Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Posti Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position 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, 2016. 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.

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
Deferred revenue associated with advance customer payments arising from stamps and other prepaid services *Refer to Accounting policies and to note 26 in the consolidated financial statements for the related disclosures.*	
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 a 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. 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 noncurrent. We determined this to be a key audit matter, because revenue recognition method involves material uncertainty due to several assumptions included in the model.	We assessed the methodology and assumptions used to determine the number of unused stamps and other prepaid services held at the balance sheet date. We used our own statistical specialists and held discussions with the company representatives to assist us in evaluating the methodologies used by the Group. We examined the statistical sampling as well as the third party confirmations requested. We tested independently price and revenue data used in the model. We tested the mathematical accuracy of the model.

Goodwill valuation

Refer to Accounting policies and to note 10 in the consolidated financial statements for the related disclosures.

At 31 December 2016 the Group's goodwill balance is valued at 214 million euro and is allocated to the Group's five 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.

We have determined this to be a key audit matter because goodwill has grown due to acquisitions especially in OpusCapita CGU. Our work is focused on the risk that goodwill may be overstated in this CGU. The goodwill allocated to OpusCapita CGU amounts to 123 million euro.

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 included in the prior year 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.

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 additions, 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.

Uncertainty regarding the utilization of deferred tax assets

Refer to Accounting policies and to note 13 in the consolidated financial statements for the related disclosures.

At 31 December 2016 the Group has recognized deferred tax assets amounting to 14 million euro of which 5 million euro relate to losses carried forward.

At 31 December 2016 the Group has unused tax losses of 153 million euro for which it has not recognized deferred tax asset.

Posti assesses at each balance sheet date the expected utilization of deferred tax assets considering the likelihood of expected future taxable profits and positions taken in tax returns being sustained.

We determined this to be a key audit matter because of significant judgements that relate primarily to tax losses carried forward generated in some of Posti's foreign operations, and whether these tax loss carry-forwards will be utilized in these jurisdictions or in Finland.

We assessed the available tax losses carried forward with special focus on the most judgmental balances in this regard.

We considered the local expiry periods together with any applicable restrictions in recovery.

In addition, our audit procedures included evaluating and challenging management's:

- forecasts about the future taxable profits and the possibilities to use tax losses; and
- assessment of the outcome of positions taken in tax returns

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Legal contingencies
Refer to note 23 in the consolidated financial statements for the related disclosures.

The Group has disclosed that it is involved in a dispute concerning the refund of value-added taxes.

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on an allegation that the Finnish Value Added Tax Act had been, and would still be, contrary to the EU's Value Added Tax Directive.

The total amount of the compensations claimed in the Court of Appeals is approximately 99 million euro, and the interests claimed amount to approximately 54 million euro on December 31, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

We have determined this to be a key audit matter because the claims and interests are material and the outcome of this litigation is uncertain.

We examined how the Group has handled the claims and evaluated the Group's conclusions relating to the dispute concerning the refund of value-added taxes.

We considered the claims and tested the mathematical accuracy and underlying assumptions of the interest calculations.

In addition, we examined correspondence between the Group and its external legal counsel.

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 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 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 on 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 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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

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 information included in the report of the Board of Directors, 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 opinions

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 7 March 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant