good, there are clear signs of a slowdown. According to the Bank of Finland the Finnish GDP is expected to grow just 0.9% in 2020. Thereafter, the pace of growth will pick up slightly to 1.1% in 2021 and 1.3% in 2022.

The economic outlook is also reflected in Finnish consumers' expectations. There has been a considerable decline in consumer confidence. The slower growth in consumption is a consequence of an increased awareness of the prevailing risks coupled with precautionary savings, says the Bank of Finland in its economic outlook published in December 2019.

The e-commerce markets have continued their growth. Finnish consumers estimate that they will make more online purchases in the future than they do now. Almost one fifth (18%) of the respondents estimate that they will buy everything oralmost everything online in 2025. Over half (60%) of Finnish online shoppers say free delivery motivates them to buy more online. This information comes from Kantar TNS's 2019 online shopping survey commissioned by Posti. It provides a comprehensive overview of the current state of online shopping in Finland.

In 2019, half of Finns aged 16–89 had bought something online in the last three months, according to a survey published by Statistics Finland. Online shopping is more common in the Greater Helsinki area and in larger cities with over 80,000 inhabitants than in smaller and less populated municipalities.

In Russia, large-scale state-led investment projects are expected to progress more rapidly between 2020 and 2021, which will slightly increase economic growth, especially in 2020. According to the Bank of Finland (BOFIT Forecast for Russia), Russian GDP is forecast to grow by 1.8% this year. During the 2021, the growth is expected to remain at the level of 1.6%.

Impact of the strike on operations and full year guidance

The Finnish Post and Logistics Union PAU's strike began on November 11 and continued until November 27. The strike concerned some of Posti's services and hindered the delivery of mail. Delivery of printed items—such as letters, magazinesand advertisements—was disrupted and delayed, sometimes for weeks, due to the strike. Early-morning newspaper delivery was not affected by the strike. A significant portion of Posti's annual results is normally made during the fourth quarter. The strike had a significant negative impact on Posti's results.

As a result of the strike Posti did not reach full year guidance. According to the guidance, the group's net sales of continued operations, excluding possible new acquisitions and divestments, was expected to increase from 2018 driven by Transval acquisition. The Group's adjusted operating result, of continued operations, was expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles. However, group's net sales remained flat and adjustedoperating result decreased because of the strike in Q4/2019.

Service Sector Employers Palta and the Finnish Post and Logistics Union PAU accepted the settlement proposed by the National Conciliator on a new collective agreement for the postal sector on November 27, 2019. A settlement was also reached on the separate matter concerning Posti's parcel sorting personnel. The term of the new collective agreement between Palta and PAU ends on January 31, 2022. The two-year settlement reached between Palta and PAU will help increase flexibility needed by Posti, for example in shift planning.

Net sales and profit performance in 2019

The number of working days in January-December was 251 (251), the same as in the previous year. The number of working days affects the Group's net sales and result. The Group's net sales increased by 0.3% to EUR 1,564.6 (1,559.3) million. Net sales grew by 0.4% in Finland and declined by 0.2% in other countries. International operations accounted for 9.5% (9.6%) of net sales.

The increase in net sales was attributable especially to the positive development of the Logistics Solutions business group, driven primarily by the Transval acquisition completed during the first quarter. Net sales in Postal Services continued to decline because of the decreased volumes and especially in the fourth quarter, the amount of paper mail was significantly reduced because of the strike organized by PAU. In Parcel and eCommerce, the net sales increased steadily during the Q1-Q3/2019 but the strike in Q4/2019 decreased net sales for the whole year to a flat level.

Net sales decreased in Itella Russia by 20.3% largely due to the restructuring actions of the warehouses and divestment of MaxiPost and Connexions in 2018.

The Group's adjusted EBITDA increased to EUR 155.1 (110.8) million, 9.9% (7.1%) of net sales. EBITDA increased to EUR 140.6 (104.5) million, 9.0% (6.7%) of net sales. The adoption of IFRS 16 improved the EBITDA by EUR 48.2 million. The adjusted operating result ended up being EUR 39.0 (47.0) million, or 2.5% (3.0%) of net sales affected negatively by the strike that weakened

Key figures of Posti Group

	2019	2018
Net sales*, EUR million	1,564.6	1,559.3
Adjusted EBITDA*, EUR million	155.1	110.8
Adjusted EBITDA margin*, %	9.9	7.1
EBITDA*, EUR million	140.6	104.5
EBITDA margin*, %	9.0	6.7
Adjusted operating result*, EUR million	39.0	47.0
Adjusted operating result margin*, %	2.5	3.0
Operating result*, EUR million	18.5	39.3
Operating result margin*, %	1.2	2.5
Result for the period*, EUR million	14.1	34.6
Return on equity (12 months), %	4.3	0.1
Return on capital employed (12 months), %	4.5	1.3
Net debt, EUR million	164.3	-31.3
Net debt / adjusted EBITDA	1.0x	-0.3x
Equity ratio, %	40.0	48.6
Adjusted free cash flow	78.0	29.9
Gross capital expenditure*, EUR million	133.7	62.1
Personnel, end of period*	20,468	18,185
Personnel on average*, FTE	16,569	16,425
Earnings per share, basic, EUR	0.47	0.02
Dividend per share, EUR	0.75**	0.71
Dividends, EUR million**	29.8**	28.4

* Continuing operations

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

the result of the Mail, Parcel and Logistics Services segment. The adoption of IFRS 16 positively affected to the result performance.

Special items affected the operating result negatively for January-December by EUR 20.5 (7.7) million. The special items included EUR 6.4 million in personnel restructuring costs, EUR 6.0 million in costs of impairments and EUR 8.1 million for other items reported as special items.

The operating result was EUR 18.5 (39.3) million, or 1.2% (2.5%) of net sales. The adoption of IFRS 16 improved the operating result by EUR 3.9 million.

Operations under the universal service obligation amounted to EUR 115.2 (135.0) million, or 7.4% (8.7%) of the Group's netsales and 4.0% (4.6%) of delivery volumes.

Mail, Parcel and Logistics Services

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

- Addressed letters: -16% (-9%)
- Parcels in Finland and the Baltics: 7% (10%)
- Freight volumes* measured in waybills: -2% (3%)

* The reported figure for freight excludes food logistics

The net sales of Mail, Parcel and Logistics Services increased to EUR 1,482.2 (1,457.2) million. Net sales are itemized below..

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	2019	2018	Change
Postal Services	683.9	737.8	-7.3%
Parcel and eCommerce	407.7	407.6	0.0%
Logistics Solutions	396.7	316.7	25.4%
Other and eliminations	-6.1	-4.6	
Total	**1,482.2**	**1,457.2**	**1.7%**

In Postal Services, net sales decreased because of mail volume decline in January–September and accelerated in October-December because of the strike organized by The Finnish Post and Logistics Union PAU.

The negative volume development has been compensated by price, product and delivery speed changes. At the beginning of the year, changes were made to the pricing and delivery speeds of letter items for business customers. The prices of letter items were increased and regional changes to pricing and delivery speeds were also made in 2019. The delivery speed of ordinary consumer letters changed at the end of the first quarter. Even though letter volumes have decreased, measures such as these, have allowed Posti to stabilize net sales as well as manage production costs strictly in Q1–Q3. The net sales was strongly influenced by the last quarter of the year and especially by the Christmas season. The Postal Services net sales in Q4 decreased and the downward trend was driven by a strike which negatively impacted to the volumes. Christmas greetings are still part of the Finnish Christmas tradition, but especially due to the strike, the volumes declined strongly by 30%.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 50.3 (47.2) million parcels. The figure does not include letter-like e-commerce items. For the first three quarters the volume growth was on a positive level, and the volume development speeded up especially in August and September, but the strike in Q4 slowed down the volume development. Despite the strike, the volume development was still stronger than in the comparison period. Posti has gained new e-commerce customers, and at the same time many previous customers have been able to further increasesales through their online stores. The volume of small parcels from Asia, such as from Chinese online stores, have remained at a high-level. Also, the number of parcels going through Posti Parcel Lockers has been able to increase in everyquarter in 2019. All in all, the number grew by 40% in 2019.

Net sales increased by 25.4% in Logistic Solutions primarily because of the Transval acquisition, completed during the first quarter. Development in freight volumes, measured in waybills, has decreased compared to the previous year. The trend is similar to that of the whole Finnish market, where freight volumes have started to decline in the second quarter of 2019. Also, the strike organized by PAU negatively influenced to the volumes.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 135.2 (95.6) million, 9.1% (6.6%) of net sales. EBITDA increased to EUR 126.2 (96.0) million. The adjusted operating result decreased to EUR 43.4 (53.9) million, 2.9% (3.7%) of net sales.

Special items affected the operating result for January–December by EUR 13.0 (0.8) million. The special items included EUR 6.0 million in personnel restructuring costs, EUR 4.0 million in costs of impairments and EUR 3.0 million for other items reported as special items. The operating result decreased to EUR 30.4 (53.0) million.

Itella Russia

Itella Russia's net sales measured in local currency decreased by 22.0%. Reported euro-denominated net sales decreased by 20.3% to EUR 82.8 (103.9) million. Net sales decreased in Contract Logistic, in Road Transport and in Air & Sea. Net sales were affected by the closing of the unprofitable warehouses, weak market for transport services and the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018.

The adjusted EBITDA was EUR 13.9 (8.6) million, 16.8% (8.3%) of net sales. EBITDA was EUR 10.4 (4.9) million. The EBITDA improvement was mainly driven by the adoption of IFRS 16.

The average fill rate for warehouses in Moscow was 79.4% (87.1%), while in other regions it was 55.9% (67.4%). The fill rates were affected by the closing of the warehouses, such as Yekaterinburg, Bataisk and Krekshino ABC.

The adjusted operating result was EUR 3.4 (2.6) million. The adjusted operating result was driven by restructuring and optimization measures taken primarily during the second quarter. The result was positively impacted by the Contract Logistic business. It benefited from the closure of unprofitable sites and optimization of customer portfolio. The operating result was EUR –0.1 (–1.2) million.

Key figures for segments, continuing operations

EUR million	2019	2018
Net sales		
Mail, Parcel and Logistics Services	1,482.2	1,457.2
Itella Russia	82.8	103.9
Other and unallocated	2.0	4.2
Intra-Group sales	-2.5	-6.0
Posti Group	**1,564.6**	**1,559.3**
Net sales change-%		
Mail, Parcel and Logistics Services	1.7%	0.6%
Itella Russia	-20.3%	-12.8%
Posti Group	**0.3%**	**-5.3%**
Adjusted EBITDA		
Mail, Parcel and Logistics Services	135.2	95.6
Itella Russia	13.9	8.6
Other and unallocated	6.0	6.5
Posti Group	**155.1**	**110.8**
Adjusted EBITDA, %		
Mail, Parcel and Logistics Services	9.1%	6.6%
Itella Russia	16.8%	8.3%
Posti Group	**9.9%**	**7.1%**
EBITDA		
Mail, Parcel and Logistics Services	126.2	96.0
Itella Russia	10.4	4.9
Other and unallocated	4.0	3.5
Posti Group	**140.6**	**104.5**
EBITDA, %		
Mail, Parcel and Logistics Services	8.5%	6.6%
Itella Russia	12.6%	4.8%
Posti Group	**9.0%**	**6.7%**

EUR million	2019	2018
Adjusted operating result		
Mail, Parcel and Logistics Services	43.4	53.9
Itella Russia	3.4	2.6
Other and unallocated	-7.8	-9.5
Posti Group	**39.0**	**47.0**
Adjusted operating result, %		
Mail, Parcel and Logistics Services	2.9 %	3.7 %
Itella Russia	4.1 %	2.5 %
Posti Group	**2.5 %**	**3.0 %**
Operating result		
Mail, Parcel and Logistics Services	30.4	53.0
Itella Russia	-0.1	-1.2
Other and unallocated	-11.8	-12.5
Posti Group	**18.5**	**39.3**
Operating result, %		
Mail, Parcel and Logistics Services	2.0 %	3.6 %
Itella Russia	-0.1 %	-1.2 %
Posti Group	**1.2 %**	**2.5 %**

Financial position and investments

The consolidated cash flow from operating activities was EUR 126.3 (79.8) million. The cash flow from investing activities was EUR –79.3 (–28.1) million and cash flow from financing activities EUR –98.8 (–30.6) million which includes the dividend payment of EUR 28.4 (40.0) million. The adoption of IFRS 16 changed the presentation of statement of cash flows. The payments of lease liabilities had a EUR 44 million positive impact on the cash flow from operating activities as they are presented as cash flow from financing activities.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flows amounted to EUR 106.2 (63.4) million.

At the end of December, liquid assets amounted to EUR 141.7 (131.0) million, and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 321.0 (129.7) million. The net debt totaled EUR 164.3 (–31.3) million. Interest-bearing liabilities and, therefore, also net debt increased significantly due to the adoption of IFRS 16. The equity ratio was 40.0% (48.6%) the decrease is primarily due to the initial application of IFRS 16.

Research and development

Research and development expenditure related to research and development activities in 2019 amounted to EUR 3,4 (4,7) million, or 0.2% (0.3%) of the Group's total operating expenses.

Posti will continue to invest in digital services, increased automation and improving the competitiveness of our core business.

The Mail, Parcel and Logistics Services segment invested in the development of digital services for consumers. Digital services help Posti to improve the services offered to private customers as well as the customer experience. For example, Posti's mobile application OmaPosti provides consumers with new services that make daily routines easier and fulfill a growing number of customer needs.

Posti will make major investments to prepare for growth in e-commerce. Posti will significantly expand its parcel locker network. Posti will quadruple the number of Posti parcel lockers within the next few years.

Statement of non-financial information

Introduction

Posti complies with responsible business practices in all of its operations. Posti's responsibility policies take into account the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals. The Global Compact principles comprise self-regulation pertaining to human rights, the environment and corruption. The UN Guiding Principles specify a company's responsibility with regard to human rights and call on companies to respect human rights. The UN Sustainable Development Goals contain guidelines aimed at ensuring sustainable development.

Posti reports on sustainability in accordance with the international Global Reporting Initiative GRI reporting framework. In addition, Posti complies with the reporting requirements of its owner, the Finnish State. The environmental accounting applies the WBCSD (World Business Council for Sustainable Development) Greenhouse Gas (GHG) protocol and the GHG Inventory Standard for the Postal Sector protocol, which includes more detailed instructions for the postal industry. The various aspects of sustainability will be discussed in more detail in the next Sustainability Report, to be published in March 2020.

The acquisition of Transval has been taken into account in the calculation of key figures for 2019. Due to this change in the calculation scope, the 2019 figures are not directly comparable to the 2018 figures. A third party verifies the company's 2019 greenhouse gas emissions and LTA1 ratios. The assurance statement will be presented as part of Posti's Sustainability Report 2019.

Environmental responsibility

Posti identifies, evaluates and manages environmental aspects in its operations and, through its quality and environmental policy, is committed to reducing the environmental impacts of its operations with regard to transport as well as the energy consumption of properties. Examples of identified environmental responsibility risks include traffic accidents, which may cause environmental damage. If realized, such a risk can have a negative impact on nature, customer property and people. The risk is managed as part of occupational safety management, through measures such as driver training, appropriate work instructions and careful employee orientation.

Posti's environmental management is based on the ISO 14001 environmental management standard. Employees' awareness of environmental issues is promoted through training and employee orientation as part of the ISO 14001 management system. Environmental issues are also regularly discussed in the channels of internal communication. At the end of 2019, certified environmental management systems covered 70% (77%) of the Group's employees. The change has to do with changes in calculation scope due to the acquisition of Transval and is not directly comparable to the previous year.

Posti's successful environmental management also helps its customers reduce their environmental impact through the use of Posti's services. All of Posti's services in Finland are carbon neutral Posti Green services. The carbon-dioxide emissions arising from transport are reduced by combining transports and using route planning, smooth and safe driving styles, using biofuels, and the renewal of the fleet. The remaining emissions are compensated for by participating in certified climate projects.

Posti's target is to reduce carbon-dioxide emissions in Finland by 30% by 2020, in proportion to net sales, compared to 2007. By the end of 2019, Posti's emissions relative to net sales had declined by 28% (23%) in Finland. As a result of the revision of the calculation method, the figure for the reference year 2018 changed from 18 to 23 per cent.

In 2019, the company set a new long-term emission target of zero emissions by 2030. Work on a ten-year emission reduction plan will begin in the spring of 2020. During the reporting year, the company also updated its environmental program and management model to promote environmental goals.

The Group's absolute greenhouse gas emissions in 2019 were 202,493 (217,448) tonnes of carbon dioxide equivalent. For Finland, the absolute emissions in 2019 were 161,388 (163,445) tonnes of carbon dioxide equivalent. Figures for the reference year 2018 were revised downwards by 5,000 tonnes of carbon dioxide equivalent as a result of the revision of the calculation method. The decrease in emissions is mainly due to the increased use of renewable electricity in Finnish operations and the decrease in the Russian property portfolio.

Social issues and personnel

For Posti, social responsibility means a commitment to producing reliable and high-quality services for various customer groups. Posti processes all information and product flows in strict confidence and with a high level of information security. The Group deals ethically, openly and transparently with all of its stakeholders.

The EU General Data Protection Regulation (GDPR) set out provisions concerning the processing of personal data, effective from May 25, 2018. Posti has payed attention to data protection preparedness and documentation, the awareness of personnel and the protection of processes and systems, among other things. The Group provided Basics of Data Protection training for personnel. All employees are required to complete the training. More in-depth data protection training was also organized for personnel groups working with expert tasks. By the end of 2019, some 68 % (80%) of the Group's personnel (excl. Itella Russia) had completed the basic training. The change has to do with changes in calculation scope due to the acquisition of Transval and therefore the 2019 figure is not directly comparable to the previous year. The training is intended to prevent potential risks related to data protection, such as personal data ending up in the wrong hands.

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

Posti's goal is to be a zero-accident workplace. To achieve this goal, occupational safety is systematically managed. Personnel competence, activity and awareness related to occupational safety is increased and safety-promoting working methods are systematically developed. All accidents and hazardous situations are investigated. Making safety observations and implementing corrective actions in response to the observations is part of the daily management and continuous improvement. In 2019, the Group's personnel made a total of 10,586 (13,463) safety observations. The figure covers Posti's operations in Finland and Estonia.

