



POSTI GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE, FEBRUARY 13, 2015  
AT 10:00 A.M. (EET)

## **Posti Group's strategy is advancing – the industry and the market are undergoing a dramatic transformation**

### **Posti Group Corporation's Financial Statements and Board of Directors' Report for 2014**

#### **October–December 2014**

- The Group's net sales decreased by 7.0% to EUR 491.7 (528.8) million in October–December.
- Net sales decreased by 2.7% in Itella Mail Communications, by 9.0% in Itella Logistics and by 26.7% in Itella Russia, and increased by 2.6% in OpusCapita. Measured in local currency, Itella Russia's net sales increased by 0.7%.
- Posti Group's operating result before non-recurring items was EUR 23.5 (26.3) million, representing 4.8% (5.0%) of net sales. The operating result before non-recurring items improved to EUR 35.8 (33.8) million in Itella Mail Communications, but decreased to EUR -11.0 (-8.9) million in Itella Logistics, to EUR 2.1 (2.4) million in Itella Russia and to EUR 3.4 (4.3) million in OpusCapita.
- Posti Group's operating result for the fourth quarter was EUR 10.9 (12.3) million, or 2.2% (2.3%) of net sales. Non-recurring items recognized during the period totaled EUR 12.6 (14.0) million.
- A new one-year collective agreement was signed for mail communications and logistics area in the end of October. The agreement covers approximately 18,000 employees.
- In late 2014, Posti gave up air and sea freight in Scandinavia as well as service warehouses in Denmark and outsourced the distribution logistics within Scandinavia. Service warehouses in Sweden and Norway will be given up in 2015.
- On October 1, 2014, OpusCapita acquired the Norwegian Norian Group.

#### **Year 2014**

- Posti Group's net sales decreased by 6.0% to EUR 1,858.7 (1,976.8) million. In local currencies, the decrease in net sales was 3.5%. International operations constituted 26.9% (28.9%) of net sales.
- Net sales decreased by 1.9% in Itella Mail Communications, by 8.7% in Itella Logistics, by 16.3% in Itella Russia, and by 1.4% in OpusCapita. Measured in local currency, Itella Russia's net sales increased by 0.7%.
- The operating result before non-recurring items improved slightly and amounted to EUR 50.8 (50.5) million, or 2.7% (2.6%) of net sales.
- The operating result decreased to EUR 5.8 (9.9) million, or 0.3% (0.5%) of net sales. The operating result was affected by EUR 45.0 (40.5) million in non-recurring items, of which EUR 25.8 (17.5) million was related to personnel restructuring, with other non-recurring items totaling EUR 19.2 (23.0) million.
- The result before taxes was EUR -4.6 (-2.4) million.
- The Group's cash flow from operating activities improved, amounting to EUR 93.2 (81.4) million before investments.
- Gearing was 17.2% (21.1%). Equity ratio stood at 45.9% (47.5%). The substantial depreciation of the ruble had a negative effect on the equity ratio.
- In August, Posti launched a new, EUR 75 million performance improvement program for 2015–2016. Throughout the year, the company conducted several cooperation negotiations, and the number of employees decreased by 2,588 year-on-year.



- The Board of Directors proposes to the Annual General Meeting that no dividend be distributed for 2014.

Key figures of Posti Group				
	10–12/ 2014	10–12/ 2013	1–12/ 2014	1–12/ 2013
Net sales, EUR million	491.7	528.8	1,858.7	1,976.8
Operating result (non-IFRS), EUR million*	23.5	26.3	50.8	50.5
Operating result (non-IFRS), %*	4.8	5.0	2.7	2.6
Operating result (EBIT), EUR million	10.9	12.3	5.8	9.9
Operating result (EBIT), %	2.2	2.3	0.3	0.5
Result before taxes, EUR million	7.6	9.6	-4.6	-2.4
Result for the period, EUR million	4.5	17.6	-4.4	7.7
Return on equity (12 months), %			-0.7	1.1
Return on invested capital (12 months), %			1.0	1.3
Equity ratio, %			45.9	47.5
Gearing, %			17.2	21.1
Gross capital expenditure, EUR million	14.6	19.8	57.5	61.1
Average number of employees			24,617	27,253

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

#### Heikki Malinen, President and CEO:

*“In 2014, we implemented our new strategy systematically. Its key goal is to transform our company into a modern, customer-oriented and high-quality postal and logistics service provider. A part of this renewal process was the changing of Itella’s name to Posti at the beginning of this year. I am very pleased that the name change has received such positive feedback from the public and our customers. The name change has proved to be the right decision.*

*During the past year, accelerating digitization affected the Group’s operations more profoundly than ever before. The total volume of addressed letter items declined by 10% and that of newspapers by 13%. In the next few years, the transformation of communications and the postal industry will continue and be at least as challenging as it is at the moment. If letter and publication delivery volumes decrease at the pace of 10% per year, it will mean at least EUR 60 million of lost net sales for Posti annually.*

*Digitization also offers Posti new growth opportunities. Thanks to increasing e-commerce, we delivered a record-breaking number of parcels, nearly 33 million, last year. The number of users of the electronic mailbox Netposti increased by 10% to nearly 600,000. Digitization also benefits OpusCapita, a provider of financial accounting outsourcing services and automation solutions, as electronic invoices and cloud services related to financial accounting automation, which form part of its offering, are growing strongly. Indeed, OpusCapita is an important cornerstone for Posti’s strategy, which looks ahead to 2020.*

*The Group’s non-IFRS operating result improved to EUR 50.8 million. The structural changes and adjustments carried out during the year increased non-recurring items, which decreased the*



*operating result from the previous year. In Mail Communications, the result remained good, thanks to savings, efficiency improvement measures and price increases. In Logistics, net sales decreased by 8.7%. The decrease was due to the very difficult market situation and intense competition in logistics and trade.*

*A positive highlight is Itella Russia, which achieved a profitable result in an extremely challenging market situation. Itella Russia's euro-denominated net sales declined due to the substantial depreciation of the ruble. However, this year is becoming a difficult one as the Russian economy is sliding into recession. The weak ruble, the decreasing oil price and sanctions affect the Russian economy and consumer purchasing power negatively, which decreases demand for logistics services.*

*Last year, adjustment to the transformation of the postal industry and logistics required, unfortunately, the Group to make extensive personnel reductions that were carried out in as responsible and controlled manner as possible. Through the Uusi polku (New path) program, we have supported the personnel financially and offered retraining coaching.*

*In Logistics, we also took extensive efficiency improvement measures and eliminated highly unprofitable operations in Scandinavia, for example. Logistics managed to improve its result, although the operating result still showed a clear loss. Continued economic recession has made a fast turnaround more difficult. Efficiency improvement measures will be continued with a new program aiming to ensure the Group's profitability through the recession. We are focusing on our core business operations instead of expansion."*

#### APPENDICES

Financial Statements Release and the Board of Directors' Report (PDF)  
Corporate Governance Statement 2014 (PDF)

#### FURTHER INFORMATION

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#### DISTRIBUTION

NASDAQ OMX Helsinki  
Key media  
[www.posti.com/financials](http://www.posti.com/financials)

#### FINANCIAL CALENDAR IN 2015

Interim Report Q1/2013, April 30  
Interim Report Q2/2013, July 17  
Interim Report Q3/2014, November 2

#### IMAGES AND LOGOS

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

*Posti Group is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 11 countries. Our net sales in 2014 amounted to EUR 1,859 million. We employ approximately 23,000 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. [www.posti.com](http://www.posti.com).*



## **Posti Group Corporation**

### **Board of Directors' Report 2014**

#### **Operating environment 2014**

The overall economic situation remained weak in Finland, which was reflected as lower mail and freight volumes. The market situation in logistics and retail is still weak. Transport volumes in heavy traffic have continued to decrease in Finland for nearly three consecutive years. GDP growth in Russia ceased as of the second quarter of 2014. By December 31, 2014, the closing rate of the Russian ruble had declined by 59.6% year-on-year. Furthermore, there was intense competition in Scandinavia. The situation was reflected in Posti Group's results as a decrease in both net sales and operating result.

