POSTI GROUP INTERIM REPORT, OCTOBER 29, 2019 AT 9:00 A.M. (EET)

Posti Group Corporation
Interim Report January–September 2019

Posti Group Q3/2019: Posti´s adjusted operating result and net sales improved – chosen strategy generates results

Posti Group Corporation Interim report January–September 2019

July–September

Financial highlights

- The Group’s net sales increased by 6.8% to EUR 381.2 (356.9) million.
- The Group’s adjusted EBITDA increased to EUR 40.9 (21.3) million, or 10.7% (6.0%) of net sales. The adoption of IFRS 16 improved the adjusted EBITDA by EUR 12.2 million.
- The Group’s EBITDA increased to EUR 39.0 (20.5) million, or 10.2% (5.8%) of net sales.
- The adjusted operating result increased to EUR 12.0 (5.1) million, or 3.1% (1.4%) of net sales.
- The operating result increased and amounted to EUR 10.1 (4.3) million, representing 2.6% (1.2%) of net sales.
- Posti has adopted IFRS 16 Leases -standard on its effective date January 1, 2019 prospectively, thus the previous periods are not restated. The adoption of IFRS 16 improved the EBITDA by EUR 12.2 million and the operating result by EUR 0.9 million.

Operational highlights

- Posti has succeeded in making changes in line with its strategy, which has strengthened the shift in net sales towards eCommerce and Logistics. Parcel & eCommerce and Logistics Solutions (EUR 203.9 million) grew to exceed Postal Services (EUR 158.4 million) in net sales.
- The parcel volume of Finland and the Baltic countries increased by 13% (10%), while the number of addressed letters decreased by -12% (-12%) in Finland. Mail items covered by the universal service obligation accounted for only 3.1% (3.4%) of all Posti’s mail items.
- The sorting personnel in Posti’s Parcel and eCommerce business group, approximately 700 persons were transferred to Posti Palvelut Oy as old employees on September 1, 2019.
- Posti has significantly expanded its parcel locker network. At the end of September, the total number of Posti´s parcel lockers was 1,545. The growth has been rapid; the number of Posti's service points has increased by over 8 percent in July-September 2019. Posti´s 1,500th parcel locker was installed in the REDI shopping center in September.
- The quality of postal deliveries has been poor in certain specific areas during the third quarter due to shortage of staff and recruitment challenges as well as illegal industrial actions by Finnish Post and Logistics Union PAU in August and September. Corrective actions are in place to recruit delivery staff.

January–September

Financial highlights

- The Group's net sales increased by 2.9% to EUR 1,171.6 (1,138.5) million.
- The Group's adjusted EBITDA increased to EUR 120.1 (74.3) million, or 10.3% (6.5%) of net sales. The adoption of the IFRS 16 improved the adjusted EBITDA by EUR 36.4 million.
- The Group's EBITDA increased to EUR 107.7 (70.8) million, or 9.2% (6.2%) of net sales.
- The adjusted operating result increased to EUR 33.6 (26.5) million, or 2.9% (2.3%) of net sales.
- The operating result declined and amounted to EUR 21.2 (22.8) million, representing 1.8% (2.0%) of net sales.
- Net debt to adjusted EBITDA was 1.0x (0.0x). Due to the adoption of IFRS 16 the assets and liabilities increased significantly.
- The adoption of the IFRS 16 improved the EBITDA by EUR 36.4 million and the operating result by EUR 2.9 million.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 10% (11%), while the number of addressed letters decreased by -13% (-9%) in Finland. Mail items covered by the universal service obligation accounted for only 3.3% (3.5%) of all Posti's mail items.
- Posti's structural transformation continued:
  - Posti divested OpusCapita Solutions and the OpusCapita segment is presented as discontinued operations.
  - Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy in January 2019 and it was included in Posti´s reporting in February 2019.

Events after the period

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.), currently 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.

Posti specifies its guidance for 2019

Net sales of continued operations, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by the Transval acquisition. The Group's adjusted operating result, of continuing operations, is expected to increase from 2018 due to the Transval acquisition and transition to IFRS 16 accounting principles. A potential strike could have a significant impact particularly on the Group's result.

Key figures of Posti Group

	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Net sales*, EUR million	381.2	356.9	1,171.6	1,138.5	1,559.3
Adjusted EBITDA*, EUR million	40.9	21.3	120.1	74.3	110.8
Adjusted EBITDA margin*, %	10.7	6.0	10.3	6.5	7.1
EBITDA*, EUR million	39.0	20.5	107.7	70.8	104.5
EBITDA margin*, %	10.2	5.8	9.2	6.2	6.7
Adjusted operating result*, EUR million	12.0	5.1	33.6	26.5	47.0
Adjusted operating result margin*, %	3.1	1.4	2.9	2.3	3.0
Operating result*, EUR million	10.1	4.3	21.2	22.8	39.3
Operating result margin*, %	2.6	1.2	1.8	2.0	2.5
Result for the period*, EUR million	10.2	6.1	18.2	20.5	34.6
Return on equity (12 months), %			8.5	-3.4	0.1
Return on capital employed (12 months), %			8.1	-1.3	1.3
Net debt, EUR million			168.7	0.8	-31.3
Net debt / adjusted EBITDA			1.0x	0.0x	-0.3x
Equity ratio, %			40.0	47.9	48.6
Adjusted free cash flow			50.9	0.3	29.9
Gross capital expenditure*, EUR million			94.0	46.2	62.1
Personnel, end of period*			20,153	18,534	18,185
Personnel on average*, FTE	16,527	16,450	16,747	16,611	16,425
Earnings per share, basic, EUR	0.26	0.17	0.58	-0.34	0.02
Dividend per share, EUR					0.71
Dividends, EUR million					28.4

** Continuing operations*

Turkka Kuusisto, President and CEO (Interim)

Financially we had a good third quarter in 2019; we improved both our net sales and adjusted operating result compared to the previous year third quarter. We have made good progress during the last 12 months in modifying our cost structure and at the same time being able to create new growth. This shows that our chosen strategy is working and that our long-term efforts have also reflected positively in our financial results so far.

Overall during the third quarter, the proportional share of Postal Services revenue continued to decline, and the Parcel and eCommerce and Logistics Solutions share continued to increase over 50%.

For postal companies where the traditional postal business is in decline, the cost structure development is key for maintaining profitability. We have made good progress in developing our cost structure both in our operations as well as in our administration during the year. It is imperative for our company's future that we continue to modify our cost structure ahead of the volume decline in our postal business.

Our Parcel and eCommerce business's strong growth continued during the third quarter. The labor union actions concerning the negotiations on the collective agreement did have an impact on the last month of the quarter, but the quarter-result was still good. We have had strong sales development in our Parcel and eCommerce business during the year.