Posti monitors the frequency of occupational accidents that lead to absences by using the LTA1 indicator (occupational accidents per million working hours). The LTA1 of Finnish operations was 44 (43). For the whole Group, including Russia, the LTA1 figure was 39 (37). As a result of the revision of the calculation method, the Group's LTA1 figure changed from 32 to 37 for the comparison year 2018. Changes in the LTA1 figures are mainly explained by including Transval to the calculations and are therefore not directly comparable with the previous year.

The figures include occupational accidents that occurred during working hours and led to an absence of at least one day. The figures do not include accidents for partners or temporary workers. Serious occupational accidents leading to an absence of more than one month decreased in the Group by 34% (12%) compared to the previous year.

One of Posti's main goals in occupational health cooperation is to support the employees' work and operational capacity. We do this by developing occupational health services and operating models for our staff in a more proactive way by targeting services and support at a low-threshold level. We have launched a number of digital health services to provide support as early as possible.

The Group's sick leave rate was 5.9% (5.7%), including all countries of operation except Latvia and Poland. The sick leave rate for Finland stood at 6.3% (5.8%). The figure covers all Finnish operations. The change to the previous year is partly explained by the extension of the calculation scope to cover the acquisition of Transval. Also, last year's operational changes may be linked to the increased sick leave rate in certain areas in Finland.

Respecting human rights and preventing bribery and corruption

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

Posti's Code of Conduct and Supplier Code of Conduct cover legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility. The Code of Conduct also documents the principles concerning the consequences of misconduct. It also specifies the whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. While anonymous reporting is possible, Posti encourages employees to report problems and shortcomings under their own names to make it easier to investigate the issues. Reporting process and instructions for leaving messages is described in a special guidance available for Posti employees.

The risks identified in this area are related to potential human rights violations, supplier management, failure of internal control and corruption. The most significant risks related to human rights and corruption are business-related reputation risks. Posti prevents these risks by providing Code of Conduct training to all employees. The content of the Code of Conduct is the same for all employees and it is included in the employee orientation for new recruits. In 2019, the company updated its Code of Conduct and the electronic training course related to it. The content of the e-learning is based on the Posti Code of Conduct and the practical examples included were collected from representatives of different units and functions. As of December 31, 2019, some 70% (74%) of the Group's employees had completed the training. More in-depth training on the subject matter is also organized for the most significant target groups, such as management as well as the sales and sourcing functions.

Potential risks related to human rights and the prevention of corruption and bribery in the supply chain are prevented by monitoring suppliers' sustainability performance by means of a self-assessment tool and also by conducting sustainability audits when necessary. The Group also uses financial management monitoring tools and confirmation processes to support the management of corruption risks. In 2019, the company conducted 20 sustainability audits to its Finnish partner companies.

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.

Governance and auditors

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 25, 2019.

In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 28.4 million based on the result in 2018. The dividend was paid on March 28, 2019.

The meeting adopted the 2018 financial statements and discharged the members of the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors is to be composed of nine members. The following continued as members of the Board of Directors: Eero Hautaniemi, M.Sc. (Econ.); Frank Marthaler (Lic.oec. HSG); Markku Pohjola, B.Sc. (Econ.); Suvi-Anne Siimes, Licentiate of Political Science, (Econ.); Per Sjödell B.Sc (econ) and Arja Talma, M.Sc. (Econ.) eMBA. Pertti Miettinen continued as an employee representative* (*pilot started in 2018).

Anna Martinkari, B.Sc. (Econ.) and Minna Pajumaa B.Sc. (Econ.) were elected as new members of the Board of Directors.

Markku Pohjola was elected as the Chairman of the Board of Directors and Suvi-Anne Siimes as the Vice Chairman.

Posti Group Corporation's Extraordinary General Meeting (EGM) was held in Helsinki on October 2, 2019. Until the end of the next Annual General Meeting, the EGM elected the members of the Supervisory Board, the Chairman and vice-chairman.

MP Aki Lindén (Social Democratic Party); MP Paula Werning (Social Democratic Party); MP Kimmo Kiljunen (Social Democratic Party); MP Ari Torniainen (Centre Party); MP Eeva Kalli (Centre Party); MP Mia Laiho (National Coalition Party), MP Veronica Rehn-Kivi (Swedish People's Party); MP Mari Rantanen (Finns Party); MP Atte Harjanne (The Greens); MP Pia Lohikoski (Left Alliance) and MP Sari Essayah (Christian Democrats) were elected as new members of the Supervisory Board.

MP Rami Lehto (Finns Party) will continue as member of the Supervisory Board. Aki Lindén was elected as the Chairman of the Supervisory Board and Atte Harjanne as the Vice Chairman.

The authorized public accountancy firm

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

Changes in management

SVP Sari Helander, the Head of Logistics Solution and member of Executive Board at Posti Group, left her position as of April 24, 2019.

Heikki Malinen, President and CEO of Posti Group Corporation, resigned from his position as of October 1, 2019. Malinen has acted as President and CEO of Posti Group Corporation since 2012.

The Board of Directors of Posti Group Corporation appointed Turkka Kuusisto (M.Sc. Eng.), previously SVP, Parcel and eCommerce, as interim President and CEO, as of October 1, 2019. Kuusisto has been a member of the Group's Leadership Team since 2016.

Employees

The Group's personnel	2019	2018
Personnel at period-end*	20,468	18,185
Personnel on average, FTE*/**	16,569	16,425

*Continuing operations

**Full time equivalent personnel on average

Personnel at the end of the year was:
- Finland: 18,307 (15,542) employees
- Other countries of operation: 2,161 (2,643) employees

The Group's personnel expenses amounted to EUR 672.7 (648.2) million, up 3.8% from the previous year. The personnel expenses included EUR 6.4 (1.0) million in restructuring costs. Excluding restructuring costs, the personnel expenses increased by 2.9% year-on-year.

The Uusi polku (New path) program December 31, 2019:
- Applications: 557
- Approved: 213

Launched at the beginning of 2014, the Uusi polku (New path) program offers personnel not only financial support, but also training and support for job seeking, as well as support for retraining or starting a business.

Cooperation negotiations

The cooperation negotiations concerning both administration and service production started on January 29, 2019. According to a preliminary estimate, the personnel reduction need was a maximum of 236 employees. Cooperation negotiations ended on March 21, 2019. In administration, the reduction need reduced to 59 employees and in service production to 13 employees.

Posti announced on April 15, 2019 that it is planning a reorganization of work concerning the administration and supervisory positions of the Postal Services production due to the decline in mail volumes. According to a preliminary estimate, the reduction need is a maximum of 244 permanent employees, of which 120 are in Postal services. Cooperation negotiations ended on June 4, 2019. The reduction need reduced to 94 employees.

Posti announced on April 15, 2019 that it will update its retail network and close some of its own shops. Cooperation negotiations ended on June 4, 2019. Posti will close 18 of its own shops by March 2021.The personnel reduction need reduced to 108 employees (124 permanent employees at the beginning of the negotiations).

The cooperation negotiations in Food Logistic started on August 5,2019. Cooperation negotiations ended on November 13, 2019. The reduction need was eight employees.

Strategy and its implementation in 2019

The postal sector is in a transformation of historic proportions, and in 2019 Posti have continued determined efforts to transform Posti. Posti have had a strong focus on improving quality and the customer experience. According to its` strategy for 2018–2020 Posti has seeked profitable growth from its core business operations, especially parcels, e-commerce and related solutions, end-to-end logistics solutions ranging from transport to in-house logistics and new services.

Posti's transformation has also been implemented through various mergers and acquisitions. Posti has acquired new businesses, in areas within or close to its core competences, targeting to generate profitable growth. Further, Posti has divested businesses that do not belong to its core competencies or that do not meet the company's profitability requirements.

The implementation of this strategy is progressing well. Parcel and eCommerce and Logistics Solutions already brought over 50% of the Group´s net sales. Net sales increased primarily because of the Transval acquisition, completed during the first quarter. The acquisition was a step in Posti`s logistics services growth strategy; as a result of the acquisition Posti became a significant operator in logistics outsourcing solutions in Finland, according to its strategy for 2018–2020.

In 2019, Posti sold OpusCapita Solutions Oy, its fully owned subsidiary. The divestment was also in line with Posti Group`s strategy to focus on Postal, Parcel & E-commerce and Logistics services.

During the year 2019, Posti sold part of its temperature-controlled transport business. In food transport services, Posti concentrates on brewery logistics and the delivery of meals to homes and municipal institutions as well as services such as the delivery of food purchased from online stores.

Posti´s IT renewal is an important part of Posti's transformation and a natural continuum in the implementation of Posti's ICT strategy. Posti chose technology company Infosys Ltd as one of its main partners for the development of digitalization and IT services in May 2019. As part of the partnership, Posti has outsourced some of its IT operations to Infosys. Through this engagement Infosys has driven the modernisation of Posti's IT applications and infrastructure, helping it move to a flexible IT service model that will strengthen Posti's ability to respond to changes in customer needs with agility.

Posti's long-term financial targets are:

- Adjusted operating result margin of 4%
- Net debt / Adjusted EBITDA less than 2.0x
- Strict management of free cash flow

Acquisitions, divestments and changes in corporate structure

Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti`s logistics services growth strategy; as a result of the acquisition Posti has become a significant operator in logistics outsourcing solutions in Finland.

Posti divested OpusCapita Solutions Oy to a fund managed by Providence Equity Partners L.L.C (Providence). The closing of the transaction took place on March 31, 2019. The divestment was in line with Posti Group's strategy.

Posti Ltd, 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.

Posti divested a Russian real-estate company OOO Ekaterinburg in August 2019. According to its strategy, Itella Russia is focusing on its core businesses, such as contract logistics and transportation.

Posti acquired E-Log Services Oy, the owner of Paketti-kauppa.fi on September 20, 2019. The company offers parcel and e-commerce services. Through the transaction, Posti will accelerate the development of its services and customer experience in small and medium-sized online stores.

Posti and Esa Kuokka Oy signed a business acquisition agreement on September 30, 2019, under which Posti sold food and temperature-regulated logistics and temperature-regulated warehouse business in Lempäälä and Vantaa to Esa Kuokka Oy. The transaction was completed on November 1, 2019.

Posti and Huhtala Logistics Oy signed an agreement in November 2019, under which Posti sold its temperature-controlled food transport business in Seinäjoki – along with the customer solutions, the property used for producing the services and the related contracts – to Huhtala Logistics Oy. The sale proceeded on December 1, 2019, when the 22 Posti employees producing the services transferred to Huhtala Logistics Oy as existing employees.

Regulatory environment

Posti executed its second mandatory tendering procedure based on the Postal Act amendment, which became effective on July 1, 2018. The mandatory tendering procedure covers the five-day delivery of universal service letters in areas not covered by the early-morning newspaper delivery, which is based on commercial agreements. The areas subject to the tendering procedure are based on a decision issued by The FinnishFinnish Transport and Communications Agency. The tendering covered more than 1,800 areas. Only one other company besides Posti submitted a tender as part of the competitive tendering process that began in February 2019 and continued until April 2019. Posti won the competitive tendering process in all tendered areas.

Legal proceedings

The company has some pending legal proceedings related to its normal operations, but none of them, separately or collectively, has a material impact.

Business risks

Fast changing customer behavior and increasing competition combined with uncertainties related to availability of workforce form a challenging risk environment in all Posti's main markets postal, parcel & eCommerce delivery and logistics outsourcing. 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.

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 labour market negotiations and the Posti ICT-systems ja -infrastructure reliability, security and cost efficiency related risks. Due to Posti history it 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 Programme 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.

Outlook for 2020

Net sales in 2020, excluding possible new acquisitions and divestments, is expected to remain on par with the previous year. The Group's adjusted operating result in 2020 is expected to increase from the previous year.

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.

Events after the review period

Alma Media`s early-morning delivery operations in Pirkanmaa and Satakunta has been transferred to Posti in an acquisition between Posti, Alma Media Kustannus Oy and Alma Manu Oy as of January 1, 2020.

The Board of Directors of Posti Group Corporation has appointed Turkka Kuusisto, (b. 1979, M.Sc. Eng.) as President and CEO of Posti Group Corporation as of February 6, 2020.

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 324,185 985.29, of which the loss for the financial year 2019 is EUR 81,937,530.05.

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 29.8 million or EUR 0,745 per share will be distributed.

Helsinki, February 11, 2020

Posti Group Corporation

Board of Directors

Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows and in the notes disclosures. Management believes that adjusted performance measures provide meaningful supplemental information to both management and 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.

Reconciliation of adjusted free cash flow

EUR million	2019	2018
Cash flow from operating activities	126.3	79.8
Purchase of intangible assets and property, plant and equipment	–56.4	–58.4
Free cash flow from operations	69.9	21.4
Cash flow impact of personnel restructuring costs	8.1	5.3
Cash flow impact of strategic project costs		3.2
Adjusted free cash flow	**78.0**	**29.9**

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, changes in contingent purchase considerations originated from business combinations, costs for strategic key projects and other material items outside of ordinary course of business.
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, %	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on equity, %	$\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$
Return on capital employed, %	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
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.
Adjusted 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 cash flow impacts of personnel restructuring costs and costs of strategic key projects.

*Continuing operations

Consolidated Financial Statements

Consolidated Income Statement

EUR million	Note	2019	2018, restated
Net sales	1	1,564.6	1,559.3
Other operating income	3	19.3	22.3
Materials and services	4	–482.9	–500.6
Employee benefits	5	–672.7	–648.2
Other operating expenses	6	–287.8	–328.3
Depreciation and amortization	7	–114.9	–63.6
Impairment losses	7	–7.2	–1.6
Operating result (EBIT)		**18.5**	**39.3**
Finance income	8	11.9	8.0
Finance expenses	8	–13.9	–8.5
Result before income tax		**16.5**	**38.9**
Income tax	9	–2.4	–4.2
Result for the period from continuing operations		**14.1**	**34.6**
Result for the period from discontinued operations		4.9	–33.9
Result for the period		**19.0**	**0.7**
Result for the period attributable to			
Parent company shareholders		19.0	0.8
Non-controlling interest		0.0	–0.1
Earnings per share (EUR per share)			
Group total		0.47	0.02
Continuing operations		0.35	0.87
Discontinued operations		0.12	–0.85

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

Consolidated statement of comprehensive income

EUR million	2019	2018, restated
Result for the period	**19.0**	**0.7**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of financial assets at fair value through other comprehensive income	0.0	0.0
Change in fair value of cash flow hedges	–0.8	0.1
Translation differences	10.4	–10.2
Income tax relating to these items	0.2	0.0
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	1.1	1.6
Income tax relating to these items	–0.2	–0.3
Comprehensive income for the period	**29.6**	**–8.1**
Comprehensive income attributable to		
Parent company shareholders	29.6	–8.1
Non-controlling interest	0.0	–0.1

Consolidated Balance Sheet

Assets

EUR million	Note	31.12.2019	31.12.2018
Non-current assets			
Goodwill	10	151.9	147.4
Other intangible assets	10	58.5	57.0
Investment property	11	3.7	3.9
Property, plant and equipment	12	314.0	327.6
Right-of-use assets	13	190.5	
Other non-current investments	21	1.0	3.5
Non-current receivables	21	0.3	1.3
Deferred tax assets	14	8.8	9.2
Total non-current assets		**728.7**	**549.8**
Current assets			
Inventories	15	4.6	3.7
Trade and other receivables	16	299.7	288.2
Current income tax receivables		4.6	2.2
Current financial assets	21	101.9	54.7
Cash and cash equivalents	21	54.9	106.6
Total current assets		**465.7**	**455.3**
Total assets		**1,194.4**	**1,005.1**

Equity and liabilities

EUR million	Note	31.12.2019	31.12.2018
Equity attributable to the shareholders of the parent company			
Share capital	17	70.0	70.0
General purpose reserve	17	142.7	142.7
Fair value reserve	17	−1.3	−0.7
Translation differences	17	−89.9	−100.7
Retained earnings		323.4	332.4
Total shareholders' equity		**444.9**	**443.7**
Non-current liabilities			
Deferred tax liabilities	14	20.6	19.8
Non-current interest-bearing borrowings	21	122.4	119.7
Non-current interest-bearing lease liabilities	22	146.8	0.4
Other non-current payables	20	6.9	10.3
Advances received	20	13.6	14.2
Non-current provisions	19	4.8	9.9
Defined benefit pension plan liabilities	18	8.0	10.0
Total non-current liabilities		**323.1**	**184.4**
Current liabilities			
Current interest-bearing borrowings	21	6.5	0.0
Current interest-bearing lease liabilities	22	45.3	9.5
Trade and other payables	20	296.2	278.7
Advances received	20	67.4	77.0
Current income tax liabilities		0.7	0.5
Current provisions	19	10.2	11.3
Total current liabilities		**426.4**	**377.0**
Total liabilities		**749.5**	**561.4**
Total equity and liabilities		**1,194.4**	**1,005.1**

Consolidated Statement of Cash Flows

EUR million	Note	2019	2018
Result for the period		**19.0**	**0.7**
Adjustments for:			
Depreciation and amortization	7	114.9	67.8
Impairment losses	7	7.2	31.6
Gains on sale of intangible and tangible assets	3	-4.0	-3.1
Losses on sale of intangible and tangible assets	6	0.3	1.8
Finance income	8	-10.6	-7.7
Finance expense	8	13.9	7.1
Income tax	9	2.4	4.2
Other non-cash items		-13.0	-2.3
Cash flow before change in net working capital		**130.0**	**100.1**
Change in trade and other receivables	16	8.4	17.3
Change in inventories	15	0.2	0.9
Change in trade and other payables	20	-0.4	-32.0
Change in net working capital		**8.1**	**-13.8**
Cash flow before financial items and income tax		**138.2**	**86.3**
Interests paid	8	-4.8	-4.0
Interests received	8	1.4	1.7
Other financial items	8	-2.0	1.4
Income tax paid	9	-6.5	-5.5
Cash flow from financial items and income tax		**-11.9**	**-6.5**
Cash flow from operating activities		**126.3**	**79.8**

EUR million		2019	2018
Purchase of intangible assets	10	−22.2	−19.2
Purchase of property, plant and equipment	12	−34.2	−39.2
Proceeds from sale of intangible and tangible assets	10, 12	4.9	1.5
Business acquisitions, net of cash acquired	2	−49.8	−5.0
Proceeds from business disposals less cash and cash equivalents	2	67.6	5.6
Cash flow from financial assets	21	−46.6	22.4
Cash flow from other investments		1.1	5.8
Cash flow from investing activities		**−79.3**	**−28.1**
Repayment of current loans	21	−14.2	−40.0
Increases in non-current loans	21	-	59.0
Repayment of non-current loans		−0.9	-
Payments of lease liabilities	21	−55.2	−9.6
Dividends paid		−28.4	−40.0
Cash flow from financing activities		**−98.8**	**−30.6**
Change in cash and cash equivalents		**−51.8**	**21.1**
Cash and cash equivalents at the beginning of the period		**106.6**	**86.0**
Effect of exchange rates changes		0.1	−0.5
Cash and cash equivalents at the end of the period		**54.9**	**106.6**

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

Consolidated Statement of Changes in Equity

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

	Attributable to the owners of the parent company							
EUR million	**Share capital**	**General purpose reserve**	**Fair value reserve**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity Jan 1, 2018	**70.0**	**142.7**	**–0.8**	**–90.6**	**370.9**	**492.3**	**0.3**	**492.6**
Change in accounting policies								
IFRS 9 and IFRS 15			0.0		–0.7	–0.7		–0.7
Jan 1, 2018, restated	**70.0**	**142.7**	**–0.7**	**–90.6**	**370.2**	**491.6**	**0.3**	**491.9**
Comprehensive income								
Result for the period					0.8	0.8	–0.1	0.7
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			0.1			0.1		0.1
Translation differences				–10.2		–10.2		–10.2
Remeasurements of post-employment benefit obligations, net of tax					1.2	1.2		1.2
Total comprehensive income for the period			**0.1**	**–10.2**	**2.0**	**–8.1**	**–0.1**	**–8.1**
Transactions with equity holders								
Acquisition of non-controlling interest					0.2	0.2	–0.2	0.0
Dividends paid					–40.0	–40.0		–40.0
Equity Dec 31, 2018	**70.0**	**142.7**	**–0.7**	**–100.7**	**332.4**	**443.7**	**0.0**	**443.7**

Notes to the Consolidated Financial Statements

Company information

Posti Group Corporation and its subsidiaries (together "Posti" or the "Group") provides businesses and consumers postal and logistics services and e-commerce services. Posti operates in 8 countries. The Group's parent company, Posti Group Corporation ("the Company), is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

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

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

Application of new or amended IFRS standards

The impacts of the new standard IFRS 16 Leases and new IFRIC 23 uncertainty over tax treatments on these financial statements have been described below. New accounting policies on leases and taxes are described later in accounting policy.

Impact of adoption of IFRS 16 Leases

Posti has adopted IFRS 16 leases -standard on its effective date January 1, 2019 modified retrospectively, thus the previous periods are not restated. The standard has affected primarily the accounting by lessees and as a result Posti has recognized most of the leases on balance sheet. The standard has removed the current distinction between operating and financing leases and requires Posti to recognize for most of the leases a right-of-use asset (the right to use the leased item) and a lease liability representing obligation to make lease payments. The standard requires Posti to distinguish between service contracts and lease contracts. Service contracts shall be not recognized in the balance sheet.

Given that Posti leases a large number of production, office and warehousing premises, transportation vehicles and production equipment from third parties for time periods longer than a year or under cancellable leases, the application of the standard has a significant impact on components of Posti's consolidated financial statements. For operating leases the lease expense was earlier recorded on a straight-line basis and now, if lease is recognized on balance sheet, this has been replaced with interest expense and depreciation, so key metrics like operating result and EBITDA have changed. The amount of right-of-use assets and respective lease liabilities on the balance sheet has increased, which had an impact on balance sheet-based performance indicators, such as the net debt.

Adoption of the standard has impact in presentation of cash flow statement. Cash flow from operating activities is higher as cash payments for the principal portion of the lease liability are classified within cash flow from financing activities and only the payments that reflect interest will continue to be presented as operating cash flows.

Posti's preparations for the implementation of the new standard have included the definition of accounting policies and management judgments, planning and developing the accounting processes, tools and related controls as well as training of finance organization and communication.

For those leases recognized on the balance sheet, the lease liability has been recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographical area, contract term and asset type.

At the balance sheet before adoption of IFRS 16 a significant amount of vehicle lease contracts has been treated as IAS 17 financing leases. IFRS 16 did not bring essential change for these. Posti's leases for premises were however impacted significantly, as these are recognized as new balance sheet items after adoption of IFRS 16.

Some lease contracts were treated as onerous lease contracts in the statement of financial position immediately before the date of adoption of IFRS 16 and a related provision has been recognized. Posti has chosen to rely on the earlier assessment made according to IAS 37. Judgement has been used to determine the amount of right-of-use assets in relation to the amount of provisions recognized in the balance sheet.

Balance sheet reconciliation at 1 January 2019

EUR million	
Operating lease obligation Dec 31, 2018	218.2
Minimum lease payments on finance lease liabilities Dec 31, 2018	10.1
Total lease obligations before adjustments Jan 1, 2019	228.3
Relief exemption for short-term and low value leases	-6.9
Service components	-1.2
Other items*	8.3
Gross lease liabilities Jan 1, 2019	228.5
Discounting	-10.7
Lease liabilities Jan 1, 2019	**217.9**
Of which:	
Present value of finance lease liabilities at 31 December 2018	10.0
Additional lease liabilities due to IFRS 16 adoption at 1 January 2019	207.9

*Other items consist of e.g. IFRS 16 capitalization of longer rent term periods than has been earlier presented in operating lease obligations.

The lease liabilities were discounted as at 1 January 2019 and the weighted average incremental borrowing discount rate was 2.1%.

Adjustment of IFRS 16 opening balances at 1 January 2019

Assets

EUR million	Dec 31, 2018	IFRS 16 addition	Jan 1, 2019
Property, plant and equipment	318.1	-	318.1
Right-of-use assets	-	207.9	207.9
		207.9	

In addition to the information in table above, the IAS 17 property, plant and equipment EUR 9.5 million which were recognized on balance sheet as per 31.12.2018 are combined together with right-of-use assets.

Equity and liabilities

EUR million			
Retained earnings	332.4	-	332.4
Non-current lease liabilities	-	161.1	161.1
Current lease liabilities	-	46.8	46.8
		207.9	

In addition to the information in table above, the IAS 17 borrowings EUR 10.0 million which were recognized on balance sheet as per 31.12.2018 are combined together with above presented lease liability items.

Impact of adoption of IFRIC 23 Uncertainty over income tax treatments

New IFRIC 23 Uncertainty over income tax treatments become valid from January 1, 2019. New guidance clarifies how to recognize, and measure deferred and current income taxes and related assets and liabilities where there is uncertainty over a tax treatment. Posti has adopted the guidance effectively January 1, 2019 using modified retrospective approach.

IFRIC 23 clarifies how to recognize and measure income taxes when there is uncertainty over tax treatments. Main rules how to recognize and measure tax positions are:

- each uncertain tax treatment should be considered separately or together depending on which approach predicts the uncertainty
- the entity should assume tax authorities will examine the uncertain tax treatments and have full knowledge of all related information
- the entity should reflect the effect of all uncertainties in its income tax accounting when it is not probable that the tax authorities will accept treatments
- the impact of uncertainties should be measured using either the most likely amount or the expected value method depending on which method better predicts the resolution of uncertain tax positions

Posti Group has analyzed upon adoption of IFRIC 23 if it has any uncertain tax positions particularly ongoing tax litigation cases and transfer pricing issues. Based on analysis Posti has identified several uncertain tax positions mainly related to cross border mergers and utilization of foreign subsidiaries' tax losses in the parent company. More information related to uncertainty of ongoing tax litigation cases and deferred tax assets have been described in chapter Critical accounting estimates and judgments in applying accounting policies under Uncertainty regarding the utilization of deferred tax assets.

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

Adoption of IFRIC 23 did not have a material impact to Group's consolidated financial statement for year 2019 or comparable year.

Discontinued Operations

The Group presents discontinued operations as a separate line item in income statement and other comprehensive income. Posti Group Corporation completed the divestment of OpusCapita Solutions Oy, its fully owned subsidiary, during the first quarter. Following the divestment OpusCapita-segment is presented as discontinued operation. Comparative amounts of income statement and related notes have been restated to reflect continuing operations.

Consolidation Principles

Subsidiaries

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

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

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

Associates

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

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

Joint operations

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

Foreign currency translation

Functional and presentation currency

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

Transaction and balances

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

Group companies

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

On consolidation, exchange differences arising from the translation of the net investment are recognized in other comprehensive income. When a foreign entity is disposed of, the associated translation differences are reclassified through profit or loss, as part of gain or loss on disposal.

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

Revenue recognition

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

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

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

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

The revenue is typically invoiced when the performance obligation is satisfied. For stamps, franking machines and prepaid envelopes as well as for sales taking place at post offices revenue is invoiced at the time of purchase taking place. The Group follows market practices for payment terms, which most commonly vary between 14 and 30 days. Payment terms on terminal dues related to international mail are in accordance with international multilateral contracts and settlement system, where prepayments are made during the financial year and final settlement of yearly payables and receivables is done during the next year. Posti uses the practical expedient where no adjustments to the transaction prices are done for the time value of money, since the period between the transfer of the promised services to the customer and payment by the customer is not expected to exceed one year.

Postal services

Postal services include corporate messaging, media and retail and consumer mail services. Revenue for postal services is recognized over time as the Group satisfies performance obligations. This concerns addressed direct marketing and press services as well as volume-based invoicing of document processing automatization services.

For unaddressed direct marketing and delivery of international mail from Finland and via Finland the revenue is recognized when the delivery is received to the Group's delivery network. The difference between the applied method and a method measuring progress towards complete satisfaction is considered immaterial for the Group.

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

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

The Group has used external specialists for developing both the revenue recognition model and statistical research. These models and researches are regularly updated to generate as up-to-date estimate as possible on the existing conditions.

The Group acts as a principal for outbound international mail and parcel services under universal service obligation and revenue is recognized as gross with terminal dues to third parties charged as expenses and reported as operating costs.

Parcel & eCommerce and logistics services

Revenue for parcel, eCommerce and logistics services is recognized over time as Posti satisfies performance obligations. The revenue for parcel services in Finland is recognized when the parcel has been delivered. For freight services in Finland and in the Baltic countries and for parcel services in the Baltic countries the revenue is recognized when the delivery is received to Group's delivery network. The difference between the applied method and a method measuring progress towards complete satisfaction is considered immaterial for the Group.

For long-term transports in Itella Russia progress towards complete satisfaction of a performance obligation is measured using an output method based on days of delivery performed related to estimated total delivery days.

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

Other revenue

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

OpusCapita services

OpusCapita offered software solutions for sourcing, payment and cash management either by selling licenses or software as a service (SaaS). Licenses or service agreements did not involve significant tailoring but may have included implementation services, which were considered as separate performance obligations. Revenue for licenses was recognized at a point in time when the license was granted and for software as a service over time during the contract period. Revenue for software implementation projects was recognized over time during the project. For implementation services the progress towards complete satisfaction of a performance obligation was measured using an output method based on actual labor hours spent relative to the total expected labor hours.

OpusCapita was divested during first quarter of 2019 and is presented as discontinued operations in the financial statements.

Contract costs

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

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

Government grants

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

Employee benefits

Pensions

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

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

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

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. More information on the Group's defined benefit pension plans is presented in note 17.

Income taxes

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

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

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

Where positions taken in tax returns are subject to interpretation and uncertainty, current and deferred tax assets and liabilities are recorded based on Posti's assessment of the expected outcome. The amounts recorded are based on the most likely amount or the expected value what Posti Group predicts the resolution of uncertainty. These assessments include significant management judgements about the eventual outcome of various tax authorities' or court estimates and decisions including tax audits. Actual outcomes from these decisions can differ significantly from management judgements.

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

Intangible assets

Business combinations and goodwill

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

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

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

Research and development expenditure

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

Other intangible assets

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

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

Property, plant and equipment

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

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

The expected useful lives of PPE are as follows:

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

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

Assets held for sale

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

Investment property

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

Impairment testing

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

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

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

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

Leases

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

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

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

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

Some key premise lease contracts, which are short-term lease, are however recognized in the balance sheet by using management judgement and by using longer lease term than agreed in the lease contract. There premises relate to longer term use plans.

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

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

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

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

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

Balance sheet items generated from leasing arrangements are mostly based on premises leasing contracts. These contracts are typically related with annual lease amount increases. By number of lease contracts, most lease contracts are connected to leased vehicles in which the lease amount is typically stable during the entire lease contract term.

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

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

Inventories

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

Financial assets and liabilities

Financial assets

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

Financial assets are recognized and derecognized at the settlement date. The Group derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside the Group. Any gain or loss arising on derecognition of a financial asset is recognized directly in profit or loss and presented in finance income or expenses (or in other operative income or expenses for trade receivables), together with foreign exchange gains and losses.

Financial assets at amortized cost

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Financial liabilities at fair value through profit or loss

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

Derivative contracts and hedge accounting

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

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

Effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in other comprehensive income. Possible ineffective portion is recognized through profit or loss according to its nature either in other operating income or expenses or financial items. Amounts accumulated in equity are reclassified into profit or loss when the hedged item is recognized through profit or loss. The Group applies cash flow hedging for hedging against foreign exchange risk on certain commitments in foreign currencies and interest-rate risk of a loan with variable interest-rate. For foreign currency forwards the Group designates the whole forward contract as the hedging instrument. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accumulated fair value gain or loss is retained in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accumulated fair value gain or loss is recognized trough profit or loss immediately.

For certain derivative instruments while entered into for risk management purposes, hedge accounting is not applied. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. For these contracts, the changes in their fair value are recognized through profit or loss and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

Cash and cash equivalents

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

Provisions and contingent liabilities

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

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

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

Fair Value Measurement

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

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

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

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

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

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

Critical accounting estimates and judgments in applying accounting policies

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

Impairment testing of Posti's cash generating unit Itella Russia

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

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

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

Goodwill impairment testing

Posti has made significant investments in business acquisitions and intangible assets including IT systems, licences, acquired trademarks and customer portfolios as well as in property, plant and equipment comprising mainly vehicles and other production equipment. Goodwill and intangible assets not yet in use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment.

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

Uncertainty regarding the utilization of deferred tax assets

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

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

Provisions – onerous contracts

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

Leases – options

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

Changes in standards not yet effective

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

1. Operating segments

Posti renewed its organization and operating model to better correspond to Posti´s strategy. Since March 2019, Posti's reportable segments consist of four operating segments: Postal Services, Parcel and eCommerce, Logistics Solutions and Itella Russia. The Group's operating segments are based on the various services and products they offer and on the respective markets. The operating segments are managed as separate businesses. The President and CEO is the chief operating decision maker, being responsible for allocating resources to operating segments and the evaluation of the segments' results.

Postal Services, Parcel and eCommerce and Logistics Solutions operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services. Posti reports its result of operations according to the following reportable segments: Mail, Parcel and Logistics Services and Itella Russia. The aggregated reportable segment for the most part shares common operative functions, such as production, retail network and customer service. These functions represent the majority of the combined segment's expenses, so the financial performance of the segments is dependent on the allocation principles of the shared cost base. In addition to similar financial charcteristics and common production processes, the aggregated operating segments are similar in terms of their services, customers and distribution channels.

OpusCapita companies were sold in March 2019 and are now reported as discontinued operations in the income statement.

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

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

Mail, Parcel and Logistics Services

Postal Services

Postal Services includes Posti's Corporate Messaging, Media and Retail and Consumer Mail services. The Corporate Messaging unit offers physical and electronical messaging solutions for companies, non-profit organizations and governmental bodies. Consumer Mail Service business play a strong and important role in personal communications and contains letter services offered to consumers, stamps, mail redirection services, and international postal cooperation. The Media and Retail business produces and develops newspaper, magazine, and free distribution paper delivery services for business customers. The business also produces and develops services for marketing. Most of the business today is delivery services for addressed and unaddressed direct marketing as well as value-added services.

Parcel and eCommerce

Parcel and eCommerce offers parcel and eCommerce services for corporate and private customers both internationally and in Finland. Parcel and eCommerce also offers and develops Posti's new digital services. In addition, Posti's Home Services unit is part of the business group. Home services includes e.g. the personal care services and meal deliveries.

Logistics Solutions

Logistics Solutions is in charge of comprehensive logistics solutions, such as transport services, grocery logistics and supply chain outsourcing services including warehousing and in-house logistics services in Finland and the Baltic countries.

Itella Russia

Itella Russia offers comprehensive logistics services to both Russian and international companies. Itella is the market leader in warehousing in Russia. In addition, Itella offers road, air, sea and rail freight services as well as customs clearance services.

Other and unallocated

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

Adjusted EBITDA and adjusted operating result

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

2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Eliminations	Group total
External sales	1,481.4	82.8	1,564.3	0.3		1,564.6
Inter-segment sales	0.8	0.0	0.8	1.7	−2.5	
Net sales	**1,482.2**	**82.8**	**1,565.0**	**2.0**	**−2.5**	**1,564.6**
EBITDA	**126.2**	**10.4**	**136.6**	**4.0**		**140.6**
Special items included in EBITDA:						
Personnel restructuring costs	6.0		6.0	0.5		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
Changes in contingent purchase considerations			0.0			0.0
Other	2.5	1.9	4.4	3.3		7.7
Special items included in EBITDA total	**9.0**	**3.5**	**12.5**	**2.1**		**14.5**
Adjusted EBITDA	**135.2**	**13.9**	**149.1**	**6.0**		**155.1**
Operating result	**30.4**	**−0.1**	**30.3**	**−11.8**		**18.5**
Special items included in operating result:						
Special items included in EBITDA	9.0	3.5	12.5	2.1		14.5
Impairment losses	4.0		4.0	2.0		6.0
Special items total	**13.0**	**3.5**	**16.5**	**4.0**		**20.5**
Adjusted operating result	**43.4**	**3.4**	**46.8**	**−7.8**		**39.0**
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**
Assets	868.0	113.2	981.2	214.2	−1.0	**1,194.4**
Liabilities	358.3	23.1	381.4	369.1	−1.0	**749.5**
Capital expenditure	97.1	2.7	99.8	33.9		**133.7**
Depreciation and amortization	91.5	10.4	102.0	12.9		**114.9**
Impairment losses	4.3	0.1	4.4	2.8		**7.2**
Personnel at period-end	18,588	1,255	19,843	625		**20,468**
Personnel on average, FTE	14,577	1,307	15,884	685		**16,569**

2018, restated

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Eliminations	Group total
External sales	1,455.4	103.9	1,559.2	0.1		1,559.3
Inter-segment sales	1.8	0.0	1.8	4.2	-6.0	
Net sales	**1,457.2**	**103.9**	**1,561.1**	**4.2**	**-6.0**	**1,559.3**
EBITDA	**96.0**	**4.9**	**100.9**	**3.5**		**104.5**
Special items included in EBITDA:						
Personnel restructuring costs	0.7	0.3	1.0	0.0		1.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0	1.3	-0.7	-1.7		-2.4
Onerous contracts	0.9	2.0	2.9			2.9
Changes in contingent purchase considerations	-0.2		-0.2			-0.2
Other	0.3		0.3	4.7		5.0
Special items included in EBITDA total	**-0.3**	**3.7**	**3.3**	**3.0**		**6.3**
Adjusted EBITDA	**95.6**	**8.6**	**104.2**	**6.5**		**110.8**
Operating result	**53.0**	**-1.2**	**51.8**	**-12.5**		**39.3**
Special items included in operating result:						
Special items included in EBITDA	-0.3	3.7	3.3	3.0		6.3
Impairment losses	1.2	0.2	1.4			1.4
Special items total	**0.8**	**3.8**	**4.7**	**3.0**		**7.7**
Adjusted operating result	**53.9**	**2.6**	**56.5**	**-9.5**		**47.0**
Financial income and expense						-0.5
Income tax						4.2
Result for the period from continuing operations						**34.6**
Result for the period from discontinued operations						-33.9
Result for the period						**0.7**
Assets	607.3	113.1	720.3	292.8	-8.0	**1,005.1**
Liabilities	348.9	26.8	375.7	193.7	-8.0	**561.4**
Capital expenditure	33.6	2.2	35.8	26.4		**62.1**
Depreciation and amortization	41.6	6.0	47.6	16.0		**63.6**
Impairment losses	1.4	0.2	1.6	0.0		**1.6**
Personnel at period-end	15,746	1,734	17,480	705		**18,185**
Personnel on average, FTE	13,769	1,960	15,729	696		**16,425**

Net sales distribution of Mail, Parcel and Logistics Services

Net Sales, EUR million	2019	2018, restated
Postal Services	683.9	737.8
Parcel and eCommerce	407.7	407.6
Logistics Solutions	396.7	316.4
Other and eliminations	−6.1	−4.6
Total	**1,482.2**	**1,457.2**

Geographical areas

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

2019

EUR million	Finland	Scandinavia	Russia	Other countries	Total
Net sales	1,311.8	81.8	82.4	88.5	**1,564.6**
Non-current assets	464.9	3.1	84.6	15.0	**567.5**

2018, restated

EUR million	Finland	Scandinavia	Russia	Other countries	Total
Net sales	1,270.8	95.1	103.0	90.4	**1,559.3**
Non-current assets	287.7	1.0	80.8	22.3	**391.9**

Revenue streams

EUR million	2019	2018, restated
Sales of services	1,558.3	1551.2
Sales of goods	6.3	8.1
Total	**1,564.6**	**1,559.3**

Foreign exchange rates

Average rate	2019	2018
RUB	72.4593	74.0551
SEK	10.5867	10.2567
NOK	9.8497	9.6006

Closing rate	2019	2018
RUB	69.9563	79.7153
SEK	10.4468	10.2548
NOK	9.8638	9.9483

2. Acquired and divested businesses and dicontinued operations

Discontinued operations 2019

Posti Group Corporation completed the divestment of OpusCapita Solutions Oy, its fully owned subsidiary, during the first quarter. Following the divestment OpusCapita-segment is presented as discontinued operation. Comparative amounts of income statement and related notes have been restated to reflect continuing operations. Discontinued operations generated total result of EUR 4.9 (−33.6) million during the financial period. Consideration received on the sale was all cash and did not include any contingent consideration.

Result for the period from discontinued operations

EUR million	2019	2018
Net sales	16.3	62.1
Sale profit net of sale costs	4.5	
Other operating income	0.4	−1.9
Depreciation and amortisation	−1.0	−34.2
Other operating expenses	−15.2	−59.6
Operating result	**4.9**	**−33.6**
Finance expenses	−0.1	−0.3
Income tax	0.1	
Result for the period from discontinued operations	**4.9**	**−33.9**

Net assets sold

Sold assets

EUR million	
Intangible assets	61.2
Property, plant and equipment	1.1
Receivables	13.6
Cash and cash equivalents	5.3
Assets total	**81.2**

Sold liabilities

EUR million	
Deferred tax liability	2.5
Interest bearing liabilities	21.1
Trade payables and other liabilities	19.1
Liabilities total	**42.7**
Net assets sold	**38.5**

Cash flow from discontinued operations

EUR million	2019	2018
Cash flow from operating activities	1.3	3.0
Cash flow from investing activities	58.5	−4.0

Acquired businesses 2019

Posti completed the acquisition of the entire share capital of in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti's logistics services growth strategy and Posti has become a significant operator in logistics outsourcing solutions in Finland. A goodwill of EUR 44.8 million was recognized on the acquisition. As a result of the acquisition Posti can extend its' services and offer unique and comprehensive services for the whole supply chain including warehousing-, in-house logistic- and staffing solutions.

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

Effect on assets

EUR million	Fair value
Intangible assets	18.9
Property, plant and equipment	10.6
Inventory	0.9
Receivables	20.5
Cash and cash equivalents	9.2
Effect on assets	**60.1**

Effect on liabilities

EUR million	
Deferred tax liability	3.9
Interest bearing liabilities	29.0
Trade payables and other liabilities	21.8
Effect on liabilities	**54.7**
Net assets acquired	**5.4**

Components of acquisition cost

EUR million	
Cash considerations	50.2
Total cost of acquisition	**50.2**
Fair value of net assets acquired	5.4
Goodwill	**44.8**

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	50.2
Cash and cash equivalents of the acquired subsidiary	9.2
Cash flow	**41.0**

In September Posti Group Corporation acquired E-Log Services Oy which is the owner of Pakettikauppa.fi. Pakettikauppa offers services for parcel and e-commerce. Acquisition did not have material impact in Posti group consolidated income statement or balance sheet.

Business divestments in 2019

Posti Logistics Solutions business group divested non-synergy businesses related to temperature-controlled grocery logistics. Other income of EUR 0.4 million and other expense EUR 0.9 million was recognized. Items have been reported in special items related to the divestment. Transactions did not have material impact in Posti group's balance sheet or income statement.

Acquired businesses 2018

There were no business acquisitions during 2018. Paid earn-out considerations for acquisitions carried out in earlier accounting periods amounted to EUR 5.0 million.

Business divestments in 2018

In March, Posti's Finnish Debt Collection business was sold to Intrum and the Norwegian Debt Collection business to Visma. The business was reported in the Mail, Parcel and Logistics Services segment. The divestment did not have a material impact on the Group's income statement or balance sheet.

In April, Itella Russia divested its MaxiPost courier business. MaxiPost offers courier services for both small and large companies, as the main market areas located in Moscow, St.Petersburg and their neighboring areas. The divestment did not have a material impact on the Group's income statement or balance sheet.

In June, Posti sold Debt Collection business in Sweden (OpusCapita Kredithanterarna AB and Svenska Fakturaköp AB). The business was reported in the Mail, Parcel and Logistics Services segment. The gain on disposal amounted EUR 0.9 million. The divestment had one-off positive impact on Group's second quarter cash flow.

OOO Itella Connexions, a Posti subsidiary in Russia, was divested in December. Itella Connexions is a customer relationship management and digital agency serving a number of international automobile customers and customers operating with fast moving consumer goods. Financial figures were reported in Itella Russia segment. The loss on disposal EUR 1.3 million was recognized in the fourth quarter.

3. Other operating income

EUR million	2019	2018, restated
Gains on disposals of property, plant and equipment	4.0	2.2
Rental income	5.0	4.2
Rents from investment property	1.3	2.3
Gains on sale of subsidiaries and businesses	0.5	2.1
Other admin and IT related services and fees	6.0	7.8
Other items	2.4	3.7
Total	**19.3**	**22.3**

The largest item of gain on disposals of property, plant and equipment in 2019 is related to the sale of land area in Pohjois-Pasila. Rental income consists mainly of rent income from buildings and condominiums owned by Posti. Other items include income from the sale of services and materials.

4. Materials and services

EUR million	2019	2018, restated
Production materials	24.0	17.3
Subcontracting and external services	158.3	179.7
Mail transport and delivery services	267.7	267.2
Freight and transport	32.9	35.5
Other production cost	0.1	1.0
Total	**482.9**	**500.6**

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

5. Employee benefits

EUR million	2019	2018, restated
Wages and salaries	555.3	530.3
Pensions (defined contribution plans)	92.0	90.3
Pensions (defined benefit plans)	0.1	0.1
Other social expenses	25.2	27.4
Total	**672.7**	**648.2**

Employee benefits

More detailed information on defined benefit pension plans can be found in note 18.

Employee benefit expense includes EUR 6.4 million (2018: 1.0) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and the Group's various profitability improvement programs.

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

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

For key management compensation, see note 24.

6. Other operating expenses

EUR million	2019	2018, restated
Rents and leases	31.5	90.3
Voluntary employee expenses	17.7	14.7
Losses on disposal of businesses and property, plant and equipment	0.3	1.8
IT operating costs	74.9	69.0
Facility maintenance	39.0	36.7
Other production costs	45.8	46.5
Office, marketing and travel	37.2	34.5
Other operating items	41.4	34.7
Total	**287.8**	**328.3**

Other operating expenses include expenses on leased premises, vehicles and other equipment, voluntary personnel expenses, IT operating costs, facility maintenance expenses related to premises and vehicles and other operating expenses containing expenses related to fuels and lubricants and other production expenses, sales commissions paid to non-employees as well as other sales and marketing costs, administration, traveling and entertainment expenses. Rents and leases reported in other operating expenses derecased due to adoption of IFRS 16 Leases - standard. Additional information on impact of IFRS 16 adoption is disclosed in Group Accounting policies.

Posti Group other operating expenses and employee benefits include EUR 3.4 (2018: 4.7) million research and development costs. Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 3.5 (2018: 2.5) million.

Office expences includes auditor fees as follows:

Auditor fees	2019	2018, restated
Audit	0.5	0.6
Other services	0.1	0.9
Total	**0.7**	**1.6**

7. Depreciation, amortization and impairment losses

EUR million	2019	2018, restated
Amortization on intangible assets		
Development costs	1.2	1.2
Intangible rights	14.6	10.6
Total	**15.8**	**11.8**
Impairment losses on intangible assets		
Impairment losses on intangible rights	6.8	1.4
Impairment losses on goodwill	-	0.2
Total	**6.8**	**1.5**
Depreciation on property, plant and equipment		
Buildings and structures	12.2	11.6
Investment properties	0.2	0.6
Machinery and equipment	30.8	30.2
Other tangible assets	0.4	0.3
Total	**43.6**	**42.7**
Depreciation on right-of-use assets	**55.5**	**9.1**
Impairment losses on property, plant and equipment		
Impairment losses on machinery and equipment	0.2	0.0
Impairment losses on buildings	0.0	0.0
Impairment losses on other tangible assets	0.2	0.0
Total	**0.4**	**0.0**
Total depreciation, amortization and impairment losses	**122.1**	**65.2**

Depreciation has increased due to adoption of IFRS 16 Leases - standard. Depreciation on assets under finance leases is presented as comparative information. Additional information on impact of IFRS 16 adoption is disclosed in Group Accounting policies.

Posti has recognized impairment loss EUR 5.2 million on both tangible and intangible assets related to unused warehouse management system integration modules.

Goodwill is not amortized but is tested for impairment annually and whenever there are indications for impairment.

More information about impairment testing of goodwill is presented in note 10.

8. Financial income and expenses

Financial income

EUR million	2019	2018, restated
Dividend income	0.4	0.4
Interest income		
Financial assets at amortised cost	1.3	1.5
Exchange rate gains		
Interest-bearing receivables and liabilities	9.8	2.3
Currency derivatives, non-hedge accounting	0.3	0.8
Other financial income*	0.0	3.1
Total	**11.9**	**8.0**

Financial expenses

EUR million	2019	2018, restated
Interest expenses		
Financial lease liabilities at amortised cost	4.3	0.0
Other financial liabilities at amortised cost	1.5	1.4
Changes in fair value of financial assets at fair value through profit or loss	-	0.0
Exchange rate losses		
Interest-bearing receivables and liabilties	7.2	4.5
Currency derivatives, non-hedge accounting	0.3	1.2
Impairment on financial assets	0.1	0.2
Other financial expenses	0.5	0.9
Total	**13.9**	**8.1**

*In 2018 other financial income include EUR 3.1 million gain on a share option related to subsidiary acquisition.

9. Income tax

EUR million	2019	2018, restated
Current tax expense	3.8	5.2
Taxes for previous years	-0.1	-0.1
Deferred tax	-1.3	-0.9
Total	**2.4**	**4.2**

Additional information about deferred taxes are disclosed in Note 14.

Continuing operations

Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax and associates' results	16.5	38.9
Income tax at parent company's tax rate of 20%	3.3	7.8
Difference in foreign subsidiaries tax rates	-0.5	-0.2
Non-deductible expenses and other differences	1.5	-0.5
Other deductible expense not recognized in income statement	-2.4	-0.8
Tax-exempt income	-1.7	-1.9
Adjustments in taxes from previous years	-0.1	-0.1
Unrecognized deferred tax asset on losses for the period	1.3	0.2
Changes in deferred tax assets for previous years' losses	1.0	-0.2
Income tax	**2.4**	**4.2**
Effective tax rate	14.8%	10.7%

Discontinued operations

Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax and associates' results	4.8	-34.0
Income tax at parent company's tax rate of 20%	1.0	-6.8
Tax-exempt income	-1.3	-
Non-deductible expenses and other differences	0.3	6.8
Income tax	**0.1**	**0.0**

Effective tax rate in 2019 was impacted significantly by realized deductible expense which has not been recognized in income statement for current accounting period. Item is related to impairment done in earlier accounting period. In addtion to deductible expenses there was a significant write off of deferred tax asset in one of Posti subsidiaries because of decreased profitability.

Discontinued operations includes OpusCapita which was divested in March 2019. In 2018 Posti recognized EUR 30 million impairment in goodwill of OpusCapita, which is not deductible expense in taxation. Tax-exempt income in 2019 is related to Group's sales gain.

10. Intangible assets

2019

EUR million	Goodwill	Intangible rights	Develoment costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	274.5	258.7	37.6	24.9	321.2
Translation differences and other adjustments	−0.1	3.1			3.1
Acquired businesses	45.1	21.1			21.1
Business divestments	−104.3	−12.5		−10.4	−22.9
Additions		15.8	4.8	1.5	22.2
Disposals		−3.5	−0.4		−3.8
Transfers between items		1.4		−1.4	0.0
Cost December 31	**215.2**	**284.2**	**42.1**	**14.7**	**340.9**
Accumulated amortization and impairment losses January 1	−127.1	−225.0	−35.9	−3.4	−264.3
Translation differences and other adjustments		−3.8			−3.8
Business divestments	63.9	2.4			2.4
Amortization for the financial period, continuing operations		−14.6	−1.2		−15.8
Impairments, continuing operations		−6.8			−6.8
Amortization and impairments, discontinued operations		−0.9			−0.9
Accumulated amortization on disposals and transfers		6.5	0.3		6.8
Accumulated amortization and impairment losses December 31	**−63.2**	**−242.2**	**−36.9**	**−3.4**	**−282.4**
Carrying amount on January 1	**147.4**	**33.7**	**1.7**	**21.6**	**57.0**
Carrying amount on December 31	**151.9**	**41.9**	**5.2**	**11.3**	**58.5**

2018, restated

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Cost January 1	277.6	253.6	37.6	16.8	308.0
Translation differences and other adjustments	–0.5	–3.5			–3.5
Acquired businesses					0.0
Business divestments	–2.6	–1.5			–1.5
Additions		10.5		8.6	19.2
Disposals		–1.0			–1.0
Transfers between items		0.5		–0.5	0.0
Cost December 31	**274.5**	**258.7**	**37.6**	**24.9**	**321.2**
Accumulated amortization and impairment losses January 1	–97.0	–213.1	–34.7	–3.4	–251.2
Translation differences and other adjustments		3.5			3.5
Business divestments					0.0
Amortization for the financial period, continuing operations		–10.5	–1.2		–11.8
Impairments, continuing operations	–0.2	–1.4			–1.4
Amortization and impairments, discontinued operations	–30.0	–4.1			–4.1
Accumulated amortization on disposals and transfers		0.6			0.6
Accumulated amortization and impairment losses December 31	**–127.1**	**–225.0**	**–35.9**	**–3.4**	**–264.3**
Carrying amount on January 1	**180.7**	**40.5**	**2.9**	**13.5**	**56.9**
Carrying amount on December 31	**147.4**	**33.7**	**1.7**	**21.6**	**57.0**

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

Goodwill and impairment testing

Posti has made significant investments in business acquisitions and intangible assets including IT systems, licences, acquired trademarks and customer portfolios as well as in property, plant and equipment comprising mainly real-estates, vehicles and other production equipment. Goodwill and intangible assets not yet in use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment.

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

Posti's reportable segments 31.12.2018 consisted of four operating segments: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

Posti's organization model was changed in the beginning of year 2019. In financial statements 31.12.2019 Posti has four operating segments: Postal Services, Parcel and eCommerce, Logistics Solutions and Itella Russia. At the beginning of 2019 OpusCapita was operating segment, but it was sold in March 2019 and is now presented as discontinued operation (additional information in Note 2). Organization model changes did not impact in Itella Russia. As part of the organization changes, Posti's cash generating units (CGU) has been redefined and goodwill reallocation has been done according to fair values of each CGU.