The volumes of addressed letter items declined by -10% (-6%) year-on-year. Newspaper and magazine volumes also continued to decrease substantially. The delivery volumes decreased from the previous year by -13% (-6%) for newspapers and by -10% (-7%) for magazines.

The growth in parcel services slowed down to 2% from the 4% rate recorded a year earlier. Nevertheless, the parcel market picked up before Christmas. During the year, Posti delivered a total of 32.6 million parcels, which is the highest ever number of parcels delivered by Posti. The overall demand for parcels in Finland increased by approximately 3%, driven by B-to-C e-commerce.

In OpusCapita, the strong growth of cloud services continued. In addition to cloud services, digitization continues to increase, which creates a firm foundation for the actual business benefits that can be gained in financial management through automation. It is also forecast that BPaaS (Business Process as a Service) and SaaS (Software as a Service) product sales services offered by OpusCapita will grow much more strongly than traditional software license.

The postal delivery licenses that have been issued allow for competition in addressed deliveries, but competition has not yet had an impact on the Group's result. The Finnish Government issued a postal delivery license to three of Posti's competitors. In Posti's view, issuing the postal licenses with one-day delivery obligation reduces Posti's opportunities to profitably provide services that fall under the universal service obligation in accordance with the Finnish Postal Act. For this reason, the decision increases the need for efficiency measures.

#### **Changing the name**

On January 1, 2015, Itella Corporation changed its name to Posti Group Corporation. Posti became the only service brand of the company in Finland, serving both consumer and business customers under one name. The change aimed to improve the customer experience. Under one name, the company can offer its customers a more straightforward customer experience and range of services. The company's new slogan is Smoother everyday life.

#### **Organizational restructuring**

From January 1, 2015, the names of the business groups will be: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. Since the beginning of 2015, Posti Group Corporation's result is reported on the basis of the new business groups.

The reporting for 2014 is based on the 2014 business group structure: Itella Mail Communications, Itella Logistics, Itella Russia and OpusCapita.



The organization structure was streamlined at the turn of the year as Posti Group Corporation's subsidiary Itella Logistics Oy merged with Itella Posti Oy on January 1, 2015. At the same time, the name was changed to Posti Ltd.

### **Performance improvement program**

The targets of the two-year EUR 100 million performance improvement program, launched in spring 2013, were achieved ahead of schedule, already in the third quarter of 2014. The targets of the program were exceeded, with total savings amounting to nearly EUR 140 million.

In August, the Group launched a new performance improvement program for 2015–2016, aiming at EUR 75 million in cost savings. The aims include achieving synergy benefits through the consolidation of production, improving the efficiency of the ICT function, achieving savings in sourcing, and simplifying the product portfolio. In September, Posti signed a significant cooperation contract with which Posti centralizes cleaning, property maintenance, waste management and technical building services to an external partner.

In January, Posti started cooperation negotiations concerning basic delivery that led to the dismissal of 407 employees. As the result of the cooperation negotiations in April that concerned line haul production, 55 employees were dismissed and 26 drivers of road trains were offered comparable work in a different location.

The cooperation negotiations carried out in OpusCapita's financial management outsourcing services in Tampere in April led to the dismissal of 29 employees. The cooperation negotiations related to Posti's sorting operations started in August and led to the dismissal of 38 employees in Jyväskylä and Seinäjoki. In September, cooperation negotiations were carried out concerning employees in expert and supervisory positions in administration as well as planning and supervisory duties in production. The negotiations led to the dismissal of 254 employees.

The cooperation negotiations carried out in Scandinavia in the fall led to the dismissal of 72 employees in Sweden, Norway and Denmark. Some of the personnel reductions were implemented through outsourcing and business transfers. All in all, personnel reductions amounted to 1,646.

### **October–December 2014**

The Group's net sales in the fourth quarter were EUR 491.7 (528.8) million. The operating result before non-recurring items was EUR 23.5 (26.3) million, or 4.8% (5.0%) of net sales. Non-recurring items recognized during the period totaled EUR 12.6 (14.0) million.

The result before taxes was EUR 7.6 (9.6) million.

### **Net sales and operating result in 2014**

The Group's net sales in 2014 were EUR 1,858.7 (1,976.8) million. Net sales decreased by 6.0%. In local currencies, the decline in net sales was 3.5%.

Net sales decreased in all business groups. Net sales declined by 3.1% in Finland and by 15.0% in other countries. The substantial depreciation of the ruble had a negative effect on net sales. By



December 31, 2014, the closing rate of the Russian ruble had declined by 59.6% year-on-year. International net sales accounted for 26.9% (28.9%) of net sales.

The operating result before non-recurring items was EUR 50.8 (50.5) million, or 2.7% (2.6%) of net sales. The operating result before non-recurring items improved in Itella Mail Communications and Itella Logistics, and decreased in Itella Russia and OpusCapita.

In 2014, the operating result was affected by EUR 45.0 (40.5) million in non-recurring items, of which EUR 25.8 (17.5) was related to personnel restructuring and EUR 19.2 (23.0) million to other items.

The operating result was EUR 5.8 (9.9) million, or 0.3% (0.5%) of net sales. The operating result improved in Itella Logistics and decreased in Itella Mail Communications, Itella Russia, and OpusCapita.

The Group's net financing costs amounted to EUR 10.4 (12.3) million.

The Group's operating result after financing items was EUR -4.6 (-2.4) million. Income tax after changes in deferred taxes totaled EUR 0.2 (10.1) million. Income tax paid by the Group amounted to EUR -2.6 (-4.2) million. Of the Group's income tax, 76% were related to Finland. The Group's effective tax rate was 3.4% (44%), resulting mainly from changes in deferred tax assets and liabilities on the balance sheet.

The Group's operating result for the period was EUR -4.4 (7.7) million.

Return on equity stood at -0.7% (1.1%).

<b>Key figures of Posti Group</b>				
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Net sales, EUR million	491.7	528.8	1,858.7	1,976.8
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Operating result (non-IFRS), %*	4.8	5.0	2.7	2.6
Operating result (EBIT), EUR million	10.9	12.3	5.8	9.9
Operating result (EBIT), %	2.2	2.3	0.3	0.5
Result before taxes, EUR million	7.6	9.6	-4.6	-2.4
Result for the period, EUR million	4.5	17.6	-4.4	7.7
Return on equity (12 months), %			-0.7	1.1
Return on invested capital (12 months), %			1.0	1.3
Equity ratio, %			45.9	47.5
Gearing, %			17.2	21.1
Gross capital expenditure, EUR million	14.6	19.8	57.5	61.1
Average number of employees			24,617	27,253

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





## Itella Mail Communications

### October–December

The October–December net sales of the Itella Mail Communications business group fell by 2.7% and amounted to EUR 316.7 (325.6) million. The substantial decrease of the delivery product volume continued.