The Logistics Solutions business continued to grow in the third quarter. The growth is attributable to the Transval acquisition earlier in the year. We also made good progress during the third quarter in improving our profitability in all our logistics businesses.

However, a significant portion of Posti's annual results is made during the fourth quarter, in the Christmas period. It is very important for us to jointly with our customers have a successful Christmas season. During the fourth quarter we will need to improve our quality and focus on good customer experience. The negotiations on the collective agreement of Posti employees are still going on and any possible labor union actions could have a significant impact on the annual results for Posti.

Posti is going through a historic transformation. I am well aware that the pace of the change and the effects of the transformation are not always easy for our personnel. Therefore, I would like to thank our personnel for its great work and commitment, especially in the challenging circumstances of recent months.

Finally, I would like to thank Heikki Malinen for his extensive contribution to driving Posti's renewal over the last seven years. Our good Q3/2019 financial results are one indicator of his great work to ensure that Posti remains profitable and seeks new growth. Together with Posti's skilled team, we will continue to renew the company and seek future growth.

APPENDICES

Posti Group's Interim report in full (PDF)

FURTHER INFORMATION

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Key media
www.posti.com/financials

IMAGES AND LOGOS
www.posti.com/media

Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics solutions. We have the widest network coverage in Finland, and we visit about three million households and companies every weekday. We have operations in nine countries. Our net sales in 2018 amounted to EUR 1.6 billion and we have approximately 21,000 employees. www.posti.com.

Market situation and business environment, January–September 2019

Finland's economic growth is expected to be slower during the next three years. However, the short-term outlook for the Finnish economy remains positive despite worrying economic news received from elsewhere in the world. According to the Bank of Finland the Finnish GDP is expected to grow to 1.6% in 2019 and 1.5% in 2020. Thereafter, the pace of growth will ease to 1.3% in 2021. According to the Ministry of Finance's Economic Survey published in October, Finland's GDP will grow by 1.5% in 2019, by 1.0% in 2020 and by 0.9% in 2021.

The economic outlook is also reflected in Finnish consumers' expectations. Households' purchasing power is expected to grow steadily during the forecast period and consumer confidence in their own financial position has remained relatively buoyant. However, uncertainty about the direction of overall economic developments has increased and made consumers more cautious, which has already led to slower growth in private investment, says the Bank of Finland in its economic outlook published in July 2019.

The consumer confidence indicator (CCI) sank in the fall compared to the previous year according to Statistics Finland. It stated that compared with the corresponding period last year, the expectations of both the own and Finland's economy weakened in September.

The e-commerce markets have continued its 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 or almost 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.

Global economic growth is expected to remain slower in 2019 than the previous year. According to the Bank of Finland (BOFIT Forecast for Russia), Russian GDP is forecast to grow by 1.5 percent this year. During the next few years, the growth is expected to remain at the level of 1.5 percent.

Net sales and profit performance

July–September 2019

The number of working days in the third quarter was 66 (65), one more than in the previous year. The number of working days affects the Group's net sales and result. The Group's net sales increased by 6.8% to EUR 381.2 (356.9) million. Net sales grew by 6.5% in Finland and increased by 9.6% in other countries. International operations accounted for 10.1% (9.9%) of net sales.

The increase in net sales was attributable to the positive development of the Mail, Parcel and Logistics Services - segment. Within the segment, development continued to be two-dimensional. Net sales increased especially in Logistics Solutions and also in Parcel and eCommerce. However, Postal Services net sales decreased by 2.0%. Growth in net sales was primarily attributable to the Transval acquisition completed during the first quarter.

Net sales decreased in Itella Russia by 17.5% largely due to the restructuring actions of the warehouses as well as divestment of Connexions in 2018.

The Group's adjusted EBITDA increased to EUR 40.9 (21.3) million, 10.7% (6.0%) of net sales. EBITDA increased to EUR 39.0 (20.5) million, 10.2% (5.8%) of net sales. The adoption of IFRS 16 improved the EBITDA by EUR 12.2 million. The adjusted operating result increased to EUR 12.0 (5.1) million, or 3.1% (1.4%) of net sales, affected by the strengthened results of Postal Services and Parcel and eCommerce, and the adoption of IFRS 16.

Special items affected the operating result negatively by EUR 1.9 (0.7) million. The special items include EUR 0.6 million personnel restructuring costs and EUR 1.3 million other items reported as special items. The operating result was EUR 10.1 (4.3) million, or 2.6% (1.2%) of net sales.

Operations under the universal service obligation amounted to EUR 23.7 (25.2.) million, or 6.2% (7.1%) of the Group's net sales and 3.1% (3.4%) of delivery volumes.

January–September 2019

The number of working days in January-September was 189 (189), 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 2.9% to EUR 1,171.6 (1,138.5) million. Net sales grew by 3.6% in Finland and declined by 3.5% in other countries. International operations accounted for 9.1% (9.8%) 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.

Net sales decreased in Itella Russia by 22.0% 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 120.1 (74.3) million, 10.3% (6.5%) of net sales. EBITDA increased to EUR 107.7 (70.8) million, 9.2% (6.2%) of net sales. The adoption of IFRS 16 improved the EBITDA by EUR 36.4 million. The adjusted operating result increased to EUR 33.6 (26.5) million, or 2.9% (2.3%) of net sales. Good performance in Parcel and eCommerce and in Postal Services, and the adoption of IFRS 16 positively affected to the result performance.

Special items affected the operating result negatively for January-September by EUR 12.4 (3.7) million. The special items include EUR 7.5 million personnel restructuring costs and EUR 4.9 million other items reported as special items.

The operating result was EUR 21.2 (22.8) million, or 1.8% (2.0%) of net sales. The adoption of IFRS 16 improved the operating result by EUR 2.9 million.

Operations under the universal service obligation amounted to EUR 75.1 (82.5) million, or 6.4% (7.2%) of the Group's net sales and 3.3% (3.5%) of delivery volumes.

Mail, Parcel and Logistics Services

July–September 2019

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

- Addressed letters: -12% (-12%)
- Parcels in Finland and the Baltics: 13% (10%)
- Freight volumes* measured in waybills: 0% (2%)

* The reported figure for freight excludes food logistics

The net sales of Mail, Parcel and Logistics Services increased to EUR 360.6 (332.5) million. Net sales are itemized below.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	7–9 2019	7–9 2018	Change
Postal Services	**158.4**	161.6	-2.0%
Parcel and eCommerce	**101.6**	93.4	8.8%
Logistics Solutions	**102.3**	78.8	29.8%
Other and eliminations	**-1.7**	-1.3	
Total	**360.6**	332.5	8.5%

Good volume growth, especially in August and September, continued to drive parcel net sales growth. The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 12.4 (11) million parcels. The figure does not include letter-like e-commerce items. Posti has gained new e-commerce customers, and at the same time many previous customers have been able to further increase sales through their online stores. The volume of small parcels from Asia, such as from Chinese online stores, have remained at a high-level. Posti has been able to improve the profitability of small parcels and good development will continue, as the Universal Postal Union´s member countries reached unanimous agreement on international remuneration rates on September 25, 2019. This decision will increase rates of international bulky letters and small parcels, starting as soon as 2020.