Allocation of goodwill to the Group's cash generating units is presented in the table below. Operating segment is presented in brackets.

EUR million	2019	1.1.2019, restated
Postal Services (Postal Services)	16.5	16.6
OpusCapita (OpusCapita)	-	40.4
Parcel and eCommerce (Parcel and eCommerce)	74.9	74.7
Transval (Logistics Solutions)	60.5	15.7
Total	**151.9**	**147.4**

*) Restated to correspond the revised cash-generating unit structure.

Essential changes in Group goodwill are related to sale of OpusCapita as well as acquisition of Transval. Additional information in Note 2.

The result of the goodwill impairment testing in 2019

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. No impairment losses were recognized based on the goodwill impairment tests in 2019. In 2018, Posti recognized an impairment loss of EUR 30.0 million on OpusCapita's goodwill.

Impairment testing and sensitivity analysis 2019

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

The terminal value beyond three years of cash-generating units is based on a moderate growth rate expectation of 1% (2018: 1%) with the exception of Postal Services where the estimated terminal growth rate is –5% (2018: –5%) due to expected decline in paper delivery volumes.

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

The key outcomes and the parameters used in testing 2019

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	98	4.4	–5.0	5.7	3.0
Parcel and eCommerce	343	6.6	1.0	6.5	6.6
Transval	126	5.2	1.0	5.5	6.8

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

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Postal Services	17.1	0.8
Parcel and eCommerce	17.5	2.5
Transval	8.5	4.1

The result of the goodwill impairment testing in 2018

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. No impairment losses were recognized based on the goodwill impairment tests. Posti evaluated OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate. Based on the evaluation an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.

Impairment testing and sensitivity analysis 2018

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

The terminal value beyond five years of cash-generating units is based on a moderate growth rate expectation of 1% (2017: 1%) with the exception of Postal Services where the estimated terminal growth rate is –5% (2017: –5%) due to expected decline in paper delivery volumes.

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

The key outcomes and the parameters used in testing 2018

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services (until 31.12.2018)	17	2.9	–5.0	6.5	2.1
OpusCapita	25	4.7	1.0	9.0	11.9
Parcel and Transportation Services	295	2.9	1.0	6.2	4.6
Supply Chain Solutions	17	1.5	1.0	6.2	3.0

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

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Postal Services (until 31.12.2018)	8.7	1.6
OpusCapita	7.9	11.8
Supply Chain Solutions	8.0	1.9

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

11. Investment property

EUR million	2019	2018
Cost January 1	5.2	16.1
Disposals	-	–10.9
Cost December 31	**5.2**	**5.2**
Accumulated depreciation and impairment losses January 1	–1.2	–6.9
Depreciation for the period	–0.3	–0.6
Accumulated depreciation on disposals	-	6.3
Accumulated depreciation and impairment losses December 31	**–1.5**	**–1.2**
Carrying amount on January 1	**3.9**	**9.1**
Carrying amount on December 31	**3.7**	**3.9**

Investment property includes three properties that Posti has leased out to external parties. Two of the properties are land areas and one is a building. On December 31, 2019, the fair value of investment property totaled EUR 10.8 milloin (2018: 10.8). Fair values are based on an external real estate agents' appraisals. In 2019 rental income from investment property totaled EUR 1.3 milloin (2018: 2.3) and maintenance charges amounted to EUR 0.3 (2018: 1.0) million.

12. Property, plant and equipment

2019

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	60.1	398.4	439.2	12.8	14.0	924.6
Change in accounting policy, IFRS 16			-53.7			-53.7
Translation differences and other adjustments	2.4	14.1	4.4	0.6	-0.0	21.5
Acquired businesses	0.0	0.5	13.4			13.9
Business divestments	-1.1	-6.2	-0.4	-0.4		-8.1
Additions	0.2	3.9	28.9	0.2	-0.4	32.8
Disposals	-1.0	-0.3	-34.5	-0.1		-35.8
Transfers between items	0.0	0.0	3.1	0.0	-3.1	0.0
Cost on December 31	**60.7**	**410.3**	**400.5**	**13.2**	**10.5**	**895.2**
Accumulated depreciation and impairment losses January 1	-0.5	-246.4	-339.5	-10.4	0.0	-596.9
Change in accounting policy, IFRS 16			44.2			44.2
Translation differences and other adjustments	-0.0	-6.5	-3.7	-0.3		-10.5
Acquired businesses		-0.1	-7.9			-8.0
Business divestments		1.8	0.3	0.3		2.4
Depreciation for the period, continuing operations		-12.2	-30.8	-0.4		-43.4
Impairment, continuing operations		-0.0	-0.2	-0.2		-0.4
Depreciation and impairment, discontinued operations		-0.1	-0.0			-0.1
Accumulated depreciation on disposals and transfers		0.2	31.3			31.5
Accumulated depreciation and impairment losses December 31	**-0.6**	**-263.2**	**-306.3**	**-11.0**	**0.0**	**-581.2**
Carrying amount on January 1	**59.6**	**151.9**	**99.7**	**2.4**	**14.0**	**327.6**
Carrying amount on December 31	**60.2**	**147.0**	**94.2**	**2.1**	**10.5**	**314.0**

2018, restated

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on January 1	62.4	387.5	444.1	13.1	20.8	927.9
Translation differences and other adjustments	-2.6	-15.4	-5.8	-0.3	-0.1	-24.2
Acquired businesses						0.0
Business divestments			-0.5			-0.5
Additions	0.0	5.0	24.8		16.8	46.6
Disposals	-0.0	-0.3	-24.3	-0.6		-25.2
Transfers between items	0.4	21.5	0.9	0.6	-23.4	0.0
Cost on December 31	**60.1**	**398.4**	**439.2**	**12.8**	**14.0**	**924.5**
			0.0			
Accumulated depreciation and impairment losses January 1	-0.5	-241.6	-329.1	-10.4	0.0	-581.5
Translation differences and other adjustments		6.7	5.1	0.3		12.0
Depreciation for the period, continuing operations		-11.6	-39.2	-0.3		-51.2
Impairment, continuing operations			-0.0			-0.0
Depreciation and impairment, discontinued operations			-0.0	-0.0		-0.1
Accumulated depreciation on disposals and transfers		0.1	23.8			23.9
Accumulated depreciation and impairment losses December 31	**-0.5**	**-246.4**	**-339.5**	**-10.4**	**0.0**	**-596.9**
			0.0			
Carrying amount on January 1	**61.9**	**145.9**	**115.1**	**2.7**	**20.8**	**346.4**
Carrying amount on December 31	**59.6**	**151.9**	**99.7**	**2.4**	**14.0**	**327.6**

2018 Property, plant and equipment included the following assets leased under finance lease.

2018

EUR million	Machinery and equipment
Cost on Dec 31	53.7
Accumulated depreciation Dec 31	-44.2
Carrying amount on Dec 31	**9.5**

From 2019 leased assets are presented as a separate line item "Right-of-use assets" in the balance sheet, see note 13 Right-of use assets and note 22 Leases. More details on the change in accounting policy can be found in accounting policies.

13. Right-of-use assets

Posti has adopted IFRS 16 leases -standard on its effective date January 1, 2019 using modified retrospective approach, thus the previous periods are not restated. The standard has affected primarily the accounting by lessees and as a result Posti has recognized most of the leases on balance sheet. More information transition to IFRS 16 can be found on Group accounting policies.

2019

EUR million	Land	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Cost January 1	0.0	0.0	0.0	0.0	0.0
Change in accounting policy, IFRS 16	0.4	189.3	4.9	22.8	217.4
Translation differences and other adjustments	0.0	0.1	–0.6	–0.6	–1.1
Acquired businesses	0.0	3.8	0.7	0.3	4.8
Sale of businesses	0.0	–0.6	0.0	–0.5	–1.1
Additions	0.0	13.1	2.6	12.8	28.5
Disposals	0.0	–5.1	–0.8	–0.3	–6.2
Cost December 31	**0.4**	**200.6**	**6.9**	**34.4**	**242.3**
Accumulated amortization and impairment losses January 1	0.0	0.0	0.0	0.0	0.0
Translation differences and other adjustments	0.0	0.0		0.0	0.0
Sale of businesses	0.0	0.1	0.0	0.1	0.2
Depreciation for the financial period, continuing operations	–0.2	–40.0	–2.3	–13.2	–55.7
Impairments, continuing operations	0.0	0.0	0.0	0.0	0.0
Depreciation and impairments, discontinued operations	0.0	0.0	0.0	0.1	0.1
Accumulated depreciation on disposals and transfers	0.0	3.0	0.6	0.0	3.6
Accumulated depreciation and impairment losses December 31	**–0.2**	**–36.9**	**–1.7**	**–13.1**	**–51.9**
Carrying amount on January 1	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Carrying amount on December 31	**0.3**	**163.7**	**5.1**	**21.3**	**190.5**

14. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2019

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other compre hensive income	31 Dec
Unused tax losses	3.0			-1.1		1.8
Pension obligations	2.0			-0.4	0.1	1.7
Temporary differences from business transactions	-			1.5		1.5
Restructuring provision	1.4			0.0		1.3
Impairment on real estate shares	1.5			-0.3		1.2
Other temporary differences	1.4	-0.1		0.0		1.3
Total	**9.2**	**-0.1**	**-**	**-0.4**	**0.1**	**8.8**

Deferred tax liabilities 2019

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	10.7	1.0	1.8	-1.9	11.6
Intangible and tangible assets	6.1			0.3	6.4
Accumulated depreciation in excess of plan	2.9			-0.3	2.5
Other temporary differences	0.2	-0.3		0.2	0.1
Total	**19.8**	**0.7**	**1.8**	**-1.7**	**20.6**

Deferred tax assets 2018

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other compre hensive income	31 Dec
Unused tax losses	4.4			-1.5		3.0
Pension obligations	2.4			-0.1	-0.3	2.0
Restructuring provision	2.0			-0.6		1.4
Impairment on real estate shares	1.6			-0.1		1.5
Other temporary differences	0.6			0.8		1.4
Total	**11.0**			**-1.5**	**-0.3**	**9.2**

Deferred tax liabilities 2018

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	14.2	-1.2	-0.4	-2.0	10.7
Intangible and tangible assets	5.9			0.2	6.1
Accumulated depreciation in excess of plan	3.5			-0.6	2.9
Other temporary differences	0.1			0.1	0.2
Total	**23.7**	**-1.2**	**-0.4**	**-2.3**	**19.8**

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

On December 31, 2019, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 151,8 (2018: 146.3) million, mainly arising from businesses outside Finland. The majority of these losses do not expire. Of this amount 61,5 (61,5) million euro relates to the cases described below. The remaining tax losses relate to jurisdictions where there is a history of recent losses.

Posti has several ongoing tax litigation cases in Finland where Posti has deducted foreign carry forward tax losses in Finland. The most significant cases are related to cross-border mergers of German and Danish subsidiaries which occurred in 2014 and 2015. Tax Authorities rejected total value of 61,5 million euro tax losses while accepting 37 million euro tax losses to be utilized. Both Posti and the Tax Recipients' Legal Services Unit have appealed these cases to Administrative Court where these cases are still pending. The main uncertainty in these cases relates to interpretation of European Court of Justice's definition for final tax losses and lack of precedents of this definition and its impacts to Finnish tax regulation. In view of the Tax Authorities' decisions, Posti has determined the most likely outcome for each case and recorded taxes in accordance with this outcome. In 2015 Posti has recognized amount of 0,7 million euro deferred tax assets for these cases while also utilizing accepted tax losses value of 7,4 million euro. If all court resolutions are negative for Posti these will have a negative impact of 8,6 million euro. In case the Court decides in favour of Posti in all cases this will have a positive impact value of 11,2 million euro to Group's profit.

15. Inventories

EUR million	2019	2018
Materials and supplies	0.8	0.1
Goods	3.2	2.9
Advance payments for inventories	0.6	0.8
Total	**4.6**	**3.7**

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

16. Trade and other receivables

EUR million	2019	2018
Loan receivables	0.0	0.0
Trade receivables	235.6	221.4
Trade receivables from associated companies	0.0	0.2
Accrued income and prepayments	54.2	64.2
Other receivables	9.9	2.3
Total	**299.7**	**288.2**

More information on trade receivables is provided in note 21 Financial instruments and financial risk management.

Other receivables mainly include credit card receivables from banks and financing companies. In addition, 2019 other receivables include EUR 8.0 million prepayment related to business acquisition.

The largest item under accrued income and prepayments is EUR 31.4 million (2018: 34.1) accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

17. Equity

Shares and shareholders

EUR million	2019	2018
Share capital	70.0	70.0
General purpose reserve	142.7	142.7
Fair value reserve	−1.3	−0.7
Translation differences	−89.9	−100.7
Retained earnings	323.4	332.4
Total shareholders' equity	**444.9**	**443.7**

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2019. 50.1% of the shares are held by the Finnish State and 49.9% by the Valtion kehitysyhtiö Vake Oy. The shares do not have a nominal value. Posti Group Corporation's share capital amounts to EUR 70,000,000 for all periods presented. All issued shares have been paid in full.

General purpose reserve

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

Fair value reserve

Changes in the fair value derivatives hedging foreign currency risk and interest rate risk (cash flow hedge) are recognized in the fair value reserve.

Translation difference

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

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

Distributable funds

The distributable funds of the Group's parent company Posti Group Corporation:t

EUR million	2019	2018
General purpose reserve	142.7	142.7
Retained earnings	181.5	291.8
Total distibutable funds	**324.2**	**434.5**

Dividend distribution

EUR million	2019	2018
Dividend based on the result for the financial year	29.8,*	28.4
Extra dividend	-	-
Total dividend distribution	**29.8,***	**28.4**

* Board of Directors' proposal to the Annual General Meeting

The Board of Directors proposes the Annual General Meeting a dividend distribution of EUR 29.8 million (0.745 per share) for the year 2019. Dividends distributed for the year 2018 totaled EUR 28.4 million (0.71 per share).

18. Pension liabilities

Main characteristics of the defined benefit pension plans

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

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

Defined benefit pension liabilities in the balance sheet

EUR million	2019	2018
Present value of funded obligation	67.7	68.4
Fair value of plan assets	–59.7	–58.4
Deficit	**8.0**	**10.0**

Defined benefit pension expenses in the income statement

EUR million	2019	2018
Current service cost	0.0	0.0
Interest expense	0.1	0.1
Total	**0.1**	**0.1**

Statement of comprehensive income

EUR million	2019	2018
Remeasurement gains (-) and losses (+)	–1.1	–1.6

Changes in the present value of the pension obligation

EUR million	2019	2018
Obligation at the beginning of the period	68.4	76.5
Current service cost	0.0	0.0
Interest expense	0.9	0.7
Paid benefits	–5.0	–5.1
Disposed of in business combinations	0.0	0.0
Actuarial gains (-) and losses (+) on changes in financial assumptions	4.0	–3.3
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	0.0
Experience-based gains (-) and losses (+)	–0.5	–0.4
Obligation at the end of the period	**67.7**	**68.4**

Changes in the fair value of the plan assets

EUR million	2019	2018
Fair value of the plan assets at the beginning of the period	58.4	64.7
Interest income	0.8	0.6
Paid benefits	–5.0	–5.1
Employer contributions	1.0	0.4
Actual return on plan assets less interest income	4.6	–2.1
Fair value of the plan assets at the end of the period	**59.7**	**58.4**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 1.0 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 9.3 years.

Key actuarial assumptions and sensitivity analysis

	2019	2018
Discount rate	0.26–0.73	1.27–1.77
Future pension increase expectation	1.3–1.5	1.7–1.9

		Change in defined benefit liability			
EUR million	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	–0.3	–3.6%	0.3	3.8%
Pension increase rate	0.25%	1.4	17.7%	–1.4	–17.1%

EUR million	Increase by one year		Decrease by one year	
Life expectancy at birth	0.7	9.2%	–0.7	–8.6%

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

19. Provisions

2019

EUR million	Restructuring provision	Onerous contracts	Other	Total
Carrying amount on 1 Jan	6.9	11.6	2.7	21.2
Translation difference	0.0	2.1	0.0	2.1
Increase in provisions	7.5	0.0	3.7	11.2
Used provisions	–5.7	–7.6	–3.7	–17.1
Unused amounts reversed	–2.0	–0.5	0.0	–2.5
Carrying amount on 31 Dec	**6.7**	**5.5**	**2.7**	**14.9**

2018

EUR million	Restructuring provision	Onerous contracts	Other	Total
Carrying amount on 1 Jan	10.0	17.3	0.3	27.6
Translation difference		–2.2		–2.2
Increase in provisions	2.3	0.9	2.5	8.8
Used provisions	–3.2	–3.5	–0.2	–7.5
Unused amounts reversed	–2.2	–0.7		–5.5
Carrying amount on 31 Dec	**6.9**	**11.6**	**2.7**	**21.2**

EUR million	2019	2018
Long-term provisions	4.8	9.9
Short-term provisions	10.2	11.3
Total	**14.9**	**21.2**

Restructuring provisions

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

Onerous contracts

Majority of provisions for onerous contracts relate to Russian real-estate leases and customer agreements. Provisions have been recognized to the amount of expected obligations exceeding the income arising from the contracts during the years 2019–2020. The provisions are regularly reviewed as the amount of expected obligations are dependent on the anticipated costs for fulfilling the contracts which vary over time. The provisions are also dependent on the exchange rate of the Russian ruble against the US dollar.

20. Trade and other payables

Other non-current payables

EUR million	2019	2018
Advances received and deferred revenue	13.6	14.2
Other liabilities	0.5	4.2
Derivative contracts	1.6	0.9
Other accrued expenses	4.8	5.2
Total	**20.5**	**24.6**

Current trade and other payables

EUR million	2019	2018
Derivative contracts	0.0	0.1
Trade payables	59.1	67.7
Advances received and deferred revenue	67.4	77.0
Accrued personnel expenses	122.7	118.4
Other accrued expenses	64.6	55.4
Other liabilities	49.8	37.1
Current trade and other payables	**363.7**	**355.7**

Advances received includes deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section "Revenue recognition." The total amount of non-current and current liability is EUR 24.0 (2018: 25.8) million.

The most significant item within other accrued expenses is estimated payables for terminal payments to other Postal administrations, totaling EUR 11.8 (2018: 10.3) million. The remaining items comprise ordinary accruals of expenses.