The sales of Christmas stamps decreased by 4% from the previous year. A total of 34 million Christmas cards were sent. The amount of Christmas shopping delivered to consumers increased by about 12% from the previous year. A total of 3.5 million parcels were delivered in December, an increase of 13% year-on-year.

The business group's operating result before non-recurring items was EUR 35.8 (33.8) million. Non-recurring items recognized during the period totaled EUR 1.0 million (EUR 1.5 million in non-recurring income). The improvement in the result mainly came from efficiency improvement measures taken in relation to operations and personnel.

The operating result remained on par with the previous year, amounting to EUR 34.8 (35.3) million.

### Year 2014

The net sales of the Itella Mail Communications business group decreased by 1.9% to EUR 1,133.0 (1,155.5) million. The decrease of the delivery product volume continued, but thanks to the price increases taking effect at the beginning of the year, net sales declined only moderately.

Operations under the universal service obligation amounted to EUR 147.1 (150.2) million, or 13.0% (12.9%) of Mail Communications' net sales and 7.9% (7.6%) of the entire Group's net sales.

The operating result before non-recurring items amounted to EUR 67.4 (66.6) million. Non-recurring items related to personnel restructuring recognized during the period totaled EUR 16.1 (2.6) million.

The operating result decreased to EUR 51.2 (64.0) million, or 4.5% (5.5%) of net sales. The operating result declined due to non-recurring items related to personnel restructuring. With the restructuring, operations are adjusted to the prevailing situation in which postal item volumes are declining substantially.

In 2014, mail delivery volumes developed as follows (compared to 2013):

- Newspapers, -13% (-6%)
- Magazines, -10% (-7%)
- Addressed letters, -10% (-6%)
- Unaddressed direct marketing, -33% (+11%)
- Parcel services, +2% (+4%)
- Electronic letters, +7% (+11%)

During the year, Posti delivered a total of 32.6 million parcels, which is the highest ever number of parcels delivered by Posti. The use of Posti's parcel points increased during the year, with the number of parcels growing by 52% from the previous year. The growth in Posti's parcel services slowed down to 2% from the 4% rate recorded a year earlier; however, demand picked up before



Christmas. The overall demand for parcels in Finland increased by approximately 3%, driven by B-to-C e-commerce.

Posti had 1,448 service points at the end of the year. Posti brought 152 parcel points into use during the year, bringing their total number to 459. The goal is to increase the number of the various service points to 1,700 by 2020.

The number of the users of Netposti, Posti's electronic mailbox, reached 587,000 at the end of 2014, increasing by 10% from 2013.

Posti has held negotiations with newspaper publishers regarding the renewal of delivery agreements for the early-morning delivery of newspapers, as early-morning delivery has not been profitable under the current implementation and pricing, and with the current development of circulation volumes. During the year, the negotiations resulted in the termination of seven early-morning delivery agreements. During the third quarter, one new cooperation contract and two extension contracts were signed. With some customers, an agreement was reached on additional months. In the case of two newspaper publishers, delivery was transferred to a partner by a business transfer agreement.

On September 1, 2014, Posti sold its Mediabank business to Multiprint Oy. In the business transaction, the personnel employed in the Mediabank business, its accounts and the Mediabank information system were merged with Multiprint.

The business group invested EUR 24.4 (30.3) million in vehicles, production projects and parcel points in 2014.

## **Itella Logistics**

### October–December

Itella Logistics' net sales declined in the fourth quarter by 9.0% to EUR 141.9 (156.0) million.

Despite efficiency improvement measures, the business group's operating result before non-recurring items decreased to EUR -11.0 (-8.9) million. This was due to the intense competition in Scandinavia and the weak market situation in domestic transport in which customers have reduced their volumes. The market situation was weaker than expected.

In Finland, the result improved in the fourth quarter, thanks to the consolidation of ERP systems, the reorganization of line haulage and the renewal of subcontracting agreements. In Scandinavia, the result still showed a loss. In the Baltic countries, business developed favorably and the result was positive.

The operating result improved slightly but still showed a loss, amounting to EUR -18.6 (-19.3) million.

With regard to the logistics service offering, the company will focus on road transport between our countries of operation in Scandinavia and develop the road transport service offering in selected market areas in Europe. In late 2014, the company gave up air and sea freight in Scandinavia as well as service warehouses in Denmark and outsourced the distribution logistics within Scandinavia. Service warehouses in Sweden and Norway will be given up in 2015. Due to the changes, EUR 9.7





million of non-recurring items were recorded in the company's operating result for 2014, of which EUR 7.6 million were recorded under the result of the fourth quarter.

#### Year 2014

Itella Logistics' net sales declined by 8.7% to EUR 586.2 (641.8) million. The decline was due to the challenging market situation and the intense competition. Net sales decreased particularly strongly in Scandinavia but also in domestic freight services.

Itella Logistics' operating result before non-recurring items improved slightly but still showed a loss, amounting to EUR -22.6 (-24.5) million, despite significant efficiency improvement measures taken. The improvement in the result was supported by the improved profitability of warehousing operations and efficiency improvement measures in transport production and subcontracting in Finland. In the Baltic countries, business developed favorably and the result was positive. The result was weighed down especially by the unprofitability of business in Scandinavia.

The full-year operating result improved and was EUR -36.5 (-50.1) million, or -6.2% (-7.8%) of net sales.

Itella Logistics' investments amounted to EUR 12.6 (11.8) million. The majority of the investments were related to terminal improvement projects and the transport fleet.

#### **Itella Russia**

##### October–December

Measured in local currency, the net sales of the Itella Russia business group increased by 0.7% in October–December. Net sales were boosted by the increase in contract logistics. The ruble depreciated substantially. Net sales measured in euros decreased by 26.7% to EUR 40.7 (55.6) million. During the fourth quarter, contract logistics developed positively, thanks to a good activity level and high warehouse fill rates. Retail trade picked up in Russia in November–December as people spent depreciated rubles on shopping before anticipated price increases. In October–December, the average warehouse fill rate was 89% in Moscow and 73% in other regions. Freight volumes fell as the result of sanctions and decreasing cross-border trade.

The operating result before non-recurring items amounted to EUR 2.1 (2.4) million. The share of warehousing operations increased. Measured in local currency, profitability was at the previous year's level.

The operating result improved to EUR 2.1 (1.7) million.

##### Year 2014

Despite the difficult economic and political situation, the net sales of the Itella Russia business group, measured in local currency, increased by 0.7%.

By December 31, 2014, the closing rate of the Russian ruble had declined by 59.6% year-on-year. Due to the depreciation of the ruble, growth measured in euros was negative at -16.3%, with net sales amounting to EUR 172.0 (205.6) million.



The operating result before non-recurring items amounted to EUR 2.5 (5.3) million. Measured in local currency, the result was approximately a third lower than in the previous year.

The result was impaired by currency impacts, the difficult overall economic situation and the weak situation in retail and consumption. In warehousing services, competition intensified in the Moscow region due to oversupply of warehouse premises. The average fill rate of warehouses in the Moscow region declined slightly and was 88% (91%). The fill rate of warehouses in other regions improved to 76% (69%). In eastern Russia, warehousing business grew well during the year.

The operating result was EUR 2.4 (4.3) million.