The number of parcels going through Posti Parcel Lockers grew by 55.7%. At the end of September, Posti had 1,545 parcel lockers. Posti aims to increase the number of parcel lockers to 4,000 by the end of 2022. By increasing the number of parcel lockers, Posti can meet consumers' needs and tackle the challenges posed by the rapid growth in e-commerce.

Posti has continued to respond to market competition by rearranging its operations in parcel sorting. The sorting personnel in Posti's Parcel and eCommerce business group, approximately 700 persons were transferred to Posti Palvelut Oy as old employees in September. The recipient company complies with the Industrial Union's Distribution collective agreement, and the transferred personnel will adopt the new collective agreement on November 1, 2019. The objective of this change is to increase flexibility and allow the sorting operations to better respond to the rapid changes in business environment and customer needs.

Finnish Post and Logistics Union PAU organized illegal industrial actions in August and in September. The strikes caused some delays in deliveries and affected volumes, especially in B2B-parcels. The economic impact of the strikes has been minor.

The Postal Services net sales decrease was driven by a decline in volume, which was mitigated by pricing, product mix and delivery speed changes. Posti works continuously to ensure efficient and cost-effective operations. These measures have included, among other things, several co-operation negotiations within the Postal Services business group´s production earlier in the year. These cost savings are required due to the substantial decline in mail volumes. The total production costs in July-September were driven by efficiency and cost-cutting programs.

Net sales in Logistic Solutions saw positive development thanks to the Transval acquisition. In Logistics Solutions, the development was positive for the logistics outsourcing. Domestic freight, measured in waybills, has been stationary. This is mainly due to the Finnish business environment. Transport volumes in heavy traffic have begun to even out on Finland´s main roads after a strong growth period.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 37.8 (15.5) million, 10.5% (4.7%). EBITDA increased to EUR 36.6 (15.1) million. The adjusted operating result increased to EUR 14.4 (5.0) million, 4.0% (1.5%). This is due to the increased net sales as well as strict management of production costs.

Special items affected the operating result for the third quarter by EUR 1.3 (0.4) million. The special items include EUR 0.8 million personnel restructuring costs. The operating result increased to EUR 13.1 (4.6) million.

January–September 2019

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

- Addressed letters: -13% (-9%)
- Parcels in Finland and the Baltics: 10% (11%)
- Freight volumes* measured in waybills: 1% (3%)

* The reported figure for freight excludes food logistics

The net sales of Mail, Parcel and Logistics Services increased to EUR 1,112.1 (1,063.3) million. Net sales are itemized below.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	1–9 2019	1–9 2018	Change
Postal Services	**512.8**	**534.7**	-4.1%
Parcel and eCommerce	**302.5**	**294.2**	2.8%
Logistics Solutions	**301.6**	**237.6**	26.9%
Other and eliminations	**-4.8**	**-3.3**	
Total	**1,112.1**	**1,063.3**	4.6%

In Postal Services, net sales decreased because of mail volume decline, which continued at a high level in January–September. 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. Also 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.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 36.5 (33.2) million parcels. The figure does not include letter-like e-commerce items. Parcel and eCommerce net sales increased only slightly in January–September because of the negative development in cross-border transit volumes in Q1/2019. Cross-border transit returned to a normal level in Q2/2019.

The volume development was slower than in the comparison period, but it continued still at a good level – growth was 10 %. Volume development speeded up especially in August and September. The number of parcels going through Posti Parcel Lockers grew by 40.2%.

Net sales increased by 26.9% in Logistic Solutions primarily because of the Transval acquisition, completed during the first quarter. Development in freight volumes, measured in waybills, have 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.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 111.7 (62.7) million, 10.0% (5.9%). EBITDA increased to EUR 102.2 (63.2) million. The adjusted operating result increased to EUR 42.6 (31.2) million, 3.8% (2.9%). This is due to the increased net sales as well as strict management of production costs.

The adverse weather conditions in January and February contributed negatively to the production costs in Q1/2019 when the large amount of snow slowed down delivery throughout Finland. Posti works continuously to ensure efficient and cost-effective operations. These efforts have been already reflected in the production costs in Q3/2019.

Special items affected the operating result for January–September by EUR 9.5 (-0.4) million. The special items include EUR 7.0 million personnel restructuring costs and EUR 2.5 million other costs reported as special items. The operating result increased to EUR 33.1 (31.6) million.

Itella Russia

July–September 2019

Itella Russia's net sales measured in local currency decreased by 22.3%. Reported euro-denominated net sales decreased by 17.5% to EUR 20.7 (25.1) million. Net sales decreased in contract logistics but increased in air & sea. Net sales in road transport remained at the same level compared with the corresponding period last year. Net sales were also affected by the closing of the warehouses. The divestment of Connexions in Q4/2018 decreased the net sales. According to its strategy, Itella Russia focuses on its core businesses, i.e., contract logistics and transportation.

The adjusted EBITDA was EUR 4.2 (2.3) million, 20.4% (9.3%) of net sales. EBITDA was EUR 3.0 (2.2) million. The EBITDA improvement was mainly driven by the adoption of IFRS 16.

The average fill rate for warehouses in Moscow was 87.1% (88.3%), while in other regions it was 70.9% (66.2%). The fill rates were affected by the closing of the warehouses, such as Yekaterinburg and Krekshino ABC.

The adjusted operating result increased and was EUR 1.9 (0.9) million. The adjusted operating result was positively impacted by the closure unprofitable warehouses. The operating result was EUR 0.7 (0.7) million.

January–September 2019

Itella Russia's net sales measured in local currency decreased by 22.3%. Reported euro-denominated net sales decreased by 22.0% to EUR 59.8 (76.6) million. Net sales were affected by the closing of the unprofitable warehouses and the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018.

The adjusted EBITDA was EUR 8.8 (5.4) million, 14.8% (7.1%) of net sales. EBITDA was EUR 8.5 (6.1) million. The EBITDA improvement was mainly driven by the adoption of IFRS 16.

The average fill rate for warehouses in Moscow was 75.3% (86.4%), while in other regions it was 50.5% (71.0%).

The adjusted operating result declined and was EUR 0.7 (0.9) million. The adjusted operating result is driven by restructuring and optimization measures taken primarily during the second quarter. The result is positively impacted by contract logistic business. It benefited from the closure of unprofitable sites and optimization of customer portfolio. The operating result was EUR 0.3 (1.3) million.