21. Financial instruments and financial risk management

Financial assets and liabilities

2019

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets - non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		0.3		0.3	0.2	2
Non-current financial assets	**1.0**	**0.3**	**0.0**	**1.3**	**1.1**	
Financial assets - current						
Trade and other receivables		283.2		283.2	283.2	
Currency derivatives	0.1			0.1	0.1	2
Money market investments		60.2		60.2	60.3	2
Investments in quoted bonds		23.6		23.6	23.7	1
Investments in unquoted bonds		3.0		3.0	3.0	2
Debt certificates		15.0		15.0	15.0	
Current financial assets	**0.1**	**385.1**	**0.0**	**385.2**	**385.3**	
Money market investments		24.9		24.9	25.0	2
Cash and bank		29.9		29.9	29.9	
Cash and cash equivalents	**0.0**	**54.9**	**0.0**	**54.9**	**54.9**	
Total financial assets	**1.1**	**440.3**	**0.0**	**441.3**	**441.4**	
Financial liabilities - non-current						
Loans from financial institutions		119.8		119.8	120.2	2
Lease liabilities		146.8		146.8	146.8	2
Other		2.7		2.7	2.7	2
Non-current borrowings	**0.0**	**269.2**	**0.0**	**269.2**	**269.7**	
Interest-rate derivatives			1.6	1.6	1.6	2
Other non-current financial liabilities	**0.0**	**0.0**	**1.6**	**1.6**	**1.6**	
Financial liabilities - current						
Lease liabilities		45.3		45.3	45.3	2
Other		1.5		1.5	1.5	2
Current borrowings	**0.0**	**46.8**	**0.0**	**46.8**	**46.8**	
Commercial papers		5.0		5.0	5.0	
Trade payables and other liabilities		122.6		122.6	122.6	
Other current financial liabilities	**0.0**	**127.6**	**0.0**	**127.6**	**127.6**	
Total financial liabilities	**0.0**	**443.6**	**1.6**	**445.2**	**445.6**	

2018

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets - non-current						
Other non-current investments	3.4			3.4	3.4	3
Non-current receivables		1.3		1.3	1.3	2
Non-current financial assets	**3.4**	**1.3**	**0.0**	**4.7**	**4.7**	
Financial assets - current						
Trade and other receivables		264.5		264.5	264.5	
Equity fund investments	0.0			0.0	0.0	3
Currency derivatives	0.1		0.1	0.1	0.1	2
Money market investments		13.9		13.9	14.0	2
Investments in quoted bonds		10.5		10.5	10.7	1
Debt cerificates		30.0		30.0	30.0	
Current financial assets	**0.1**	**318.9**	**0.1**	**319.1**	**319.3**	
Money market investments		30.9		30.9	31.0	2
Cash and bank		75.6		75.6	75.6	
Cash and cash equivalents	**0.0**	**106.6**	**0.0**	**106.6**	**106.6**	
Total financial assets	**3.5**	**426.8**	**0.1**	**430.3**	**430.6**	
Financial liabilities - non-current						
Loans from financial institutions		119.7		119.7	120.2	2
Lease liabilities		0.4		0.4	0.4	2
Other		0.0		0.0	0.0	2
Non-current borrowings	**0.0**	**120.2**	**0.0**	**120.2**	**120.7**	
Interest-rate derivatives			0.9	0.9	0.9	2
Other non-current financial liabilities	**0.0**	**0.0**	**0.9**	**0.9**	**0.9**	
Financial liabilities - current						
Lease liabilities		9.5		9.5	9.5	
Current borrowings	**0.0**	**9.5**	**0.0**	**9.5**	**9.5**	
Foreign currency derivatives	0.1			0.1	0.1	2
Trade payables and other liabilities		125.1		125.1	125.1	
Other current financial liabilities	**0.1**	**125.1**	**0.0**	**125.2**	**125.2**	
Total financial liabilities	**0.1**	**254.8**	**0.9**	**255.8**	**256.4**	

Hierarchy levels

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

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

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

The fair values of currency forward contracts are calculated by valuing forward contracts at the present value of the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of zero interest rate floors related to interest rate swaps are based on the generally used option pricing models.The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers.

The fair values of investments in money market instruments are based on the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information such as interest yield and issuer's credit spread (Level 2). The fair values of the loans from financial institutions and lease liabilities are calculated by discounting the forecast cash flows with the market rates on the reporting date. Due to the short-term nature of the trade and other current receivables and trade payables and other current liabilities, their carrying amount is considered to be the same as their fair value.

No transfers between fair value hierarchy levels were made during 2019 or 2018. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

Reconciliation of Level 3 financial assets

2019

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	**3.4**
Profits and losses	
In income statement	0.0
In other comprehensive income	
Additions	0.0
Exercises	–2.4
Carrying amount 31 Dec	**0.9**
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

2018

EUR million	Shares and investments in equity funds	Equity derivatives - liabilities	Total
Carrying amount 1 Jan	**3.5**	**–4.8**	**–1.3**
Profits and losses			
In income statement	0.0	3.1	3.1
In other comprehensive income			
Additions			
Exercises	0.0	1.7	1.7
Carrying amount 31 Dec	**3.4**	**0.0**	**3.4**
Total profits and losses recognized on assets held at the end of the reporting period			
In financial income and expenses	0.0	0.0	0.0

Financial income and expenses include EUR 3.1 million fair value change of share option related to acquisiton of Flexo Palvelut Oy. The Group exercised it's call option during the financial year and acquired 100 % of Flexo Palvelut Oy shares.

Financial risk management

Principles of risk management

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

Risk management organization

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

Market risks

Foreign Currency risk

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks in the balance sheet related to financial operations. Unhedged exposure is permitted within the limits specified in the Group's treasury policy. Loans granted by the parent company to subsidiaries are in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. Due to high hedging costs of Russian ruble the Group does not currently hedge the ruble-denominated receivables of the parent company. The Group may hedge contract based operative cash flows at maximum to 100 per cent of the following 12 months cash flows. The objective of cash flow hedging is to decrease the volatility in cash flow and operating result caused by the exchange rate fluctuations. The Group has hedged Itella Russia's USD denominated lease payments of the most significant lease contracts with currency derivatives at maximum to the following 12 months. The Group has applied cash flow hedge accounting to the lease contracts' hedges. The hedging contracts have been scheduled to be due simultaneously when the cash flows of the hedged item occur. On the balance sheet date 31.12.2019, the Group did not have highly probable operative cash flows defined as hedged items or related hedging currency derivatives. On the balance sheet date 31.12.2018, the Group had hedged 3.2 million or 100 per cent of the highly probable operative cash flows for the following 12 months defined as hedged items. In total, on the balance sheet date, the Group had currency derivatives with a nominal value of EUR 6.2 (2018: 14.1) million in total used to hedge against the currency risk associated with loans, receivables and commitments.

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

Major transaction risk positions on the balance sheet date

2019 EUR million	EUR-companies RUB	SEK	NOK	USD	PLN	RUB-companies USD
Cash flows under hedging	-	-	-	-	-	-
Trade receivables and payables	0.2	0.5	0.1	1.6	–0.2	–1.3
Loans and bank accounts*	17.1	–4.8	–1.5	0.1	-	0.1
Derivatives**	-	4.8	1.5	-	-	-
Open position	17.2	0.5	0.0	1.8	–0.2	–1.3

2018 EUR million	EUR-companies RUB	SEK	NOK	USD	PLN	RUB-companies USD
Cash flows under hedging						–3.2
Trade receivables and payables	0.4	–0.4	0.2	0.5	–0.2	0.0
Loans and bank accounts*	16.7	–2.6	–1.8	0.0	1.7	0.1
Derivatives**		2.6	1.8	0.0	–1.6	3.2
Open position	17.1	–0.4	0.2	0.5	–0.1	0.1

* Includes cash and cash equivalents, interest-bearing receivables and liabilities
** Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on the items denominated in other than functional currencies of the group companies on the balance sheet date. Strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR –2.9 (2018: –1.4) million on the Group's profit before taxes. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR –0.1 (2018: +0.0) million on the Group's profit before taxes and EUR +0.0 (2018 +0.3) million on other items of equity before taxes.

Major translation risk positions on the balance sheet date

Net investments EUR million	RUB	SEK	NOK	PLN
2019	67.6	20.9	3.0	7.0
2018	62.7	22.0	3.5	6.8

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

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. According to the treasury policy the interest rate risk of the debt portfolio is managed by balancing the proportion of the floating and fixed rate debt in the debt portfolio, taking into account the number, the maturity and the value of the debt instruments as well as the market conditions. The proportion of the fixed interest rate debt is to be at minimum 20 % of the debt portfolio, including the interest rate derivatives. The interest rate risk of the interest bearing financial assets is managed by investing the assets into different investment classes, interest periods and maturities. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged with interest rate derivatives within the limits defined in treasury policy.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 321.0 (2018: 129.7) million and interest-bearing receivables to EUR 156.7 (2018: 161.0) million. On the balance sheet date, the Group had long-term floating rate loan EUR 120.0 (2018: 120.0) million and short-term fixed rate loan EUR 5.0 (2018: 0.0) million. Of the floating rate loan EUR 60.0 (2018: 60.0) million was hedged to fixed rate by an interest rate swap. The Group has applied hedge accounting to the interest rate swap hedging the loan. The interest rate swap has identical critical terms as the hedged loan, such as notional amount, reference rate, reset dates, interest periods and maturity. As all critical terms matched during the year, there is an economic relationship and the hedge is expected to be 100% effective. The amount of the fair value recognised in other comprehensive income is presented in statement of changes in equity.

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

EUR million	2019	2018
Carrying amount (current liability)	−1,6	−0,9
Notional amount	60,0	60,0
Maturity date	2024	2024
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instrument during the year	−0,7	−0,1
Change in value of hedged item usewd to determine hedge effectiveness	0,7	0,1

Interest-bearing receivables and debt according to interest rate fixing
2019

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	−130.1	−23.0	−3.6	−156.7
Loans from financial institutions	119.8			119.8
Commercial papers	5.0			5.0
Lease liabilities	192.1			192.1
Other liabilities	4.1			4.1
Net debt	190.9	−23.0	−3.6	164.3
Impact of interets rate swaps	−60.0	60.0		0.0
Total	**130.9**	**37.0**	**−3.6**	**164.3**

2018

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	–159.5	–1.5		–161.0
Loans from financial institutions	119.7			119.7
Lease liabilities	10.0			10.0
Other liabilities	0.0			0.0
Net debt	–29.8	–1.5	0.0	–31.3
Impact of interets rate swaps	–60.0		60.0	0.0
Total	**–89.8**	**–1.5**	**60.0**	**–31.3**

The sensitivity analysis on interest rate risk includes interest-bearing receivables and liabilities as well as interest rate derivatives. An increase of 1 percentage point in the interest rates at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.3 (2018: +0.3) million and other items of equity by EUR +1.8 (2018: +2.5) million before taxes.

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs price-secured electricity products to reduce the price risk related to electricity procurement.

Derivative contracts

2019

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	6.2	0.1	0.1	-
Interest rate swaps, hedge accounting	60.0	–1.6	-	–1.6

2018

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	10.9	0.0	0.1	–0.1
Currency forward contracts, hedge accounting	3.2	0.1	0.1	-
Interest rate swaps, hedge accounting	60.0	–0.9	-	–0.9

Offsetting of financial instruments

Derivative assets	2019	2018
Derivative assets, reported as gross amount	0.1	0.1
Related derivative liabilities subject to master netting agreements	0.0	0.0
Net amount	**0.1**	**0.1**

Derivative liabilities	2019	2018
Derivative liabilities, reported as gross amount	1.6	1.0
Related derivative assets subject to master netting agreements	0.0	0.0
Net amount	**1.6**	**1.1**

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

Terminal due assets	2019	2018
Terminal due assets, reported as gross amount	86.3	73.9
Related terminal due liabilities suject to offsetting rules	58.3	59.8
Net amount	**28.0**	**14.2**

Terminal due liabilities	2019	2018
Terminal due liabilities, reported as gross amount	71.0	77.8
Related terminal due assets suject to offsetting rules	58.3	59.8
Net amount	**12.7**	**18.0**

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

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150.0 million, maturing in 2024, and a non-binding commercial paper program of EUR 200.0 million.

On the balance sheet date, the Group had liquid funds of EUR 141.7 (2018: 131.0) million and unused committed credit facilities of EUR 150.0 (2018: 150.0) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 195.0 (2018: 200.0) million.

EUR million	2019	2018
Cash and cash equivalents	54.9	106.6
Money market investments and investments in bonds	86.8	24.5
Liquid funds	**141.7**	**131.0**

Contractual cash flows from financial liabilities and derivatives including interest payments

2019

EUR million	2020	2021	2022	2023	2024–	Total
Loans from financial institutions	0.7	0.7	60.5	0.4	60.2	**122.4**
Commercial papers	5.0					**5.0**
Lease liabilities	53.9	37.6	27.5	22.9	62.2	**204.2**
Other liabilities	1.5	2.7				**4.1**
Trade payables and other liabilities	122.6					**122.6**
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.4	0.4	0.2	**1.9**
Currency derivatives, cash flows payable	6.2					**6.2**
Currency derivatives, cash flows receivable	–6.3					**–6.3**
Total	**183.9**	**41.4**	**88.4**	**23.7**	**122.6**	**460.1**

2018

EUR million	2019	2020	2021	2022	2023–	Total
Loans from financial institutions	0.7	0.7	0.7	60.5	60.5	**123.1**
Lease liabilities	6.4	3.5				**10.0**
Other liabilities		0.0				**0.0**
Trade payables and other liabilities	125.1					**125.1**
Derivatives:						**0.0**
Interest rate derivatives (net settled)	0.4	0.4	0.4	0.4	0.6	**2.3**
Currency derivatives, cash flows payable	14.1					**14.1**
Currency derivatives, cash flows receivable	–14.1					**–14.1**
Total	**132.6**	**4.6**	**1.1**	**61.0**	**61.2**	**260.5**

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

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with good creditworthiness, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The credit and counterparty risk related to investing of liquid funds and derivative contracts are managed by the limits set for the counterparties. The assessment method for expected credit losses of investments is described in Accounting principles in section Financial assets and liabilities. During the financial year the Group has recognized impairment losses of investments EUR 0.0 (2018: 0.2) million. On the balance sheet date 31.12.2019 the expected credit loss was insignificant.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The Group applies a simplified provision matrix approach for expected credit losses on trade receivables. Terminal due receivables form a separate category in trade receivables, since the expected credit loss on terminal due receivables is minor due to netting arrangement and customer base. Trade receivables include EUR 55.0 (2018: 39.8) million terminal due receivables. More than 180 days overdue receivables include EUR 18.2 (2018: 7.4) million terminal due receivables. Credit losses recognized were EUR 1.0 (2018: 1.0) million.

Aging of trade receivables

EUR million	2019	2018
Not yet due	195.3	187.4
1–30 days overdue	17.5	24.0
31–60 days overdue	2.6	0.2
61–90 days overdue	1.7	2.1
91–180 days overdue	1.9	1.2
181– days overdue	18.7	7.9
Trade receivables gross	**237.7**	**222.8**
Expected credit loss	−2.1	−1.4
Trade receivables net	**235.5**	**221.4**

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2019 and 2018. The Group's loan agreements do not contain financial covenants.

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

Net debt	2019	2018
Interest-bearing liabilities	321.0	129.7
Cash and cash equivalents	54.9	106.6
Investments in maturies over 3 months	86.8	24.5
Debt certificates	15.0	30.0
Total	**164.3**	**-31.3**
Net debt / Adjusted EBITDA	1.0x	−0.3x
Equity ratio, %	40.0	48.6

Reconciliation of net debt

2019

EUR million		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**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 rate 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 on	**Dec 31, 2019**	**128.5**	**192.5**	**321.0**	**141.7**	**15.0**	**164.3**
Fair value on	**Dec 31, 2019**	**129.0**	**192.5**	**321.5**			

Adoption of IFRS 16 standard lead to increase in lease liabilities. Additional information can be found in accounting policies in chapter Impact of adoption of IFRS 16 Leases. In addition, lease liability is annually increased through capitalization of new lease contracts.

2018

EUR million		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2018**	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Cash flows		19.2	-9.6	9.5	7.9	-9.7	11.4
Business acquisitions		0.0	0.0	0.0	0.0		
Effect of exchange rate changes		0.0	0.0	0.0	-0.5		0.5
Other non-cash items		-0.1	0.3	0.2	0.0		0.2
Carrying amount on	**Dec 31, 2018**	**119.7**	**10.0**	**129.7**	**131.0**	**30.0**	**-31.3**
Fair value on	**Dec 31, 2018**	**120.3**	**10.0**	**130.2**			

22. Lease agreements

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

Extension options are included in many of the major premise lease contracts. Extension options in real estate leases have not been included in the lease liability as per December 2019, because it is not reasonably certain that the leases will be extended.

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

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

Right-of-use assets

EUR million	2019	2018*
Land	0.3	
Buildings	163.7	
Vehicles	21.3	9.5
Machinery and other	5.1	
Total	**190.5**	**9.5**

* 31 December 2018 assets leased under finance lease

Specification of right-of-use assets is presented in note 13. In 31 December 2018 assets under finance leases are presented in note 12.

Lease liabilities

EUR million	2019	2018*
Non-current lease liabilities	146.8	0.4
Current lease liabilities	45.3	9.5
Total	**192.1**	**10.0**

* 31 December 2018 liabilities on finance lease

Lease liabilities maturity

EUR million	2019	2018*
Less than 1 year	53.9	6.6
1–5 years	107.9	3.5
More than 5 years	42.3	0.0
Minimum lease payments total	204.2	10.1
Future interest expenses	–12.1	–0.1
Total	**192.1**	**10.0**

* 31 December 2019 liabilities on finance lease

Income statement items for leases

EUR million	2019	2018
Depreciations		
Land	0.2	
Buildings	39.8	
Vehicles	13.2	9.1
Machinery and other	2.3	
Total	**55.5**	**9.1**
Interest expense, leases	4.3	0.4
Incomes from subleasing right-of-use assets	0.5	

In comparison 2019 to previous financial year 2018, the adoption of IFRS 16 improved Posti Group's EBITDA by EUR 48.2 million and the operating result by EUR 3.9 million.

Lease expenses not recognized in balance sheet

EUR million	2019
Lease expenses in income statement, short-term leases	31.4
Lease expenses in income statement, low-value asset leases	0.1
Total	**31.5**

Short-term lease expenses include lease contracts valid until further notice. Short-term lease expenses include also lease expenses arised from ad hoc leases for vehicles or machinery.

Posti did not have gains or losses arising from sale and leaseback transactions during 2019 or 2018.

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

Lease commitments not recognized in balance sheet

EUR million	2019	2018
Less than 1 year	8.8	51.5
1–5 years	0.5	108.9
More than 5 years		57.7
Total	**9.3**	**218.2**

The income statement includes EUR 31.5 million (2018: 91.6) expenses for leases. Lease commitments which are not recognized in balance sheet have decreased significantly after 1 January 2019 following the adoption of IFRS 16 as majority of leases have been recognized in the balance sheet.

Leases as lessor

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

Lease payment receivables

EUR million	2019	2018
Less than 1 year	1.9	1.7
1–5 years	1.3	1.4
More than 5 years	1.7	1.7
Total	**4.8**	**4.8**

23. Pledges, commitments and other contingent liabilities

EUR million	2019	2018
Pledges given for own behalf:		
Bank guarantees	9.1	7.4
Guarantees	3.6	3.8
Pledges	0.0	0.1
Total	**12.7**	**11.3**

Litigation

The company has some pending legal proceedings related to its normal operations, but none of them separately or collectively, has a material impact.

Other contingent liabilities

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

24. Related party transactions

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

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

Transactions with related parties

The following transactions with related parties consist of transactions with the associated company. At 31 Dec 2019 Posti did not have holdings in associated company.

EUR million	2019	2018
Net sales	-	0.5
Trade receivables and other receivables	-	0.2

Salaries and fees of the management

EUR million	2019	2018
President & CEO	1.0	1.0
Executive Board (excl. CEO)	2.8	3.6
Board of Directors	0.4	0.4
Supervisory Board	0.0	0.0
Total	**4.3**	**4.9**

The management's pension commitments

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

EUR million	2019	2018
Pensions – Defined contribution plans	0.0	0.2

The Board of Directors' salaries and fees

EUR thousand	2019	2018
Markku Pohjola (chairman)	67,8	60,0
Suvi-Anne Siimes (vice chairman)	49.8	40.8
Eero Hautaniemi	40.8	42.6
Petri Järvinen ****	8.9	39.0
Petri Kokko **		9.0
Frank Marthaler *	58.8	44.4
Anna Martinkari ***	49.4	
Pertti Miettinen *		
Kirsi Nuotto **		9.0
Minna Pajumaa ***	36.2	
Marja Pokela ****	8.3	40.8
Per Sjödell *	63.6	39.6
Arja Talma	50.4	43.7
Total	**433.9**	**369.0**

* Member of the Board since March 27, 2018
** Member of the Board until March 27, 2018
*** Member of the Board since March 25, 2019
**** Member of the Board until March 25, 2019

25. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries Dec 31, 2019	Group's holding %	Country
Flexo Kymppi Oy	100	Finland
Flexo Palvelut Oy	100	Finland
Flexo Ykkönen Oy	100	Finland
Global Mail FP Oy	100	Finland
Itella Estonia OÜ	100	Estonia
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
Itella Services OÜ	100	Estonia
NLC International Corporation Ltd	100	Cyprus
OOO Itella	100	Russia
OOO Kapstroymontazh	100	Russia
OOO NLC-Bataisk	100	Russia
OOO RED-Krekshino	100	Russia
OOO Rent-Center	100	Russia
OOO Terminal Lesnoy	100	Russia
OOO Terminal Sibir	100	Russia
OpusCapita s.r.o.	100	Slovakia
Posti Fokus Oy	100	Finland
Posti Global Oy	100	Finland
Posti Kiinteistöt Oy	100	Finland
Posti Kotipalvelut Oy	100	Finland
Posti Kuljetus Oy	100	Finland
Posti Messaging AB	100	Sweden
Posti Messaging AS	100	Norway
Posti Messaging GmbH	100	Germany
Posti Messaging Oy	100	Finland
Posti Messaging OÜ	100	Estonia
Posti Messaging SIA	100	Latvia
Posti Messaging Sp. z o.o.	100	Poland
Posti Oy	100	Finland
Posti Palvelut Oy	100	Finland
Posti Scandinavia AB	100	Sweden
E-Log Services Oy	100	Finland
Suomen Transval Group Oy	100	Finland
Transval Henkilöstöpalvelut Oy	100	Finland
Transval Henkilöstöpalvelut Etelä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Länsi-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Itä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Keski-Suomi Oy	100	Finland

Subsidiaries Dec 31, 2019	Group's holding %	Country
Transval Fast Oy	100	Finland
Transval Move Oy	100	Finland
Transval Flex Oy	100	Finland
Transval Action Oy	100	Finland
Transval Support Oy	100	Finland
Transval Motion Oy	100	Finland
Transval Extra Oy	100	Finland
Transval Flow Oy	100	Finland
Transval Uusimaa Oy	100	Finland
Transval Espoo Oy	100	Finland
Transval Helsinki Oy	100	Finland
Transval Tuusula Oy	100	Finland
Transval Vantaa Oy	100	Finland
Transval Craft Oy	100	Finland
Transval Works Oy	100	Finland
Transval Chain Oy	100	Finland
Transval Kilo Oy	100	Finland
Transval Vaasa Oy	100	Finland
Transval Jyväskylä Oy	100	Finland
Transval Sigma Oy	100	Finland
Transval Akatemia Oy	100	Finland
Transval Management Oy	100	Finland
Vindea Oy	100	Finland
Transval Baltic Oü	100	Estonia
Humalink Estonia Oü	100	Estonia
Humanlink Finland Oy	100	Finland
Humanlink Baltic Latvia SIA	100	Latvia
Suomen Transval Oy	100	Finland
Transval Handling Oy	100	Finland
Transval Terminal Oy	100	Finland
Transval Solutions Oy	100	Finland
Transval Logistics Oy	100	Finland
Transval Warehousing Oy	100	Finland
Transval Services Oy	100	Finland
Transval Distribution Oy	100	Finland
Transval Wholesale Oy	100	Finland
Transval Supply Oy	100	Finland
Transval Logistics 10 Oy	100	Finland
Transval 3PL EteläSuomi Oy	100	Finland
Transval 3PL Pääkaupunkiseutu Oy	100	Finland
Valdoring Oy	100	Finland

26. Events after the reporting period

Alma Media`s early-morning delivery operations in Pirkanmaa and Satakunta has been transferred to Posti in an acquisition between Posti, Alma Media Kustannus Oy and Alma Manu Oy as of January 1, 2020.

The Board of Directors of Posti Group Corporation has appointed Turkka Kuusisto, (b. 1979, M.Sc. Eng.) as President and CEO of Posti Group Corporation as of February 6, 2020.

Parent Company's Financial Statements, FAS

Income Statement of the Parent Company

EUR	Note	2019	2018
Net sales	1	**13,107,794.42**	**11,303,946.17**
Other operating income	2	13,418,881.36	83,827.01
Materials and services	3	–1,101.29	–930.42
Personnel expenses	4	–5,600,857.95	–4,794,568.35
Depreciation, amortization and impairment losses	5	–887,106.29	–904,239.61
Other operating expenses	6	–21,252,850.56	–16,711,653.03
Operating profit/loss		**–1,215,240.31**	**–11,023,618.23**
Financial income and expenses	8	–94,896,875.33	–23,729,769.44
Profit/loss before appropriations		**–96,112,115.64**	**–34,753,387.67**
Group contributions	9	16,268,000.00	33,445,000.00
Profit/loss before income tax		**–79,844,115.64**	**–1,308,387.67**
Income tax	10	–2,093,414.41	–4,174,286.95
Profit/loss for the financial period		**–81,937,530.05**	**–5,482,674.62**

Balance Sheet of the Parent Company

EUR	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	11	1,036,986.40	1,672,671.08
Tangible assets	12	1,499,478.73	1,479,941.81
Investments	13	464,363,041.69	545,955,534.74
Total non-current assets		**466,899,506.82**	**549,108,147.63**
Current assets			
Non-current receivables	14	75,948,792.71	78,322,248.43
Current receivables	15	63,149,716.32	70,108,043.65
Current investments	16	126,757,517.78	85,462,562.99
Cash and bank		88,065.44	4,397.02
Total current assets		**265,944,092.25**	**233,897,252.09**
Total assets		**732,843,599.07**	**783,005,399.72**
EQUITY AND LIABILITIES			
Equity	17		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		–1,286,756.70	–739,655.37
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		263,419,753.41	297,302,428.03
Profit/loss for the financial period		–81,937,530.05	–5,482,674.62
Total equity		**392,899,228.59**	**503,783,859.97**
Provisions	18	**301,536.84**	**308,373.84**
Liabilities			
Non-current	20	123,711,290.97	123,761,755.55
Current	21	215,931,542.67	155,151,410.36
Total liabilities		**339,642,833.64**	**278,913,165.91**
Total equity and liabilities		**732,843,599.07**	**783,005,399.72**

Cash Flow Statement of the Parent Company

EUR	2019	2018
Cash flow from operations		
Profit/loss before appropriations	−96,112,115.64	−34,753,387.67
Adjustments:		
Depreciation and amortization	887,106.29	904,239.61
Gains or losses on disposal of fixed assets	−12,949,708.83	295,944.71
Financial income (-) and expense (+)	−11,703,124.67	−6,022,764.97
Impairment losses on non-current investments	106,600,000.00	29,375,148.28
Other adjustments	37,944.85	−62,747.59
Cash flow before change in working capital	**−13,239,898.00**	**−10,263,567.63**
Interest-free current receivables, increase (–), decrease (+)	−4,624,319.18	319,725.30
Interest-free non-current receivables, increase (–), decrease (+)	57,006.94	127,655.53
Inventories, increase (–), decrease (+)	0.00	28.57
Interest-free current liabilities, increase (+), decrease (–)	1,514,877.02	49,980.83
Interest-free non-current liabilities, increase (+), decrease (–)	−1,288,718.28	−2,392,613.71
Change in working capital	**−4,341,153.50**	**−1,895,223.48**
Cash flow from operating activities before financial items and taxes	**−17,581,051.50**	**−12,158,791.11**
Interests paid	−1,991,533.44	−1,235,714.98
Interests received	7,607,543.56	5,911,214.60
Other financial items	3,782,740.71	−750,523.59
Income tax paid	−4,632,916.63	−5,370,142.13
Cash flow from financial items and taxes	**4,765,834.20**	**−1,445,166.10**
Cash flow from operating activities (A)	**−12,815,217.30**	**−13,603,957.21**

EUR	2019	2018
Investments in tangible and intangible assets	−290,405.35	−669,821.77
Proceeds from sale of tangible and intangible assets	6,340.62	0.00
Other investments	−58,921,289.27	−1,702,556.00
Proceeds from sale of other investments	47,480,929.52	256,615.00
Loans granted	−34,099,535.91	−6,775,538.28
Repayments of loan receivables	45,646,718.62	13,092,013.65
Dividends received	438,949.00	7,069,573.30
Cash flow from investing activities (B)	**261,707.23**	**11,270,285.90**
Increases in current loans	4,999,986.11	0.00
Repayment of current loans	−753,794.69	−41,593,438.17
Increases in non-current loans	0.00	59,781,960.00
Repayment of non-current loans	0.00	0.00
Dividends paid	−28,400,000.00	−40,000,000.00
Group contributions received and paid	33,445,000.00	43,947,000.00
Cash flow from financing activities (C)	**9,291,191.42**	**22,135,521.83**
Change in cash and cash equivalents (A+B+C)	**−3,262,318.65**	**19,801,850.52**
Change in group cash pool	44,640,941.86	−52,094,252.44
Cash and cash equivalents received in merger	0.00	0.00
Change in cash and cash equivalents	**41,378,623.21**	**−32,292,401.92**
Cash and cash equivalents at the beginning of the financial period	**85,466,960.01**	**117,759,361.93**
Cash and cash equivalents at the end of the financial period	**126,845,583.22**	**85,466,960.01**

Accounting Policies

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

Revenue recognition and net sales

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

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services.

Valuation of fixed assets

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

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

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

Land and water are not subject to depreciation.

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

Leasing

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

Cash in hand and at banks

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

Pension schemes

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

Provisions

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

Income taxes

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

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

Foreign currency transactions

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

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

Financial assets and liabilities

Financial assets

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

Financial assets are recognized and derecognized at the settlement date. Posti Group Corporation derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside Posti Group Corporation. Any gain or loss arising on derecognition of a financial asset is recognized directly in profit or loss and presented in finance income or expenses (or in other operative income or expenses for trade receivables), together with foreign exchange gains and losses.

Financial assets at amortized cost

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

Posti Group Corporation assesses the expected credit losses associated with its debt instruments carried at amortized cost on forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, Posti Group

Corporation applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Financial liabilities at fair value through profit or loss

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

Derivative contracts and hedge accounting

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

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

Effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in other comprehensive income. Possible ineffective portion is recognized through profit or loss according to its nature either in other operating income or expenses or financial items. Amounts accumulated in equity are reclassified into profit or loss when the hedged item is recognized through profit or loss. Posti Group Corporation applies cash flow hedging for hedging against foreign exchange risk on certain commitments in foreign currencies and interest-rate risk of a loan with variable interest-rate. For foreign currency forwards Posti Group Corporation designates the whole forward contract as the hedging instrument. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accumulated fair value gain or loss is retained in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accumulated fair value gain or loss is recognized trough profit or loss immediately.

For certain derivative instruments while entered into for risk management purposes, hedge accounting is not applied. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. For these contracts, the changes in their fair value are recognized through profit or loss and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is calculated by valuing forward contracts at the present value of the forward rates on the reporting date and the fair value of interest-rate swaps is the present value of future interest cash flows. The fair values of interest rate swap related options are based on the generally used option pricing models.

1. Net sales by geographical location

EUR	2019	2018
Finland	12,573,797.65	10,474,484.10
Russia	533,996.77	829,462.07
Total	**13,107,794.42**	**11,303,946.17**

2. Other operating income

EUR	2019	2018
Gains on sale of intangible and tangible assets	13,087,821.01	48,715.46
Rental income	66,229.33	65,288.95
Other operating income	264,831.02	−30,177.40
Total	**13,418,881.36**	**83,827.01**

3. Materials and services

EUR	2019	2018
Purchases during the financial period	542.29	930.42
External services	559.00	0.00
Total	**1,101.29**	**930.42**

4. Personnel expenses

EUR	2019	2018
Wages and salaries	5,746,095.56	5,861,755.05
Pension expenses	−233,270.08	−1,105,693.12
Other social expenses	88,032.47	38,506.42
Total	**5,600,857.95**	**4,794,568.35**
Management remuneration		
President and CEO	915,355.00	987,764.00
Executive Board (excl. CEO)	1,327,168.00	880,340.00
Board of Directors	433,935.00	369,026.00
Supervisory Board	21,500.00	26,900.00
Total	**2,697,958.00**	**2,264,030.00**
Average number of personnel during the financial period		
Administrative employees	44	48
Total	**44**	**48**

5. Depreciation, amortization and impairment losses

EUR	2019	2018
Intangible rights	862,271.03	902,772.39
Machinery and equipment	24,835.26	1,467.22
Total	**887,106.29**	**904,239.61**

6. Other operating expenses

EUR	2019	2018
Rents and leases	411,453.01	380,268.47
Losses on sale of fixed assets	13,780.01	344,660.17
Personnel related costs	530,596.19	836,886.60
Travelling expenses	317,557.26	124,763.78
Marketing expenses	556,127.31	782,570.98
Entertainment expenses	29,019.03	20,845.62
Facility maintenance expenses	12,666.16	14,381.55
Office and administrative expenses	7,371,923.86	4,781,047.33
IT operating costs	10,741,438.86	8,268,347.76
Other operating expenses	1,268,288.87	1,157,880.77
Total	**21,252,850.56**	**16,711,653.03**

7. Auditors' remuneration

EUR	2019	2018
Audit	226,132.08	311,840.75
Tax advisory	14,886.50	5,947.75
Other services	90,997.02	907,160.50
Total	**332,015.60**	**1,224,949.00**

8. Financial income and expenses

EUR	2019	2018
Financial income		
Dividend income from Group companies	0.00	6,696,767.30
Dividend income from others	438,949.00	372,806.00
Interest income from Group companies	5,119,423.69	1,852,926.73
Interest income from others	504,985.60	628,292.00
Gains on disposal of financial assets at fair value through profit or loss	-	-
Exchange rate gains		
Interest-bearing receivables and liabilities	9,152,077.45	2,249,779.08
Currency derivatives, non-hedge accounting	329,409.61	761,850.63
Other financial income from Group companies	0.00	1,333,842.28
Total	**15,544,845.35**	**13,896,264.02**
Financial expense		
Interest expense to Group companies	724,767.94	207,255.39
Interest expense to others	1,225,461.09	1,068,080.12
Losses on disposal of financial assets at fair value through profit or loss	-	-
Changes in fair value of financial assets at fair value through profit or loss	-	-
Exchange rate losses		
Interest-bearing receivables and liabilities	6,101,742.87	5,402,822.87
Currency derivatives, non-hedge accounting	296,175.67	1,146,186.58
Impairment losses in Group companies	106,600,000.00	29,127,752.45
Reversals of impairment losses in Group companies	-4,950,000.00	0.00
Impairment losses on non-current investments	99,800.67	247,229.71
Other financial expences	343,772.44	426,706.34
Total	**110,441,720.68**	**37,626,033.46**
Change in fair value of investments recognized in the fair value reserve loss (–), gain (+)	0.00	15,865.60
of which deferred tax	0.00	-3,173.12
Change in fair value of hedging interest rate derivatives recognized in the fair value reserve loss (–), gain (+)	-1,608,455.87	-924,569.21
of which deferred tax	321,691.17	184,913.84

9. Group contributions

EUR	2019	2018
Group contributions received	32,120,000.00	36,200,000.00
Group contributions distributed	-15,852,000.00	-2,755,000.00
Total	**16,268,000.00**	**33,445,000.00**