The court's ruling in the criminal case with regard to the warehouse accident at the Shushary logistics center in St. Petersburg in July 2012 was given in January 2014. The prosecutor dropped the charges against Itella's management in Russia and the case was closed. The settlement will not impact Itella Russia's result.

Itella Russia's investments amounted to EUR 2.6 (8.2) million.

## **OpusCapita**

### October–December

OpusCapita's net sales in the fourth quarter were EUR 67.2 (65.4) million. Net sales increased by 2.6%. The increased resulted from the business acquisition carried out in October.

The operating result before non-recurring items declined to EUR 3.4 (4.3) million. Non-recurring items recognized during the period totaled EUR 3.5 (2.2) million. The operating result decreased due to investments in various development programs related to sourcing chain financing solutions, artificial intelligence, robotics and internationalization. In addition, the result was impaired by non-recurring items related to organizational restructuring.

The operating result was EUR -0.1 (2.1) million.

On October 1, 2014, OpusCapita acquired Norian Group, a Norwegian financial accounting outsourcing company. Norian employs approximately 175 people in its locations in Norway, Sweden and Lithuania. The acquisition strengthens OpusCapita's position as a leading Nordic financial accounting service provider.

### Year 2014

OpusCapita's comparable net sales grew by 0.2%, i.e. by EUR 0.5 million. Net sales amounted to EUR 259.6 (263.4) million.

OpusCapita's invoicing of continuous services developed favorably. Continuous service business operations make up 95% of the net sales. This includes multi-channel invoicing and invoice management solutions for paper and electronic invoices, as well as software maintenance fees, and regularly invoiced outsourcing services. OpusCapita transmitted a total of 191 million electronic transactions. The share of electronic transactions of the total volume of transactions is increasing and stood at 33% in 2014. The total volume of transactions includes printed and mailed paper letters.



The operating result before non-recurring items declined to EUR 20.0 (22.5) million. This represents 7.7% (8.5%) of net sales. The operating result decreased due to investments in various development programs related to financing solutions, artificial intelligence, robotics and internationalization. The result was impaired by non-recurring items related to organizational restructuring and declining printing business volumes.

The operating result decreased to EUR 12.7 (17.0) million.

OpusCapita began its operations as an independent subgroup of Posti Group on January 1, 2014.

OpusCapita's investments amounted to EUR 5.8 (3.7) million. The investments were related to capitalized development projects and maintenance investments in printing business operations.

<b>Key Figures for Business Groups (EUR million)</b>	10–12/2014	10–12/2013	Change	1–12/2014	1–12/2013	Change
<b>Net sales</b>						
Itella Mail Communications	316.7	325.6	-2.7%	1,133.0	1,155.5	-1.9%
Itella Logistics	141.9	156.0	-9.0%	586.2	641.8	-8.7%
Itella Russia	40.7	55.6	-26.7%	172.0	205.6	-16.3%
OpusCapita	67.2	65.4	2.6%	259.6	263.4	-1.4%
Other operations	10.6	13.1	-18.8%	41.6	54.4	-23.4%
Intra-Group sales	-85.4	-86.9		-333.8	-343.8	
Posti Group	491.7	528.8	-7.0%	1,858.7	1,976.8	-6.0%
<b>Operating result (non-IFRS)*</b>						
Itella Mail Communications	35.8	33.8	5.7%	67.4	66.6	1.1%
Itella Logistics	-11.0	-8.9	-	-22.6	-24.5	-
Itella Russia	2.1	2.4	-13.3%	2.5	5.3	-51.8%
OpusCapita	3.4	4.3	-21.5%	20.0	22.5	-11.2%
Other operations	-6.8	-5.3	-	-16.4	-19.4	-
Posti Group	23.5	26.3	-10.7%	50.8	50.5	0.7%
<b>Operating result (EBIT)</b>						
Itella Mail Communications	34.8	35.3	-1.5%	51.2	64.0	-20.0%
Itella Logistics	-18.6	-19.3	-	-36.5	-50.1	-
Itella Russia	2.1	1.7	25.6%	2.4	4.3	-44.1%
OpusCapita	-0.1	2.1	-103.6%	12.7	17.0	-25.3%
Other operations	-7.4	-7.5	-	-24.0	-25.3	-
Posti Group	10.9	12.3	-11.6%	5.8	9.9	-41.8%

<b>Operating result (non-IFRS), %*</b>						
Itella Mail Communications	11.3%	10.4%		5.9%	5.8%	
Itella Logistics	-7.7%	-5.7%		-3.9%	-3.8%	
Itella Russia	5.2%	4.4%		1.5%	2.6%	
OpusCapita	5.1%	6.6%		7.7%	8.5%	
Posti Group	4.8%	5.0%		2.7%	2.6%	
<b>Operating result (EBIT), %</b>						
Itella Mail Communications	11.0%	10.9%		4.5%	5.5%	
Itella Logistics	-13.1%	-12.4%		-6.2%	-7.8%	
Itella Russia	5.2%	3.0%		1.4%	2.1%	
OpusCapita	-0.1%	3.2%		4.9%	6.4%	
Posti Group	2.2%	2.3%		0.3%	0.5%	

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

### Capital expenditure

The Group's investments decreased from the previous year. The increase in fixed assets was EUR 57.5 (61.1) million, and EUR 5.0 (0.0) million was spent on acquisitions. Of the Group's investments, 85% were related to Finland. The financial reports of each business group present more detailed information on investments.

The business group invested EUR 24.4 (30.3) million in vehicles, production projects and parcel points in 2014. In April, a EUR 10 million project related to e-commerce warehousing and dispatch operations was launched at the Voutila logistics center in Vantaa.

### Research and development

Research and development expenditure in 2014 was EUR 11.2 million, or 0.6% of the Group's total operating expenses. In 2013, the corresponding figures were EUR 11.3 million and 0.6%.

In 2014, Itella Mail Communications focused on long-term forecasts and the analysis of factors affecting the demand for and profitability of postal operations. In addition, Itella Mail Communications studied the progress made in electronic invoicing, the structure and digitization of letter traffic, the significance of e-commerce as a channel for shopping and the development of newspaper and magazine subscriptions in the near future. The development of new electronic services continued.

In the fall, a product-specific delivery experiment was carried out in six locations. During the experiment, products referred to in the Postal Act as universal service products, as well as newspapers and parcels, were delivered five days a week, as usual, whereas letters,



advertisements and magazines sent by companies were not delivered in the experiment areas on Tuesdays.

The Group launched a new product for unaddressed advertising: since the beginning of March 2015, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week.

The delivery of online store goods was accelerated and expanded. Using the new web service, it is possible to check in parcels, in other words, to pay the postage fee and print out an address label for the parcel online.

Itella Russia analyzed available new advanced technology and invested in the development of warehouse management systems. With some customers, a voice-controlled goods picking system was implemented in warehouses, generating cost savings and improving productivity. In addition, the goods picking process in warehouses was developed.

OpusCapita continued the development of the new global multi-channel invoice processing platform and invested in the development of SaaS-based end-to-end solutions that support Purchase-to-Pay and Order-to-Cash processes.

### **Environmental impacts**

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

Transport and emissions from vehicles represent over 80% of carbon-dioxide emissions in Finland. Fuel consumption and carbon-dioxide emissions are reduced by planning routes efficiently, combining deliveries and driving in an environmentally responsible manner. In 2013–2014, driving habit monitoring devices were installed in all 4,000 delivery and transport vehicles. The devices help to reduce fuel consumption and drive down carbon-dioxide emissions. What's more, it will be possible to set and monitor regional targets for both consumption and emissions. This will also cut down vehicle costs. With the devices, the Group can also invest in the improvement of occupational safety.