Key figures for segments, continuing operations

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Net sales					
Mail, Parcel and Logistics Services	360.6	332.5	1,112.1	1,063.3	1,457.2
Itella Russia	20.7	25.1	59.8	76.6	103.9
Other and unallocated	0.5	1.0	1.6	3.2	4.2
Intra-Group sales	-0.6	-1.7	-1.9	-4.7	-6.0
Posti Group	**381.2**	**356.9**	**1,171.6**	**1,138.5**	**1,559.3**

Net sales change-%					
Mail, Parcel and Logistics Services	8.5%	0.5%	4.6%	1.7%	0.6%
Itella Russia	-17.5%	-14.7%	-22.0%	-11.0%	-12.8%
Posti Group	**6.8%**	**-5.7%**	**2.9%**	**-4.7%**	**-5.3%**
Adjusted EBITDA					
Mail, Parcel and Logistics Services	37.8	15.5	111.7	62.7	95.6
Itella Russia	4.2	2.3	8.8	5.4	8.6
Other and unallocated	-1.1	3.5	-0.4	6.2	6.5
Posti Group	**40.9**	**21.3**	**120.1**	**74.3**	**110.8**
Adjusted EBITDA, %					
Mail, Parcel and Logistics Services	10.5%	4.7%	10.0%	5.9%	6.6%
Itella Russia	20.4%	9.3%	14.8%	7.1%	8.3%
Posti Group	**10.7%**	**6.0%**	**10.3%**	**6.5%**	**7.1%**
EBITDA					
Mail, Parcel and Logistics Services	36.6	15.1	102.2	63.2	96.0
Itella Russia	3.0	2.2	8.5	6.1	4.9
Other and unallocated	-0.6	3.3	-3.0	1.6	3.5
Posti Group	**39.0**	**20.5**	**107.7**	**70.8**	**104.5**
EBITDA, %					
Mail, Parcel and Logistics Services	10.1%	4.5%	9.2%	5.9%	6.6%
Itella Russia	14.6%	8.7%	14.2%	7.9%	4.8%
Posti Group	**10.2%**	**5.8%**	**9.2%**	**6.2%**	**6.7%**

Key figures for segments, continuing operations

EUR million	**7-9 2019**	**7-9 2018**	**1-9 2019**	**1-9 2018**	**1-12 2018**
Adjusted operating result					
Mail, Parcel and Logistics Services	14.4	5.0	42.6	31.2	53.9
Itella Russia	1.9	0.9	0.7	0.9	2.6
Other and unallocated	-4.3	-0.8	-9.7	-5.6	-9.5
Posti Group	**12.0**	**5.1**	**33.6**	**26.5**	**47.0**
Adjusted operating result, %					
Mail, Parcel and Logistics Services	4.0%	1.5%	3.8%	2.9%	3.7%
Itella Russia	9.1%	3.5%	1.1%	1.2%	2.5%
Posti Group	**3.1%**	**1.4%**	**2.9%**	**2.3%**	**3.0%**
Operating result					
Mail, Parcel and Logistics Services	13.1	4.6	33.1	31.6	53.0
Itella Russia	0.7	0.7	0.3	1.3	-1.2

Other and unallocated	-3.8	-1.0	-12.2	-10.2	-12.5
Posti Group	**10.1**	**4.3**	**21.2**	**22.8**	**39.3**
Operating result, %					
Mail, Parcel and Logistics Services	3.6 %	1.4 %	3.0 %	3.0 %	3.6 %
Itella Russia	3.3 %	3.0 %	0.6 %	1.7 %	-1.2 %
Posti Group	**2.6 %**	**1.2 %**	**1.8 %**	**2.0 %**	**2.5 %**

Financial position and investments

The consolidated cash flow from operating activities was EUR 75.2 (38.4) million. The cash flow from investing activities was EUR -20.1 (-30.9) million and cash flow from financing activities EUR -79.9 (-28.1) 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 33 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 72.9 (48.1) million.

At the end of September, liquid assets amounted to EUR 141.6 (91.5) million, and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 325.3 (132.2) million. The net debt totaled EUR 168.7 (0.8) million. Interest-bearing liabilities and, therefore, also net debt increased significantly due to the adoption of IFRS 16. The equity ratio was 40.0% (47.9%) the decrease is primarily due to the initial application of IFRS 16.

Employees

The Group's personnel	1-9 2019	1-9 2018	1-12 2018
Personnel at period-end*	20,153	18,534	18,185
Personnel on average, FTE*/**	16,747	16,611	16,425

*Continuing operations

**Full time equivalent personnel on average

Personnel at the end of the period was:

- Finland: 17,998 (15,813) employees
- Other countries of operation: 2,155 (2,721) employees

The Group's personnel expenses amounted to EUR 514.9 (479.5) million, up 7.4% from the previous year. The personnel expenses included EUR 7.5 (1.4) million in restructuring costs. Excluding restructuring costs, the personnel expenses increased by 6.1% year-on-year.

The Uusi polku (New path) program September 30, 2019:

- Applications: 484
- Approved: 182

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. The need for personnel reduction in administration was reduced to a maximum of 59 employees due to transfers to new positions within Posti and voluntary arrangements. The need for personnel reduction in service production was reduced to a maximum of 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 decreased as the cooperation negotiations went on, ending up at 108 employees (124 permanent employees at the beginning of the negotiations).

Acquisitions, divestments and changes in corporate structure

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 to focus on Postal, Parcel & eCommerce and Logistics Solutions.

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 acquired E-Log Services Oy, the owner of Pakettikauppa 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 Oy and Esa Kuokka Oy have signed a business acquisition agreement on September 30, 2019, whereby Posti sells food and temperature-regulated logistics and temperature-regulated warehouse business in Lempäälä and Vantaa to Esa Kuokka Oy. The transaction will be completed on November 1, 2019.

Business risks

The risks and uncertainties related to Posti's business include risks relating to Posti's operating environment, operational risks, legal and regulatory risks as well as financing risks.

Posti's business is dependent on the general economic conditions, and their developments in Finland and in the surrounding countries. Furthermore, the continued decline of letter mail and print volumes due to the increased digital substitution and rapidly developing customer expectations, coupled with increasing competition in mail, but also other business areas involves particular challenges to Posti. Posti is executing a profound business transformation to adapt to the changing business environment, and the success of the chosen transformation strategy, including the realization of the targeted growth and efficiency improvements, is central for Posti's success in the future.

Posti is dependent on the reliability, functionality and cost-efficiency of its ICT systems and infrastructure, which may not fully meet the requirements of Posti's current or planned new businesses or support them. In order to minimize this risk, Posti has selected a new main partner to implement its ICT strategy.

Other dependencies consist of the business seasonality with a focus on the end-of the year, the key customers and partners that may be lost and not appropriately replaced, limitations of Universal Postal Union (UPU) payment terminals, Posti's operational facilities and transportation infrastructure in Finland and Russia with limited or no comparable back-ups, as well as Posti's ability to recruit and retain competent leaders and managers, as well as talented employees, and to keep them motivated. Other operational risks 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 regulator requirement.