10. Income tax

EUR	2019	2018
Income tax on group contributions	3,253,600.00	6,689,000.00
Income tax on business activities	-1,284,269.50	-2,621,245.12
Income tax from previous years	79,924.81	10,893.81
Change in deferred tax assets	44,159.10	95,638.26
Total	**2,093,414.41**	**4,174,286.95**

11. Intangible assets

EUR	2019	2018
Intangible rights		
Cost 1 Jan	27,874,651.66	27,222,613.89
Additions	226,586.35	652,037.77
Disposals	–8,920.17	0.00
Transfers between items	0.00	0.00
Cost 31 Dec	**28,092,317.84**	**27,874,651.66**
Accumulated amortization 1 Jan	26,201,980.58	25,299,208.19
Accumulated amortization on disposals	–8,920.17	0.00
Amortization for the financial period	862,271.03	902,772.39
Accumulated amortization 31 Dec	**27,055,331.44**	**26,201,980.58**
Book value 31 Dec	**1,036,986.40**	**1,672,671.08**
Prepayments		
Cost 1 Jan	0.00	2,478,953.26
Disposals	0.00	–2,478,953.26
Transfers between items		
Cost 31 Dec	**0.00**	**0.00**
Accumulated impairment 1 Jan	0.00	2,478,953.26
Impairment	0.00	–2,478,953.26
Accumulated impairment 31 Dec	**0.00**	**0.00**
Book value 31 Dec	**0.00**	**0.00**
Total intangible assets	**1,036,986.40**	**1,672,671.08**

12. Tangible assets

EUR	2019	2018
Land and water		
Cost 1 Jan	891,396.01	891,396.01
Cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**
Machinery and equipment		
Cost 1 Jan	95,037.14	77,253.14
Additions	63,819.00	17,784.00
Disposals	–57,360.88	0.00
Cost 31 Dec	**101,495.26**	**95,037.14**
Accumulated depreciation 1 Jan	77,534.76	76,067.54
Depreciation for the financial period	24,835.26	1,467.22
Accumulated depreciation on disposals	–57,359.98	0.00
Accumulated depreciation 31 Dec	**45,010.04**	**77,534.76**
Book value 31 Dec	**56,485.22**	**17,502.38**
Other tangible assets		
Cost 1 Jan	636,568.19	1,189,127.90
Disposals	–19,445.92	–552,559.71
Cost 31 Dec	**617,122.27**	**636,568.19**
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	**65,524.77**	**65,524.77**
Book value 31 Dec	**551,597.50**	**571,043.42**
Total tangible assets	**1,499,478.73**	**1,479,941.81**

13. Investments

EUR	2019	2018
Shares in Group companies		
Cost 1 Jan	978,070,360.24	976,317,804.24
Additions	59,401,289.27	1,752,556.00
Disposals	-44,393,715.11	0.00
Cost 31 Dec	**993,077,934.40**	**978,070,360.24**
Accumulated impairment losses 1 Jan	435,089,539.91	431,372,787.46
Impairment losses	106,600,000.00	3,716,752.45
Reversals of impairments	-12,399,999.99	
Book value 31 Dec	**463,788,394.48**	**542,980,820.33**
Other shares and holdings		
Cost 1 Jan	5,919,428.53	5,959,428.53
Disposals	-5,000,067.20	-40,000.00
Cost 31 Dec	**919,361.33**	**5,919,428.53**
Accumulated impairment losses 1 Jan	2,944,714.12	2,984,714.12
Impairment losses	0.00	0.00
Reversal of impairment losses	-2,600,000.00	-40,000.00
Book value 31 Dec	**574,647.21**	**2,974,714.41**
Receivables from Group companies		
Capital loan receivables		
Cost 1 Jan	28,511,000.00	28,511,000.00
Cost 31 Dec	**28,511,000.00**	**28,511,000.00**
Accumulated impairment losses 1 Jan	28,511,000.00	28,511,000.00
Book value 31 Dec	**0.00**	**0.00**
Total investments	**464,363,041.69**	**545,955,534.74**

14. Non-current receivables

EUR	2019	2018
Receivables from Group companies		
Loan receivables	74,703,469.41	77,090,315.01
Total	**74,703,469.41**	**77,090,315.01**
Receivables from others		
Loan receivables	135,486.70	157,706.11
Other receivables	0.00	57,006.94
Deferred tax assets	1,109,836.60	1,017,220.37
Total	**1,245,323.30**	**1,231,933.42**
Total non-current receivables	**75,948,792.71**	**78,322,248.43**

15. Current receivables

EUR	2019	2018
Receivables from Group companies		
Trade receivables	14,539,679.23	9,098,920.61
Loan receivables	0.00	5,490,918.02
Interest receivables	7,688,342.47	9,591,242.93
Other receivables	0.00	2,685,800.78
Prepayments and accrued income	32,244,990.17	36,491,492.67
Total	**54,473,011.87**	**63,358,375.01**
Receivables from others		
Trade receivables	0.00	0.00
Loan receivables	0.00	0.00
Other receivables	571,479.88	651,710.84
Prepayments and accrued income	8,105,224.57	6,097,957.80
Total	**8,676,704.45**	**6,749,668.64**
Total current receivables	**63,149,716.32**	**70,108,043.65**
Key items in prepayments and accrued income		
Interest receivables	335,151.80	364,228.77
Income tax receivable	3,965,906.34	1,382,245.09
Other prepayments and accrued income	3,804,166.40	4,351,483.94
Total	**8,105,224.54**	**6,097,957.80**

16. Financial instruments and financial risk management

2019

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		74.8		74.8	74.8	
Non-current financial assets	**1.0**	**74.8**		**75.8**	**75.8**	
Financial assets – current						
Trade and other receivables		26.8		26.8	26.8	
Equity fund investments	0.1			0.1	0.1	2
Currency derivatives		60.2		60.2	60.3	2
Money market investments		23.6		23.6	23.7	1
Investments in quoted bonds		3.0		3.0	3.0	2
Debt certificates		15.0		15.0	15.0	
Current financial assets	**0.1**	**128.6**		**128.7**	**128.8**	
Money market investments		24.9		24.9	25.0	2
Cash and bank		0.0		0.0	0.0	
Cash and cash equivalents		**24.9**		**24.9**	**25.0**	
Total financial assets	**1.1**	**228.4**	**0.0**	**229.5**	**229.7**	
Financial liabilities – non-current						
Loans from financial institutions		119.8		119.8	120.2	
Non-current borrowings		**119.8**		**119.8**	**120.2**	
Interest-rate derivatives			1.6	1.6	1.6	2
Other non-current financial liabilities	**0.0**	**0.0**	**1.6**	**1.6**	**1.6**	
Financial liabilities – current						
Commercial papers		5.0		5.0	5.0	
Liabilities to Group companies		186.4		186.4	186.4	
Trade and other payables		5.4		5.4	5.4	
Current borrowings	**0.0**	**196.8**	**0.0**	**196.8**	**196.8**	
Total financial liabilities	**0.0**	**316.6**	**1.6**	**318.2**	**318.7**	

2018

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	3.0			3.0	3.0	3
Non-current receivables		77.3		77.3	77.3	
Non-current financial assets	**3.0**	**77.3**		**80.3**	**80.3**	
Financial assets – current						
Trade and other receivables		28.9		28.9	28.9	
Equity fund investments	0.0			0.0	0.0	3
Currency derivatives	0.1			0.1	0.1	2
Money market investments		13.9		13.9	14.0	2
Investments in quoted bonds		10.5		10.5	10.7	1
Debt certificates		30.0		30.0	30.0	
Current financial assets	**0.1**	**83.4**		**83.5**	**83.7**	
Money market investments		30.9		30.9	31.0	2
Cash and bank		0.0		0.0	0.0	
Cash and cash equivalents		**31.0**		**31.0**	**31.0**	
Total financial assets	**3.1**	**191.6**	**0.0**	**194.7**	**194.9**	
Financial liabilities – non-current						
Loans from financial institutions		119.7		119.7	120.2	
Non-current borrowings		**119.7**		**119.7**	**120.2**	
Interest-rate derivatives			0.9	0.9	0.9	2
Other non-current financial liabilities			**0.9**	**0.9**	**0.9**	
Financial liabilities – current						
Liabilities to Group companies		145.1		145.1	145.1	
Foreign currency derivatives	0.1			0.1	0.1	2
Trade and other payables		5.3		5.3	5.3	
Current borrowings	**0.1**	**150.4**		**150.5**	**150.5**	
Total financial liabilities	**0.1**	**270.1**	**0.9**	**271.1**	**271.6**	

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

17. Equity

EUR	2019	2018
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	**70,000,000.00**	**70,000,000.00**
Fair value reserve 1 Jan	-739,655.37	-707,410.11
Profit or loss at fair value, other current investments	-547,101.33	-32,245.26
Fair value reserve 31 Dec	**-1,286,756.70**	**-739,655.37**
Restricted equity total	**68,713,243.30**	**69,260,344.63**
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	**142,703,761.93**	**142,703,761.93**
Retained earnings 1 Jan	291,819,753.41	337,589,004.52
Change in IFRS9 accounting policies	0.00	-286,576.49
Dividend distribution	-28,400,000.00	-40,000,000.00
Retained earnings 31 Dec	**263,419,753.41**	**297,302,428.03**
Profit/loss for the financial year 31 Dec	**-81,937,530.05**	**-5,482,674.62**
Total unrestricted equity	**324,185,985.29**	**434,523,515.34**
Total equity	**392,899,228.59**	**503,783,859.97**
Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	263,419,753.41	297,302,428.03
Profit/loss for the financial period	-81,937,530.05	-5,482,674.62
Total	**324,185,985.29**	**434,523,515.34**

18. Provisions

EUR	2019	2018
Pension provision	284,361.00	291,198.00
Restructuring provision	17,175.84	17,175.84
Total	**301,536.84**	**308,373.84**

19. Deferred tax assets

EUR	2019	2018
From provision	60,307.37	61,674.77
From impairments	68,942.82	68,942.82
From temporary differences	497,333.76	497,333.76
Other items	483,254.65	389,269.02
Total	**1,109,838.60**	**1,017,220.37**

20. Non-current liabilities

EUR	2019	2018
Loans from financial institutions	119,774,366.28	119,699,989.24
Additional purchase price accural	480,000.00	0.00
Interest-rate derivatives, hedge accounting	1,608,445.87	924,569.21
Other non-current liabilities	1,848,478.82	3,137,197.10
Total	**123,711,290.97**	**123,761,755.55**

21. Current liabilities

EUR	2019	2018
Amounts owed to Group companies		
Trade payables	71,332.46	60,443.41
Interest liabilities	2,555.10	120,236.55
Other liabilities	202,207,632.59	147,713,448.74
Total	**202,281,520.15**	**147,894,128.70**
Amounts owed to others		
Trade payables	1,630,678.01	2,737,552.51
Commercial papers	4,999,986.11	0.00
Other liabilities	3,811,194.63	2,520,332.34
Accruals and deferred income	3,208,163.77	1,999,396.81
Total	**13,650,022.52**	**7,257,281.66**
Total current liabilities	**215,931,542.67**	**155,151,410.36**
Key items in other liabilities		
Payroll and related social costs	290,845.83	198,592.03
VAT-liability	2,135,867.99	1,005,506.56
Purchase price accrual	1,200,000.00	1,200,000.00
Other liabilities	184,480.81	116,233.75
Total	**3,811,194.63**	**2,520,332.34**
Key items in accruals and deferred income		
Payroll and related social costs	1,573,250.47	1,323,920.12
Accrued interests	145,088.34	143,088.34
Other accruals and deferred income	1,489,824.96	532,388.35
Total	**3,208,163.77**	**1,999,396.81**
Interest-bearing liabilities		
Non-current liabilities	119,774,366.28	119,699,989.24
Current liabilities	72,806,866.70	73,386,159.23
Total	**192,581,232.98**	**193,086,148.47**

22. Pledged assets, commitments and other liabilities

EUR	2019	2018
Pledges given for Group companies		
Guarantees	179,409,220.00	200,355,950.00
Total	**179,409,220.00**	**200,355,950.00**
Lease contracts unpaid amounts		
Payable within one year	56,658.69	61,777.71
Payable in later years	106,086.90	101,317.86
Total	**162,745.59**	**163,095.57**
Rental liabilities	**815.00**	**815.00**
Other commitments	**0.00**	**26,424.00**
Derivative contracts		
Currency forward contracts		
Fair value	94,482.76	−19,803.63
Nominal value	6,199,639.72	10,879,564.74
Interest rate swaps		
Fair value	−1,608,445.87	−924,569.21
Nominal value	60,000,000.00	60,000,000.00

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

23. Shares and holdings of Posti Group Corporation

Company name and domicile

Group companies	Number of shares	Ownership (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	45,838,632.95
Posti Scandinavia AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics SIA, Riga	20	100.00	0.00
Itella Logistics UAB, Vilnius	1,000	100.00	918,147.59
Itella Services OÜ, Tallinn	1	100.00	2,500.00
Posti Kiinteistöt Oy, Helsinki	103,488	100.00	192,730,895.55
Posti Palvelut Oy, Helsinki	500	100.00	102,500.00
Posti Kotipalvelut Oy, Helsinki	100	100.00	4,032,320.46
Flexo Palvelut Oy, Helsinki	80	80.00	1,710,000.00
NLC International Corporation, Limassol	3,844	100.00	1.00
Posti Oy, Helsinki	2,538,295	100.00	106,659,037.70
Posti Messaging Oy, Helsinki	1,000	100.00	47,985,238.65
Posti Fokus Oy, Helsinki	500	100.00	2,500.00
Suomen Transval Group Oy	75,460	100.00	52,492,089.27
E-Log Services Oy	300	100.00	1,309,200.00
Posti Global Oy, Helsinki	999	99.90	10,003,550.00
Total			**463,788,394.48**
Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	33,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
Cooperative Vereiniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy, Helsinki	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Golfsarfvik	1		28,560.00
Total			**574,647.21**

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2019, the parent company's distributable funds total EUR 324,185,985.29 of which the loss for the financial year accounts for EUR 81,937,530.05

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

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 29,800,000.00 to be distributed and EUR 294,385,985.29 would be retained in the shareholders' equity.

Statement by the Supervisory Board

At its meeting today, the Supervisory Board of Posti Group Corporation has considered the Board of Directors' Report , Financial Statements and the Auditors' Report for 2019 of Posti Group Corporation.

The Supervisory Board proposes to the 2020 Annual General Meeting that the Income Statement and Balance Sheet for 2019 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, March 12, 2020

Aki Lindén

Chairman of the Supervisory Board

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

Helsinki, February 11, 2020

Markku Pohjola
Chairman of the Board

Turkka Kuusisto
President and CEO

Eero Hautaniemi

Frank Marthaler

Anna Martinkari

Pertti Miettinen

Minna Pajumaa

Suvi-Anne Siimes

Per Sjödell

Arja Talma

Our auditor's report has been issued today.

Helsinki, February 11, 2020

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen

Authorized Public Accountant

Auditor's Report (Translation of the Finnish original)

To the Annual General Meeting of Posti Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

What we have audited

We have audited the financial statements of Posti Group Oyj (business identity code 1531864–4) for the year ended 31 December 2019. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

Key Audit Matters

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Goodwill valuation *Refer to Accounting policies and to note 10 in the consolidated financial statements for the related disclosures.* At 31 December 2019 the Group's goodwill balance is valued at 151.9 million euro and is allocated to the Group's three cash-generating units. The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying amount may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined by using a value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates. The goodwill allocated to Postal Services CGU amounts to 16.5 million euro, the goodwill allocated to Parcel and eCommerce CGU amounts to 74.9 million euro and the goodwill allocated to Transval amounts to 60.5 million euro. Our work is focused on the risk that goodwill may be overstated in these CGU:s.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: · We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculation; · We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors; · We tested the key underlying management assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period; · We compared the current year actual results in the impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; · We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and · The discount rates applied within the model were assessed by PwC business valuation specialists including comparison external benchmarks as appropriate. · We also considered the appropriateness of the related disclosures provided in note 10 in the financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment testing of Posti's cash generating unit Itella Russia *Refer to Accounting policies.* Itella Russia is a cash generating unit with most of its significant assets relating to real estate investments in several locations, following the impairment of all goodwill in prior years. Due to the uncertainties in the Russian market, Posti has determined that it is not possible to determine the value in use for Itella Russia as a whole. Management has therefore determined that the appropriate method to test Itella Russia's long-lived assets for impairment is using the fair value less cost to sell method. Posti has engaged external, independent and qualified valuers to determine the fair value of its real estate property in Russia each year. The valuation is performed at a minimum annually on an asset by asset basis and the valuation method takes into consideration the current market prices in each active market for the properties. We have determined this to be a key audit matter because the volatility of the real estate market in Russia.	Management has requested broker's opinions of values for the real estate owned by Itella Russia. We evaluated the competency, qualifications and experience and objectivity of the property valuation experts used. In addition, we have evaluated the methods and assumptions used. We compared the book values of real estate owned by Itella Russia to the market values provided by the property valuation expert.
First time adoption of IFRS 16 *Refer to Accounting policies and to note 13 in the consolidated financial statements for the related disclosures.* At 31 December 2019 the Group's right of use assets amounted to 190 million euro and leasing liabilities amounted to 192 million euro. The company has applied the modified retrospective approach for the implementation of IFRS 16 and the comparable figures for the comparable period were not adjusted. The company has implemented a new IT system as well as processes and controls to ensure the complete and accurate booking of the leases. In addition, company management has made judgements and estimates related to the right of use assets. Due to the significance and complexity of the implementation if IFRS 16, the accounting for leases was a key area in our audit.	Our audit was focused on assessing managements approach to the first time adoption of IFRS 16. We evaluated the processes and systems implemented to record leases. We have performed substantive testing procedures on the contracts, for example we have, on a sample basis, tested that lease contracts have been recorded completely and accurately in the newly implemented system. We assessed whether the assumptions made by management related to determine the discount rate are reasonable. We also considered the appropriateness of the related disclosures.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting in 2012. Our appointment represents a total period of uninterrupted engagement of 8 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other statements

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

Helsinki 11 February 2020

PricewaterhouseCoopers Oy

Authorised Public Accountants

Mikko Nieminen

Authorised Public Accountant (KHT)

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