The Group's goal is also to cut our electricity consumption by 2% and heat consumption by 3% annually until 2015. During the year, electricity consumption decreased by 6% and heat consumption by 4%.

In March, Posti will publish a corporate responsibility report for 2014 that includes more detailed information on environmental responsibility.

### **Financial position**

The Group's cash flow from operating activities improved, amounting to EUR 93.2 (81.4) million before investments. The Group spent EUR 46.6 (40.8) million on investments and acquisitions. Business divestments had a positive effect of EUR 0.7 million on cash flow.



At the end of the year, the Group's liquid assets totaled EUR 186.7 (166.5) million, and unused credit facilities stood at EUR 150.0 (120.0) million. The Group's interest-bearing liabilities were EUR 295.5 (305.1) million. Equity ratio was 45.9% (47.5%), and gearing was 17.2% (21.1%).

### **Share capital and shareholding**

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

### **Administration and auditors**

Itella Corporation's Annual General Meeting was held in Helsinki on March 25, 2014. The meeting adopted the 2013 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It also decided that the Board of Directors be composed of eight members. The Annual General Meeting re-elected the following members of the Board of Directors: Arto Hiltunen, M.Sc. (Econ.); Jussi Kuutsa, Country Director; Päivi Pesola, CFO; Riitta Savonlahti, Executive Vice President; and Suvi-Anne Siimes, Managing Director. The Annual General Meeting elected Mölnlycke Health Care's Global Supply Chain Planning Director Petri Järvinen, Google Deutschland GmbH's Director, Retail Petri Kokko and Senior Financial Specialist Marja Pokela from the Government Ownership Steering as new members of the Board of Directors.

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

The Supervisory Board consists of twelve members. The Annual General Meeting re-elected Ritva Elomaa, MP (True Finns); Lars-Erik Gästgivers, MP (Swedish People's Party); Maria Guzenina, MP (Social Democratic Party); student Sari Moisanen (Left Alliance); Outi Mäkelä, MP (National Coalition Party); entrepreneur Reijo Ojennus (True Finns); Mauri Pekkarinen, MP (Centre Party); Raimo Piirainen, MP (Social Democratic Party); Tuomo Puumala, MP (Centre Party); Executive Manager Teuvo V. Riikonen (Christian Democrats); and Kimmo Sasi, MP (National Coalition Party) as members of the Supervisory Board. MP Satu Haapanen (the Greens of Finland) was elected as a new member of the Supervisory Board.

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

The Annual General Meeting approved the Board of Directors' proposal regarding the dividend distribution. Dividends were not paid and the profit for the period was transferred to deductions from retained earnings.

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





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

## Employees

At the end of 2014, the Group had a total of 23,289 (25,877) permanent or part-time employees. The Group's average number of personnel was 24,617 (27,253). In full-time equivalents, this corresponds to 21,852 (23,712) person-years, including an average of 5,226 (5,650) person-years outside Finland.

Personnel distribution was as follows:

Itella Mail Communications	14,473 (16,633)
Itella Logistics	3,035 (3,211)
Itella Russia	2,919 (3,341)
OpusCapita	2,292 (2,121)
Group and other functions	570 (571)

At the end of 2014, a total of 5,264 (5,614) employees worked outside Finland. The number of employees working in Finland was 18,025 (20,263). The parent company had 360 (380) employees at the end of 2014. Its average number of employees was 361 (379).

Group personnel	2014	2013	2012
Salaries and wages, EUR million	684.7	713.4	713.8
Employees on December 31	23,289	25,877	27,816
Average number of employees	24,617	27,253	27,460

Salaries and wages paid by the Group decreased by EUR 28.7 million from the previous year. Personnel expenses included EUR 25.8 (17.5) million in restructuring costs. The operating result for the period included a provision of EUR 1.0 million for the cost of bonuses paid to employees. In addition, it included a provision for the annual incentive plan and the management's long-term incentive plan.

The company entered into 505 new permanent employment contracts in Finland in 2014. Personnel reductions amounted to 1,646 person-years. Out of this total, 741 person-years were related to production and finance and 59 person-years were reduced through voluntary resignation and pension plans. In addition, 846 person-years were related to acquisitions.

In January, Posti launched the Uusi polku (New path) program, which offers not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of the year, 946 employees had applied for the program and 614 had been approved.

## Changes in corporate structure

During the period under review, the holdings of Group's Russian real estate companies were transferred from Cyprus to Finland. The transfers regarding operative companies are being prepared. These changes are part of Posti Group's aim to simplify the company structure. Changes did not have an impact on Posti Group's result.



In March 2014, Posti sold its entire share capital in its associated company Porlogis Transitos e Logistica Lda. Posti's share in the company was 35%. The transaction did not have an impact on the Group's result.

On September 1, 2014, Centerfin Ltd merged with Global Mail FP Oy.

On October 1, 2014, Itella Holding GmbH merged with Posti Group Corporation.

On October 1, 2014, OpusCapita Group Ltd acquired Norian Regnskap AS and the group formed by it.

### **Events after the financial period**

On January 26, 2015, cooperation negotiations were launched in OpusCapita's Finance and Accounting Outsourcing unit. The negotiations concern 34 permanent employees, and the estimated reduction need is nine employees at most.

### **Business risks**

In 2014, risk management focused on the further improvement of the quality and extent of the risk management process. The expansion of insurance coverage and the systematic development of insuring was another focus area.

Key strategic risks were related to the decline in postal delivery volumes, which progressed more rapidly than expected, as well as the economic recession and other changes related to markets or the business environment that were unexpected or more extensive than anticipated. Other strategic risks were related to Posti's competitive ability and regulation by the authorities. Operational risks were primarily related to profitability, the renewal of ICT operations, and business interruptions and other disruptions.

The postal delivery licenses that have been issued allow for competition in addressed deliveries, but competition has not yet had an impact on the Group's result. The Finnish Government issued a postal delivery license to three of Posti's competitors. In Posti's view, issuing the postal licenses with one-day delivery obligation reduces Posti's opportunities to profitably provide services that fall under the universal service obligation in accordance with the Finnish Postal Act. For this reason, the decision increases the need for efficiency measures.

#### *Strategic and operational risks*

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

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



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

Posti has held negotiations with newspaper publishers regarding the renewal of delivery agreements for the early-morning delivery of newspapers, as early-morning delivery has not been profitable under the current implementation and pricing, and with the current development of circulation volumes. During the year, the negotiations on seven early-morning delivery agreements ended without result and the agreements were terminated. During the third quarter, one new cooperation contract and two extension contracts were signed. With some customers, an agreement was reached on additional months. In the case of two newspaper publishers, delivery was transferred to a partner by a business transfer agreement. Any decisions by customers to discontinue cooperation with Posti may cause non-recurring costs in the short term if the capacity and general costs must be reduced.

In logistics, unexpected changes related to domestic transport and to increasing international competition and the ensuing decline in volumes in the Nordic countries are also seen as risks.

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct financial losses and pose a strategic risk that limits business development. Our goal is to ensure successful integration through careful monitoring. In 2014, Posti continued to integrate the groupage logistics business operations that it had acquired in 2012 into its logistics business.