Even if the Postal Act in Finland was amended in 2017 in a manner where many restrictions earlier imposed on the USO (Universal Service Obligation) operator were deleted, there is a need for further amendments to the same direction. However, there is no certainty of stability, nor certainty for the 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.

The existing collective agreement concluded with the Finnish Post and Logistics Union PAU will expire in Q4/2019. Any protraction of the negotiations concerning the renewal of this pivotal agreement may have a negative impact on Posti's operations and lead to consequences such as lost net sales and significant non-recurring expenses. This risk could have a significant effect on Posti´s result.

Outlook for 2019

Net sales of continued operations, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by the Transval acquisition.

The Group's adjusted operating result, of continuing operations, is expected to increase from 2018 due to the Transval acquisition and transition to IFRS 16 accounting principles. A potential strike could have a significant impact particularly on the Group's result.

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.

Helsinki, October 28, 2019

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Interim report tables

Calculation of key figures

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

EBITDA*		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA*		EBITDA excluding special items.
Adjusted operating result*		Operating result excluding special items.
Special items*		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations, 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, %	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on equity, %	100 x	$\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$
Return on capital employed, %	100 x	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings and lease liabilities - 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 borrowings.
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*

Interim report tables January-September 2019

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

Continuing operations

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Net sales	**381.2**	**356.9**	**1,171.6**	**1,138.5**	**1,559.3**
Other operating income	5.2	4.5	14.3	16.3	22.3
Materials and services	-120.6	-120.8	-357.0	-366.7	-500.6
Employee benefits	-159.7	-146.5	-514.9	-479.5	-648.2
Other operating expenses	-67.2	-73.5	-206.3	-237.7	-328.3
Depreciation and amortisation	-28.9	-16.1	-86.4	-47.7	-63.6
Impairment losses	-0.1	-0.1	-0.1	-0.4	-1.6
Operating result	**10.1**	**4.3**	**21.2**	**22.8**	**39.3**
Finance income	6.4	4.2	10.1	6.4	8.0
Finance expenses	-7.4	-1.7	-11.3	-5.9	-8.5
Result before income tax	**9.1**	**6.8**	**20.1**	**23.3**	**38.9**
Income tax	1.2	-0.7	-1.9	-2.8	-4.2
Result for the period from continuing operations	**10.2**	**6.1**	**18.2**	**20.5**	**34.6**
Result for the period from discontinued operations	0.1	0.6	4.9	-34.2	-33.9
Result for the period	**10.3**	**6.7**	**23.1**	**-13.7**	**0.7**
Result for the period attributable to					
Parent company shareholders	10.3	6.7	23.1	-13.6	0.8
Non-controlling interest	0.0	-0.1	0.0	-0.1	-0.1
Earnings per share (EUR per share)					
Group total	0.26	0.17	0.58	-0.34	0.02
Continuing operations	0.26	0.15	0.45	0.51	0.87
Discontinued operations	0.00	0.01	0.12	-0.85	-0.85

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

Condensed consolidated Statement of Comprehensive Income

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Result for the period	**10.3**	**6.7**	**23.1**	**-13.7**	**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
Change in fair value of cash flow hedges	-0.2	0.2	-1.1	0.0	0.1
Translation differences	2.5	-2.5	9.1	-7.8	-10.2
Income tax relating to these items	0.0	0.0	0.2	0.0	0.0
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations			-1.1	0.2	1.6
Income tax relating to these items			0.2	0.0	-0.3
Comprehensive income for the period	**12.6**	**4.4**	**30.4**	**-21.3**	**-8.1**
Comprehensive income attributable to					
Parent company shareholders	12.6	4.4	30.4	-21.2	-8.1
Non-controlling interest	0.0	-0.1	0.0	-0.1	-0.1

Condensed consolidated Balance Sheet

Assets

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Non-current assets			
Goodwill	151.6	147.4	147.4
Other intangible assets	59.5	56.6	57.0
Investment property	3.7	8.6	3.9
Property, plant and equipment	310.8	321.9	318.1
Right-of-use assets	189.6	11.6	9.5
Other non-current investments	1.0	3.5	3.5
Non-current receivables	0.3	1.2	1.3
Deferred tax assets	15.8	12.6	9.2
Total non-current assets	**732.3**	**563.3**	**549.8**
Current assets			
Inventories	4.8	3.7	3.7
Trade and other receivables	296.3	289.1	288.2
Current income tax receivables	7.1	6.7	2.2
Current financial assets	74.9	66.5	54.7
Cash and cash equivalents	81.7	64.9	106.6
Total current assets	**464.7**	**431.1**	**455.3**
Total assets	**1,197.0**	**994.4**	**1,005.1**

Equity and liabilities

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Equity attributable to the shareholders of the parent company			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-1.6	-0.7	-0.7
Translation differences	-91.6	-98.4	-100.7
Retained earnings	326.2	316.7	332.4
Total shareholders' equity	**445.6**	**430.3**	**443.7**
Non-controlling interests	0.0	0.2	0.0
Total equity	**445.6**	**430.5**	**443.7**
Non-current liabilities			
Deferred tax liabilities	20.1	20.9	19.8
Non-current borrowings	122.8	120.0	119.7
Non-current lease liabilities	146.0	2.6	0.4
Other non-current payables	14.3	9.1	10.3
Advances received	13.7	14.2	14.2
Non-current provisions	6.6	11.9	9.9
Defined benefit pension plan liabilities	10.5	11.4	10.0
Total non-current liabilities	**333.9**	**190.2**	**184.4**
Current liabilities			
Current borrowings	11.5	0.0	0.0
Current lease liabilities	45.0	9.5	9.5
Trade and other payables	273.7	268.2	278.7
Advances received	69.1	81.2	77.0
Current income tax liabilities	10.2	5.3	0.5
Current provisions	7.9	9.5	11.3
Total current liabilities	**417.4**	**373.7**	**377.0**
Total liabilities	**751.4**	**563.9**	**561.4**
Total equity and liabilities	**1,197.0**	**994.4**	**1,005.1**