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

In accordance with the Group's financial policy, equity investments in subsidiaries are not hedged. The parent company's ruble-denominated receivables are hedged in full and the currency position related to the operational transaction risk are hedged in part, in line with the financial policy. Due to the ruble's high interest level and the illiquidity of the ruble market, ruble hedging costs have increased significantly and the Group has, for the time being, terminated the hedging of the operational transaction risk and is also considering the full or partial termination of hedging related to the parent company's ruble-denominated receivables.

Posti's investments in Russia are substantial and continue to grow gradually in accordance with the Group's vision. Our risk management measures include the continuous monitoring of developments and trends, the increasing monitoring of critical processes and solid establishment in the Russian market through our own companies, employees and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment and regular compliance training for employees.

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



competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

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

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

*Other risks:*

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

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

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

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

## **Outlook for 2015**

Since the beginning of 2015, Posti Group's result is reported on the basis of the new business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

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

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

Comparable net sales in euros for 2015 are expected to decrease significantly compared to 2014. The Group's operating result before non-recurring items is expected to remain on par with the



previous year. However, the operating result for 2015 may continue to be burdened by significant non-recurring items. There is significant uncertainty related to the development prospects of the result achieved in Russia.

Investments are expected to increase from 2014.

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

In the financial statements, the parent company's distributable funds total EUR 708,780,737.85, of which the profit for the 2014 financial period is EUR 139,103,492.13.

No material changes have taken place in the Group's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 2 of Chapter 13 of the Limited Liability Companies Act, affect the proposed distributable profit.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed.

Helsinki, February 12, 2015

Posti Group Corporation  
Board of Directors

### **APPENDICES**

Key figures of Posti Group

Consolidated income statement and consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated cash flow statement

Consolidated statement of changes in equity

Notes to the Interim Report

## Financial Statements Review for January-December 2014

### Key figures of Posti Group

	<b>10-12 2014</b>	<b>10-12 2013</b>	<b>1-12 2014</b>	<b>1-12 2013</b>
Net sales, MEUR	491,7	528,8	1 858,7	1 976,8
Operating result (non-IFRS), MEUR *)	23,5	26,3	50,8	50,5
Operating result (non-IFRS), % *)	4,8	5,0	2,7	2,6
Operating result (EBIT), MEUR	10,9	12,3	5,8	9,9
Operating result (EBIT), %	2,2	2,3	0,3	0,5
Result before taxes, MEUR	7,6	9,6	-4,6	-2,4
Result for the period, MEUR	4,5	17,6	-4,4	7,7
Return on equity, %, 12 months			-0,7	1,1
Return on invested capital (12 months), %			1,0	1,3
Equity ratio, %			45,9	47,5
Gearing, %			17,2	21,1
Gross capital expenditure, MEUR	14,6	19,8	57,5	61,1
Employees on average			24 617	27 253

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



## Consolidated Income Statement

	10-12	10-12	1-12	1-12
EUR million	2014	2013	2014	2013
<b>Net sales</b>	<b>491,7</b>	<b>528,8</b>	<b>1 858,7</b>	<b>1 976,8</b>
Other operating income	2,9	7,0	12,6	18,2
Materials and services	136,7	149,6	526,7	572,2
Employee benefits	214,7	223,8	847,8	885,4
Depreciation and amortisation	21,2	22,3	86,0	92,1
Impairment losses	1,9	11,9	4,4	24,3
Other operating expenses	109,1	115,7	400,5	411,1
<b>Operating profit (EBIT)</b>	<b>10,9</b>	<b>12,3</b>	<b>5,8</b>	<b>9,9</b>
% of net sales	2,2 %	2,3 %	0,3 %	0,5 %
Financial income and expenses	-3,3	-2,8	-10,4	-12,3
<b>Result before income tax</b>	<b>7,6</b>	<b>9,6</b>	<b>-4,6</b>	<b>-2,4</b>
% of net sales	1,6 %	1,8 %	-0,2 %	-0,1 %
Income tax	-3,1	8,1	0,2	10,1
<b>Result for the financial period</b>	<b>4,5</b>	<b>17,6</b>	<b>-4,4</b>	<b>7,7</b>
% of net sales	0,9 %	3,3 %	-0,2 %	0,4 %

## Consolidated Statement of Comprehensive Income

<b>Result for the financial period</b>	<b>4,5</b>	<b>17,6</b>	<b>-4,4</b>	<b>7,7</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>				
Available-for-sale financial assets	-0,9	-0,1	0,3	0,2
Translation differences	-56,0	-8,4	-73,3	-28,0
Tax effect	0,2	0,0	-0,1	0,0
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gains and losses	-2,8	-5,0	-5,4	-5,0
Tax effect	0,6	1,0	1,1	1,0
<b>Comprehensive income for the financial period</b>	<b>-54,5</b>	<b>5,2</b>	<b>-81,9</b>	<b>-24,1</b>

**Consolidated Statement of Financial Position**

<b>EUR million</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
<b>Non-current assets</b>		
Goodwill	183,1	180,0
Other intangible assets	59,4	70,1
Investment property	11,0	12,4
Property, plant and equipment	516,4	625,5
Investments in associated companies	0,0	0,4
Other non-current investments	5,9	6,0
Non-current receivables	10,5	12,5
Deferred tax assets	16,0	20,6
<b>Total non-current assets</b>	<b>802,2</b>	<b>927,4</b>
<b>Current assets</b>		
Inventories	5,1	7,8
Trade and other receivables	268,5	311,0
Income tax receivables	1,7	1,8
Financial assets available-for-sale	0,3	0,7
Financial assets held to maturity	12,0	0,0
Financial assets at fair value through profit or loss	88,0	85,8
Cash and cash equivalents	98,7	81,0
<b>Total current assets</b>	<b>474,3</b>	<b>488,2</b>
<b>Non-current assets classified as held for sale</b>	<b>14,7</b>	<b>-</b>
<b>Total assets</b>	<b>1 291,3</b>	<b>1 415,6</b>
<b>Equity</b>		
Share capital	70,0	70,0
Contingency reserve	142,7	142,7
Fair value reserve	0,2	0,0
Translation differences	-94,6	-21,3
Retained earnings	455,6	464,4
<b>Total equity</b>	<b>573,8</b>	<b>655,8</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	31,6	43,7
Non-current interest-bearing loans	283,5	283,6
Other non-current liabilities	11,4	11,5
Non-current provisions	12,6	12,8
Defined benefit pension plan obligations	16,3	11,3
<b>Total non-current liabilities</b>	<b>355,4</b>	<b>362,8</b>
<b>Current liabilities</b>		
Current interest-bearing loans	12,0	21,5
Trade payables and other liabilities	343,9	357,8
Income tax payables	0,3	2,6
Current provisions	6,0	15,0
<b>Total current liabilities</b>	<b>362,1</b>	<b>397,0</b>
<b>Total liabilities</b>	<b>717,5</b>	<b>759,8</b>
<b>Total equity and liabilities</b>	<b>1 291,3</b>	<b>1 415,6</b>