Condensed consolidated Statement of Cash Flows

EUR million	1-9 2019	1-9 2018	1-12 2018
Result for the period	**23.1**	**-13.7**	**0.7**
Adjustments to cash flow	74.4	78.6	99.4
Change in net working capital	-12.5	-19.8	-13.8
Cash flow before financial items and income tax	**85.0**	**45.2**	**86.3**
Financial items (net)	-3.9	-0.7	-1.0
Income tax paid	-5.9	-6.0	-5.5
Cash flow from operating activities	**75.2**	**38.4**	**79.8**
Purchase of intangible assets	-15.3	-13.3	-19.2
Purchase of property, plant and equipment	-15.9	-32.1	-39.2
Proceeds from sale of intangible and tangible assets	4.4	1.1	1.5
Business acquisitions, net of cash acquired	-41.8	-2.6	-5.0
Proceeds from business disposals less cash and cash equivalents	43.8	5.8	5.6
Proceeds from repayment of loans	23.3	0.0	0.0
Cash flow from financial assets	-19.7	10.5	22.4
Cash flow from other investments	0.9	-0.3	5.8
Cash flow from investing activities	**-20.1**	**-30.9**	**-28.1**
Repayment of current loans	-9.2	-40.0	-40.0
Increases in non-current loans		59.3	59.0
Repayment of non-current loans	-0.6		
Payments of lease liabilities	-41.8	-7.4	-9.6
Dividends paid	-28.4	-40.0	-40.0
Cash flow from financing activities	**-79.9**	**-28.1**	**-30.6**
Change in cash and cash equivalents	**-24.9**	**-20.5**	**21.1**
Cash and cash equivalents at the beginning of the period	**106.6**	**86.0**	**86.0**
Effect of exchange rates changes	0.0	-0.5	-0.5
Cash and cash equivalents at the end of the period	**81.7**	**64.9**	**106.6**

Reconciliation of adjusted free cash flow

Cash flow from operating activities	75.2	38.4	79.8
Purchase of intangible assets and property, plant and equipment	-31.2	-45.5	-58.4
Free cash flow from operations	**44.0**	**-7.0**	**21.4**
Cash flow impact of personnel restructuring costs	6.9	4.2	5.3
Cash flow impact of strategic project costs		3.2	3.2
Adjusted free cash flow	**50.9**	**0.3**	**29.9**

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

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the owners of the parent company							
Jan 1, 2019	**70.0**	**142.7**	**-0.7**	**-100.7**	**332.4**	**443.7**		**443.7**
Comprehensive income								
Result for the period					23.1	23.1		23.1
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			-0.9			-0.9		-0.9
Translation differences				9.1		9.1		9.1
Remeasurements of post-employment benefit obligations, net of tax					-0.9	-0.9		-0.9
Comprehensive income for the period			**-0.9**	**9.1**	**22.2**	**30.4**		**30.4**
Transactions with equity holders								
Dividends paid					-28.4	-28.4		-28.4
Sep 30, 2019	**70.0**	**142.7**	**-1.6**	**-91.6**	**326.2**	**445.6**		**445.6**

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total 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					-13.6	-13.6	-0.1	-13.7
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			0.0			0.0		0.0
Translation differences				-7.8		-7.8		-7.8
Remeasurements of post-employment benefit obligations, net of tax					0.2	0.2		0.2
Comprehensive income for the period			**0.0**	**-7.8**	**-13.4**	**-21.2**	**-0.1**	**-21.3**
Transactions with equity holders								
Dividends paid					-40.0	-40.0		-40.0
Sep 30, 2018	**70.0**	**142.7**	**-0.7**	**-98.4**	**316.7**	**430.3**	**0.2**	**430.5**

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of parent company							
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
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
Dec 31, 2018	**70.0**	**142.7**	**-0.7**	**-100.7**	**332.4**	**443.7**	**0.0**	**443.7**

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 25, 2019. The Annual General Meeting decided to distribute a dividend of EUR 28.4 million based on the result for the year 2018.

Notes

1. Accounting Policies

The interim report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this interim report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2018 except for the adoption of new standard IFRS 16 Leases effective as of January 1, 2019. Other amendments to IFRS standards effective as of 1 January 2019 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim report is unaudited.

Application of new or amended IFRS standards

IFRS 16 Leases - impact of adoption

Posti has adopted IFRS 16 leases -standard on its effective date January 1, 2019 prospectively, thus the previous periods are not restated. The standard has affected primarily the accounting by lessees and as a result Posti has recognized almost all leases on balance sheet. The standard has removed the current distinction between operating and financing leases and requires recognition of an 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.

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. Operating lease expense recorded on a straight-line basis has been replaced with interest and depreciation, so key metrics like operating result and EBITDA have changed. The amount of right-of-use assets and respective lease liabilities in the balance sheet has increased, which had an impact on balance sheet-based performance indicators, such as the net debt.

Posti's balance sheet for IFRS 16 is essentially based on lease contracts for real estates. For these contracts an annual rent increase is typical. Numerically, the most of the Posti's lease contracts are related to leasing of vehicles in which the rent amount typically remains constant during the lease contract term.

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.

The standard requires management to apply judgment regarding the accounting treatment of leases. For leases that have been classified as operating leases under IAS 17, the lease liability have 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.

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). Also 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. 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.

Some lease contracts were treated as onerous leases as 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 liabilities 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 in 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 in balance sheet as per 31.12.2018 are combined together with above presented lease liability items.

2. Foreign exchange rates

Average rate	1-9 2019	1-9 2018	1-12 2018
RUB	73.0958	73.4244	74.0551
SEK	10.5672	10.2365	10.2567
NOK	9.7698	9.5884	9.6006

Closing rate	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
RUB	70.7557	76.1422	79.7153
SEK	10.6958	10.3090	10.2548
NOK	9.8953	9.4665	9.9483

3. Operating segments

The Group's business is characterized by seasonality. Net sales and operating result of the segments do not accrue evenly over the year. In postal services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

Posti's reportable segments consist of four operating segments: Postal Services, Parcel and eCommerce, Logistics Solutions and Itella Russia. Postal Services, Parcel and eCommerce and Logistics Solutions operating segments have been aggregated into a single reportable segment called Mail, Parcel and Logistics Services.

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Parcel and eCommerce and Logistics Solutions are in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services for companies, as well as warehousing and supplementary services. Itella Russia offers comprehensive logistics services to both Russian and international companies.