## Consolidated Cash Flow Statement

	1-12	1-12
EUR million	2014	2013
<b>Result for the financial period</b>	<b>-4,4</b>	<b>7,7</b>
Adjustments to cash flow	99,4	91,9
Change in net working capital	13,7	-3,6
<b>Cash flow before financial items and income tax</b>	<b>108,6</b>	<b>95,9</b>
Financial items (net)	-10,5	-12,2
Income tax paid	-4,9	-2,4
<b>Cash flow from operating activities</b>	<b>93,2</b>	<b>81,4</b>
Purchase of intangible assets	-11,4	-6,2
Purchase of property, plant and equipment	-31,5	-34,6
Proceeds from sale of intangible and tangible assets	1,9	6,9
Business acquisitions	-3,6	0,0
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	0,7	12,5
Financial assets at fair value through profit or loss	0,2	-29,8
Financial assets held to maturity	-12,0	-
Cash flow from other investments	9,5	2,0
<b>Cash flow from investing activities</b>	<b>-46,3</b>	<b>-49,2</b>
Change in loans (net)	-12,3	-25,1
Payments of finance lease liabilities	-10,9	-7,4
Financial assets held to maturity	-	0,3
Dividends paid	-	-6,8
<b>Cash flow from financing activities</b>	<b>-23,2</b>	<b>-39,0</b>
<b>Change in cash and cash equivalents</b>	<b>23,7</b>	<b>-6,8</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>81,0</b>	<b>90,3</b>
Effect of changes in exchange rates	-5,9	-2,5
<b>Cash and cash equivalents at the end of the period</b>	<b>98,7</b>	<b>81,0</b>

## Consolidated Statement of Changes in Equity

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
<b>Equity 1 January 2013</b>	<b>70,0</b>	<b>142,7</b>	<b>-0,2</b>	<b>6,7</b>	<b>467,5</b>	<b>686,7</b>
<b>Comprehensive income</b>						
Result for the financial period					7,7	7,7
Other items of Comprehensive income:						
Change in fair value reserve			0,1			0,1
Change in translation differences				-28,0		-28,0
Actuarial gains and losses					-4,0	-4,0
<b>Comprehensive income for the financial period</b>			<b>0,1</b>	<b>-28,0</b>	<b>3,7</b>	<b>-24,1</b>
<b>Transactions with equity holders</b>						
Dividends paid					-6,8	-6,8
<b>Equity 31 December 2013</b>	<b>70,0</b>	<b>142,7</b>	<b>0,0</b>	<b>-21,3</b>	<b>464,4</b>	<b>655,8</b>
<b>Equity 1 January 2014</b>	<b>70,0</b>	<b>142,7</b>	<b>0,0</b>	<b>-21,3</b>	<b>464,4</b>	<b>655,8</b>
<b>Comprehensive income</b>						
Result for the financial period					-4,4	-4,4
Other items of Comprehensive income:						
Change in fair value reserve			0,2			0,2
Change in translation differences				-73,3		-73,3
Actuarial gains and losses					-4,3	-4,3
<b>Comprehensive income for the financial period</b>			<b>0,2</b>	<b>-73,3</b>	<b>-8,8</b>	<b>-81,9</b>
<b>Equity 31 December 2014</b>	<b>70,0</b>	<b>142,7</b>	<b>0,2</b>	<b>-94,6</b>	<b>455,6</b>	<b>573,8</b>

## Notes

### 1. Accounting Principles

The financial statements review has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in financial statements for 2013 with the exception of the below described changes in segment reporting. The Group has applied the currently valid IFRS standards and interpretations in the preparation of this financial statements review. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The financial statements review is unaudited. The Group applies certain new or amended IFRS standards as of 1 January 2014 as described in the 2013 annual financial statements, however, these changes have not had a material impact on this financial statements review.

### Changes in segment reporting

Group's operations in Russia form an own business group as of 1 January 2014, and are reported as a separate segment. From the beginning of 2014 there are four reporting segments: Itella Mail Communications, Itella Logistics, Itella Russia and OpusCapita. Previously, Russian operations were almost fully included in Itella Logistics segment. Comparative financial information of the new segments for financial year 2013 has been published in Q1 2014 interim report.

### 2. Segment Information

EUR million	10-12 2014	10-12 2013	1-12 2014	1-12 2013
<b>Net sales by business segment</b>				
Itella Mail Communications	316,7	325,6	1 133,0	1 155,5
inter-segment sales	-16,8	-16,1	-65,1	-59,4
Itella Logistics	141,9	156,0	586,2	641,8
inter-segment sales	-54,9	-54,3	-214,0	-215,7
Itella Russia	40,7	55,6	172,0	205,6
inter-segment sales	0,0	-0,1	-0,4	-0,2
OpusCapita	67,2	65,4	259,6	263,4
inter-segment sales	-3,1	-3,4	-12,8	-14,2
Other operations	10,6	13,1	41,6	54,4
inter-segment sales	-10,6	-13,1	-41,6	-54,3
Total eliminations	-85,4	-86,9	-333,8	-343,8
<b>Total</b>	<b>491,7</b>	<b>528,8</b>	<b>1 858,7</b>	<b>1 976,8</b>

### Operating result by business segment (non-IFRS) \*)

Itella Mail Communications	35,8	33,8	67,4	66,6
Itella Logistics	-11,0	-8,9	-22,6	-24,5
Itella Russia	2,1	2,4	2,5	5,3
OpusCapita	3,4	4,3	20,0	22,5
Other operations	-6,8	-5,3	-16,4	-19,4
<b>Total</b>	<b>23,5</b>	<b>26,3</b>	<b>50,8</b>	<b>50,5</b>

### Non-recurring items by business segment

Itella Mail Communications	1,0	-1,5	16,1	2,6
Itella Logistics	7,6	10,4	13,9	25,6
Itella Russia	0,0	0,7	0,1	0,9
OpusCapita	3,5	2,2	7,3	5,5
Other operations	0,5	2,2	7,6	5,9
<b>Total</b>	<b>12,6</b>	<b>14,0</b>	<b>45,0</b>	<b>40,5</b>

### Operating result (EBIT) by business segment

Itella Mail Communications	34,8	35,3	51,2	64,0
Itella Logistics	-18,6	-19,3	-36,5	-50,1

Itella Russia	2,1	1,7	2,4	4,3
OpusCapita	-0,1	2,1	12,7	17,0
Other operations	-7,4	-7,5	-24,0	-25,3
<b>Total</b>	<b>10,9</b>	<b>12,3</b>	<b>5,8</b>	<b>9,9</b>

<b>Financial income and expenses</b>	<b>-3,3</b>	<b>-2,8</b>	<b>-10,4</b>	<b>-12,3</b>
<b>Result for the financial period</b>	<b>4,5</b>	<b>17,6</b>	<b>-4,4</b>	<b>7,7</b>

<b>EUR million</b>		<b>31 Dec</b>	<b>31 Dec</b>
		<b>2014</b>	<b>2013</b>

#### **Assets**

Itella Mail Communications		457,9	478,4
Itella Logistics		299,9	333,5
Itella Russia		149,3	258,8
OpusCapita		171,7	172,6
Non-current assets classified as held for sale		14,7	-
Other operations and unallocated		231,7	209,5
Eliminations		-33,9	-37,3
<b>Total</b>		<b>1 291,3</b>	<b>1 415,6</b>

#### **Liabilities**

Itella Mail Communications		277,1	264,9
Itella Logistics		77,3	83,8
Itella Russia		18,4	37,2
OpusCapita		42,1	42,7
Other operations and unallocated		336,5	368,5
Eliminations		-33,9	-37,3
<b>Total</b>		<b>717,5</b>	<b>759,8</b>

#### **Personnel at end of the period**

Itella Mail Communications		14 473	16 633
Itella Logistics		3 035	3 211
Itella Russia		2 919	3 341
OpusCapita		2 292	2 121
Other operations		570	571
<b>Total</b>		<b>23 289</b>	<b>25 877</b>

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



### 3. Acquired businesses and business divestments

#### Acquired businesses 2014

Posti Group's subsidiary, OpusCapita Group Oy, acquired the Norwegian based financial accounting outsourcing company Norian Group on 1 October 2014. The acquisition strengthened OpusCapita's position as the leading service provider in the Nordic countries.