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

7-9
2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	360.4	20.7	381.1	0.1		381.2
Inter-segment sales	0.2		0.2	0.4	-0.6	
Net sales	**360.6**	**20.7**	**381.3**	**0.5**	**-0.6**	**381.2**
EBITDA	**36.6**	**3.0**	**39.6**	**-0.6**		**39.0**
Special items included in EBITDA:						
Personnel restructuring costs	0.8		0.8	-0.2		0.6
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)		-0.1	-0.1	-1.7		-1.8
Onerous contracts		-0.1	-0.1			-0.1
Other	0.5	1.3	1.8	1.4		3.2
Special items included in EBITDA total	**1.3**	**1.2**	**2.5**	**-0.5**		**1.9**
Adjusted EBITDA	**37.8**	**4.2**	**42.1**	**-1.1**		**40.9**
Operating result	**13.1**	**0.7**	**13.8**	**-3.8**		**10.1**
Special items included in operating result:						
Special items included in EBITDA	1.3	1.2	2.5	-0.5		1.9
Impairment losses						
Special items total	**1.3**	**1.2**	**2.5**	**-0.5**		**1.9**
Adjusted operating result	**14.4**	**1.9**	**16.3**	**-4.3**		**12.0**
Financial income and expense						-1.0
Income tax						-1.2
Result for the period from continuing operations						**10.2**
Result for the period from discontinued operations						0.1
Result for the period						**10.3**

7-9
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	331.8	25.1	356.8	0.0		356.9
Inter-segment sales	0.7		0.7	1.0	-1.7	
Net sales	**332.5**	**25.1**	**357.5**	**1.0**	**-1.7**	**356.9**
EBITDA	**15.1**	**2.2**	**17.3**	**3.3**		**20.5**
Special items included in EBITDA:						
Personnel restructuring costs	0.4	0.1	0.5	0.0		0.5
Onerous contracts		0.0	0.0			0.0
Other				0.2		0.2
Special items included in EBITDA total	**0.4**	**0.1**	**0.5**	**0.2**		**0.8**
Adjusted EBITDA	**15.5**	**2.3**	**17.8**	**3.5**		**21.3**
Operating result	**4.6**	**0.7**	**5.3**	**-1.0**		**4.3**
Special items included in operating result:						
Special items included in EBITDA	0.4	0.1	0.5	0.2		0.8
Impairment losses		0.0	0.0			0.0
Special items total	**0.4**	**0.1**	**0.5**	**0.2**		**0.7**
Adjusted operating result	**5.0**	**0.9**	**5.9**	**-0.8**		**5.1**
Financial income and expense						2.5
Income tax						0.7
Result for the period from continuing operations						**6.1**
Result for the period from discontinued operations						0.6
Result for the period						**6.7**

1-9
2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	1,111.6	59.8	1,171.4	0.2		1,171.6
Inter-segment sales	0.5		0.5	1.3	-1.9	
Net sales	**1,112.1**	**59.8**	**1,171.9**	**1.6**	**-1.9**	**1,171.6**
EBITDA	**102.2**	**8.5**	**110.7**	**-3.0**		**107.7**
Special items included in EBITDA:						
Personnel restructuring costs	7.0		7.0	0.5		7.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)		-0.1	-0.1	-1.7		-1.8
Onerous contracts		-1.0	-1.0			-1.0
Other	2.5	1.4	3.9	3.8		7.7
Special items included in EBITDA total	**9.5**	**0.3**	**9.8**	**2.5**		**12.4**
Adjusted EBITDA	**111.7**	**8.8**	**120.5**	**-0.4**		**120.1**
Operating result	**33.1**	**0.3**	**33.4**	**-12.2**		**21.2**
Special items included in operating result:						
Special items included in EBITDA	9.5	0.3	9.8	2.5		12.4
Impairment losses						
Special items total	**9.5**	**0.3**	**9.8**	**2.5**		**12.4**
Adjusted operating result	**42.6**	**0.7**	**43.2**	**-9.7**		**33.6**
Financial income and expense						-1.2
Income tax						1.9
Result for the period from continuing operations						**18.2**
Result for the period from discontinued operations						4.9
Result for the period						**23.1**

1-9
2018

EUR million	**Mail, Parcel and Logistics Services**	**Itella Russia**	**Segments total**	**Other and unallocated**	**Elimi-nations**	**Group total**
External sales	1,061.8	76.6	1,138.5	0.0		1,138.5
Inter-segment sales	1.4		1.4	3.2	-4.7	
Net sales	**1,063.3**	**76.6**	**1,139.9**	**3.2**	**-4.7**	**1,138.5**
EBITDA	**63.2**	**6.1**	**69.2**	**1.6**		**70.8**
Special items included in EBITDA:						
Personnel restructuring costs	1.2	0.2	1.4	0.0		1.4
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0		-2.0			-2.0
Onerous contracts		-0.8	-0.8			-0.8
Other	0.3		0.3	4.7		5.0
Special items included in EBITDA total	**-0.4**	**-0.6**	**-1.1**	**4.6**		**3.5**
Adjusted EBITDA	**62.7**	**5.4**	**68.2**	**6.2**		**74.3**
Operating result	**31.6**	**1.3**	**33.0**	**-10.2**		**22.8**
Special items included in operating result:						
Special items included in EBITDA	-0.4	-0.6	-1.1	4.6		3.5
Impairment losses		0.2	0.2			0.2
Special items total	**-0.4**	**-0.4**	**-0.9**	**4.6**		**3.7**
Adjusted operating result	**31.2**	**0.9**	**32.1**	**-5.6**		**26.5**
Financial income and expense						0.5
Income tax						2.8
Result for the period from continuing operations						**20.5**
Result for the period from discontinued operations						-34.2
Result for the period						**-13.7**

1-12
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	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**

Net sales of Mail, Parcel and Logistics Services

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Postal Services	158.4	161.6	512.8	534.7	737.8
Parcel and eCommerce	101.6	93.4	302.5	294.2	407.6
Logistics Solutions	102.3	78.8	301.6	237.6	316.4
Other and eliminations	-1.7	-1.3	-4.8	-3.3	-4.6
Total	**360.6**	**332.5**	**1,112.1**	**1,063.3**	**1,457.2**

Sep 30, 2019

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Segments total	Other and unallocated	Elimi-nations	Group total
Assets	862.0	110.4	972.4	224.5	0.1	**1,197.0**
Liabilities	349.7	20.1	369.8	381.5	0.1	**751.4**
Capital expenditure	72.2	1.3	73.4	20.6		**94.0**
Depreciation and amortization	69.1	8.1	77.2	9.2		**86.4**
Impairment losses	0.0	0.1	0.1	0.1		**0.1**
Personnel, end of period	18,229	1,266	19,495	658		**20,153**
Personnel on average, FTE	14,713	1,329	16,042	705		**16,747**

Sep 30, 2018

EUR million						
Assets	611.3	116.2	727.4	275.2	-8.2	**994.4**
Liabilities	339.9	27.5	367.5	204.7	-8.2	**563.9**
Capital expenditure	24.0	0.7	24.7	21.5		**46.2**
Depreciation and amortization	31.4	4.5	35.9	11.8		**47.7**
Impairment losses	0.2	0.2	0.4	0.0		**0.4**
Personnel, end of period	16,003	1,804	17,807	727		**18,534**
Personnel on average, FTE	13,881	2,036	15,917	693		**16,611**

Dec 31, 2018

EUR million						
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, end of period	15,746	1,734	17,480	705		**18,185**
Personnel on average, FTE	13,769	1,960	15,729	696		**16,425**

4. Net sales by geographical location

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Finland	318.1	291.5	983.7	922.2	1,270.8
Other Nordic countries	19.3	20.6	62.7	73.1	95.1
Russia	20.7	24.8	59.6	75.9	103.0
Other countries	23.1	20.0	65.6	67.4	90.4
Total	**381.2**	**356.9**	**1,171.6**	**1,138.5**	**1,559.3**

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

5. Acquired and divested businesses and dicontinued operations

Discontinued operations

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 and also comparison periods have been restated respectively. Discontinued operations generated total result of EUR 4.9 (-34.2) million during the review period.

Result for the period from discontinued operations

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Net sales	0.0	15.8	16.4	44.7	62.1
Sale profit net of sale costs	0.0		4.5		
Other operating income	0.1	0.1	0.4	-2.0	-1.9
Depreciation and amortisation	0.0	-1.1	-1.0	-33.0	-34.2
Other operating expenses	0.0	-14.0	-15.3	-43.7	-59.6
Operating result	**0.1**	**0.7**	**5.0**	**-34.0**	**-33.6**
Finance expenses	0.0	-0.1	-0.1	-0.2	-0.3
Income tax			0.1		
Result for the period from discontinued operations	**0.1**	**0.6**	**4.9**	**-34.2**	**-33.9**

Cash flow from discontinued operations

EUR million	7-9 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
Cash flow from operating activities	-	2.2	1.3	5.3	3.0
Cash flow from investing activities	-	-0.9	58.5	-3.0	-4.0

Business acquisitions and divestments in July-September 2019

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

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

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

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Carrying amount Jan 1	**318.1**	**328.0**	**328.0**
Acquired businesses	5.9		
Additions	15.8	35.5	46.3
Business divestments	-5.7	-0.1	-0.5
Disposals and transfers between items	-1.4	-0.9	-1.2
Amortization, continuing operations	-32.8	-31.3	-42.1
Impairment, continuing operations	-0.1	0.0	0.0
Amortization and impairment, discontinued operations	0.0	0.0	-0.1
Translation differences	11.0	-9.3	-12.2
Carrying amount, end of the period	**310.8**	**321.9**	**318.1**

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

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Carrying amount Jan 1	**9.5**	**18.4**	**18.4**
Adoption of IFRS 16 - Leases	207.9		
Acquired businesses	4.7		
Additions	12.6	0.3	0.3
Business divestments	-1.0		
Disposals and transfers between items	-1.1	-0.1	-0.1
Depreciation	-42.2	-7.0	-9.1
Translation differences	-0.9		
Carrying amount, end of the period	**189.6**	**11.6**	**9.5**

Specification of right-of-use asset:

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Land	0.3		
Buildings	164.5		
Vehicles	20.0	11.6	9.5
Machinery and other	4.8		
Carrying amount, end of the period	**189.6**	**11.6**	**9.5**

7. Goodwill and other intangible assets

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

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Carrying amount Jan 1	**204.4**	**237.7**	**237.7**
Acquired businesses	65.2		
Additions	15.3	13.3	19.2
Business divestments	-60.9	-4.1	-4.1
Disposals and transfers between items	0.0	-0.4	-0.3
Amortization, continuing operations	-11.6	-8.7	-11.8
Impairment, continuing operations	0.0	-0.4	-1.5
Amortization and impairment, discontinued operations	-0.9	-33.0	-34.1
Translation differences	-0.5	-0.4	-0.5
Carrying amount, end of the period	**211.1**	**204.0**	**204.4**

8. Net debt and liquid funds

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		-10.1	-41.8	-51.9	10.5	-15.0	-47.4
Business acquisitions		24.3	4.3	28.6	0.0	0.0	28.6
Effect of exchange rates changes		0.0	-0.1	-0.1	0.0	0.0	-0.1
Other non-cash items		0.1	218.9	218.9	0.0	0.0	218.9
Carrying amount on	**Sep 30, 2019**	**134.0**	**191.3**	**325.3**	**141.6**	**15.0**	**168.7**
Fair value on	**Sep 30, 2019**	**134.3**	**191.3**	**325.6**			

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		19.5	-7.4	12.0	-31.7	0.2	43.5
Business acquisitions		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes		0.0	0.0	0.0	-0.5	0.0	0.5
Other non-cash items		-0.1	0.3	0.1	0.0	0.0	0.1
Carrying amount on	**Sep 30, 2018**	**120.0**	**12.1**	**132.2**	**91.5**	**39.9**	**0.8**
Fair value on	**Sep 30, 2018**	**120.4**	**12.1**	**132.6**			

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	0.0	0.0
Effect of exchange rates changes		0.0	0.0	0.0	-0.5	0.0	0.5
Other non-cash items		-0.1	0.3	0.2	0.0	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**			

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Cash and cash equivalents	81.7	64.9	106.6
Money market investments and investments in bonds	59.9	26.5	24.5
Liquid funds	**141.6**	**91.5**	**131.0**

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

EUR million	Total	Level 1	Level 2	Level 3
Sep 30, 2019				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	1.0			1.0
Total	**1.0**			**1.0**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	2.0		2.0	
Total	**2.0**		**2.0**	

EUR million	Total	Level 1	Level 2	Level 3
Sep 30, 2018				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	3.4			3.4
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Equity fund investments	0.1			0.1
Total	**3.5**		**0.1**	**3.4**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.7		0.7	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Currency derivatives, hedge accounting	0.2		0.2	
Equity derivatives, written put option	1.7			1.7
Total	**2.7**		**1.0**	**1.7**

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

Hierarchy levels:
Level 1: Fair values are based on the quoted prices of identical asset groups or liabilities in active markets.
Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question. To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.
Level 3: Fair values are based on data regarding the asset group or liability that is not based on verifiable market data.

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 5.2 million and their carrying value EUR 5.1 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Pledges for own behalf			
Bank guarantees	9.1	6.8	7.4
Guarantees	3.6	4.2	3.8
Pledges	0.0	0.1	0.1
Total	**12.7**	**11.0**	**11.3**

Lease commitments not recognized in balance sheet

EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Maturity of minimum lease payments:			
Less than a year	9.3	50.0	51.5
1-5 years	0.6	112.9	108.9
More than 5 years		66.7	57.7
Total	**10.0**	**229.6**	**218.2**

Lease commitments have decreased in 2019 following the adoption of IFRS 16 as majority of leases have been recognized in the balance sheet.

Other contingent liabilities

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

Derivative contracts

EUR million	Sep 30, 2019	Sep 30, 2019	Dec 31, 2018
Currency derivatives			
Non-hedge accounting			
Fair value	0.0	0.0	0.0
Nominal value	6.2	9.7	10.9
Hedge accounting			
Fair value		-0.2	0.1
Nominal value		6.6	3.2
Interest rate derivates			
Hedge accounting			
Fair value	-2.0	-0.7	-0.9
Nominal value	60.0	60.0	60.0
Equity derivatives			
Non-hedge accounting			
Fair value		-1.7	

11. Events after the reporting period

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.), currently 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.