The acquisition cost was EUR 5.0 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.9 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. In the acquisition, 175 employees were transferred to OpusCapita.

Goodwill arising from the acquisition, totaling EUR 4.2 million, is generated by the substantial synergies in products, services and clientele. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2014, the Group's net sales in 2014 would have been EUR 8.0 million higher and its results would have decreased by EUR 0.5 million.

#### Analysis of net assets acquired

##### Effect on assets

EUR million	Fair value
Intangible assets	1,2
Property, plant and equipment	0,2
Deferred tax asset	0,1
Receivables	1,8
Cash and cash equivalents	0,0
<b>Effect on assets</b>	<b>3,3</b>

##### Effect on liabilities

EUR million	
Deferred tax liability	0,3
Non-current liabilities	0,4
Trade payables and other liabilities	1,9
<b>Effect on liabilities</b>	<b>2,6</b>
<b>Net assets acquired</b>	<b>0,7</b>

##### Components of acquisition cost

EUR million	
Cash consideration	3,1
Earn-out consideration (estimated)	1,9
<b>Total cost of acquisition</b>	<b>5,0</b>
Fair value of net assets acquired	0,7
<b>Goodwill</b>	<b>4,2</b>

##### Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	3,7
Cash and cash equivalents of the acquired subsidiary	0,0
<b>Cash flow</b>	<b>-3,6</b>

#### Business divestments in 2014

The group sold its Mediapankki-business to Multiprint Oy on 1 September 2014. The transaction did not have a material effect on Group's financial statements.

### 4. Non-current assets classified as held for sale

With regard to the logistics service offering, the company will focus on road transport between countries of operation in Scandinavia and develop the road transport service offering in selected market areas in Europe. In late 2014, the company gave up air and sea freight as well as service warehouses in Denmark and outsourced the distribution logistics within Scandinavia. Service warehouses in Sweden and Norway will be given up in 2015. Consequently properties related to these operations are classified as non-current assets held for sale in the balance sheet.

## 5. Net sales by geographical location

EUR million	10-12 2014	10-12 2013	1-12 2014	1-12 2013
Finland	368,4	391,6	1 358,8	1 406,5
Scandinavia	53,9	54,1	211,5	235,9
Russia	40,7	58,2	171,8	205,5
Other countries	28,6	24,8	116,5	129,0
<b>Total</b>	<b>491,7</b>	<b>528,8</b>	<b>1 858,7</b>	<b>1 976,8</b>

## 6. Changes in property, plant and equipment

EUR million	31 Dec 2014	31 Dec 2013
Carrying amount on 1 January	625,5	675,4
Additions	46,3	54,9
Disposals and transfers between items	-66,9	-11,0
Depreciation and impairment	-68,4	-68,5
Translation differences	-20,1	-25,3
<b>Carrying amount at the end of the period</b>	<b>516,4</b>	<b>625,5</b>

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

EUR million	Total	Level 1	Level 2	Level 3
<b>31 Dec 2014</b>				
<b>Financial assets measured at fair value</b>				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	3,9		3,9	
Financial assets at fair value through profit and loss				
Money market investments	104,3		104,3	
Bonds	41,7	32,0	9,7	
Derivative contracts				
Currency forward contracts, non-hedge accounting	2,2		2,2	
Electricity forward contracts, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,3			0,3
<b>Total</b>	<b>152,3</b>	<b>32,0</b>	<b>120,1</b>	<b>0,3</b>
<b>Financial liabilities measured at fair value</b>				
Trade payables and other liabilities				
Derivative contracts				
Currency forward contracts, non-hedge accounting	0,2		0,2	
Electricity forward contracts, non-hedge accounting	0,6	0,6		
<b>Total</b>	<b>0,9</b>	<b>0,6</b>	<b>0,2</b>	<b>-</b>

EUR million	Total	Level 1	Level 2	Level 3
<b>31 Dec 2013</b>				
<b>Financial assets measured at fair value</b>				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	4,8		4,8	
Trade and other receivables				
Derivative contracts				
Currency forward contracts, hedge accounting	0,0		0,0	
Financial assets at fair value through profit and loss				
Money market investments	69,3		69,3	
Bonds	50,5	39,6	10,8	
Derivative contracts				
Currency forward contracts, non-hedge accounting	0,3		0,3	
Electricity forward contracts, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,7			0,7
<b>Total</b>	<b>125,7</b>	<b>39,7</b>	<b>85,2</b>	<b>0,7</b>
<b>Financial liabilities measured at fair value</b>				
Trade payables and other liabilities				
Derivative contracts				
Currency forward contracts, non-hedge accounting	0,5		0,5	
Currency forward contracts, hedge accounting	0,0		0,0	
Electricity forward contracts, non-hedge accounting	1,1	1,1		
<b>Total</b>	<b>1,6</b>	<b>1,1</b>	<b>0,5</b>	<b>-</b>

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

Hierarchy levels:

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

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

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

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

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

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

<b>EUR million</b>	Available-for-sale equity fund investments
<b>2014</b>	
Carrying amount on 1 January	0,7
Total profits and losses	
In income statement	
Available-for-sale financial assets	-0,2
In other comprehensive income	
Available-for-sale financial assets	0,3
Acquisitions	-
Exercises	-0,5
<b>Carrying amount on 31 December</b>	<b>0,3</b>

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

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

<b>EUR million</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
Pledges for own behalf	12,2	13,2
Lease commitments	263,8	288,1

Posti Group has received claims from its contract customers to refund the value added taxes they have paid amounting to a total of EUR 101 million. The ruling by the Helsinki District Court in summer 2011 was positive to Posti Group. The decision was however nullified by the Helsinki Court of Appeal and returned to the district court where the proceedings began in 2012. Posti Group considers the customers' claims to be unfounded in their entirety.

### Derivative contracts

<b>EUR million</b>	<b>31 Dec 2014</b>	<b>31 Dec 2013</b>
<b>Currency derivatives</b>		
Currency forward contracts, non-hedge accounting		
Fair value	1,9	-0,2
Nominal value	47,9	95,6
Currency forward contracts, hedge accounting		
Fair value	-	0,0
Nominal value	-	9,8
<b>Interest rate derivatives</b>		
Interest rate swaps, hedge accounting		
Fair value	3,9	4,8
Nominal value	70,0	70,0
<b>Electricity derivatives</b>		
Electricity forwards, non-hedge accounting		
Fair value	-0,6	-1,0
Nominal value	4,1	6,5

## 9. Foreign exchange rates

	<b>1-12</b>	<b>1-12</b>
	<b>2014</b>	<b>2013</b>
Average rate		
RUB	51,0154	42,3248
SEK	9,0966	8,6505
NOK	8,3553	7,8051
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>
Closing rate		
RUB	72,3370	45,3246
SEK	9,3930	8,8591
NOK	9,0420	8,3630