Posti Group Corporation
Interim Report
January-March 2016

Posti Group's net sales decreased - a positive start to the year in Postal Services

April 29, 2016

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POSTI GROUP CORPORATION INTERIM REPORT, APRIL 29, 2016 AT 10:00 A.M. (EET)

Posti Group's net sales decreased - a positive start to the year in Postal Services

Posti Group Corporation Interim Report Q1/2016

- The Group's net sales decreased by 10.4% and amounted to EUR 390.6 (435.9) million in January–March. Comparable net sales, excluding divested businesses, decreased by 5.5%.
- Net sales decreased by 3.7% in Postal Services. Net sales decreased by 16.3% in Parcel and Logistics Services and comparable net sales, excluding the international freight business, by 4.9%. In OpusCapita, comparable net sales, excluding the divested Baltic businesses, decreased by -4.8%, and net sales by 9.1%. In Itella Russia, net sales decreased by 24.3%, and measured in local currency, by 12.0%.
- The operating result before non-recurring items decreased to EUR 15.0 (20.6) million, or 3.8% (4.7%) of net sales.
- The operating result before non-recurring items improved to EUR 24.8 (21.0) million in Postal Services and declined to EUR -5.3 (1.0) million in Parcel and Logistics Services, to EUR -2.4 (-0.9) million in Itella Russia, and to EUR 2.0 (4.7) million in OpusCapita.
- The operating result was weighed down by non-recurring items in the amount of EUR -10.3 (0.0) million, with personnel restructuring costs representing the most significant proportion of the non-recurring items.
- The operating result decreased to EUR 4.7 (20.5) million, or 1.2% (4.7%) of net sales.
- Cash flow from operating activities declined to EUR 29.1 (35.2) million.
- OpusCapita sold its businesses serving the local markets in the Baltic countries to BaltCap in January.
- Itella Russia acquired the Russian courier company MaxiPost in March.
- On January 26, 2016, Posti started cooperation negotiations concerning administration and basic delivery in the Operations unit, the entire Sales and Customer Services unit, and certain Group Functions. The target group of the negotiations consisted of 7,600 employees and the reduction need was at most 860 people. Posti's support program significantly reduced the number of layoffs down to 181.
- OpusCapita revised its operating model and commenced cooperation negotiations on February 8, 2016, to reduce approximately 80 positions. The outcome of the negotiations was a reduction of approximately 70 persons.
- Kaarina Ståhlberg, LL.M., was appointed as Posti Group's VP, Legal Affairs, and a member of the Management Board, effective from March 1, 2016.

Key figures of Posti Group	1–3 2016	1–3 2015	1–12 2015
Net sales, EUR million	390.6	435.9	1,650.3
Operating result (non-IFRS), EUR million*	15.0	20.6	48.7
Operating result (non-IFRS), %*	3.8	4.7	2.9
Operating result (EBIT), EUR million	4.7	20.5	55.9
Operating result (EBIT), %	1.2	4.7	3.4
Result before taxes, EUR million	3.5	21.3	43.3
Result for the period, EUR million	3.4	15.9	36.0
Cash flow from operating activities	29.1	35.2	81.9
Return on equity (12 months), %	3.9	1.2	6.1
Return on invested capital (12 months), %	4.2	3.1	6.3
Equity ratio, %	46.5	46.6	47.8
Gearing, %	-14.8	11.7	-10.5
Gross capital expenditure, EUR million	11.4	16.5	60.6
Average number of employees	20,577	22,579	22,219
Dividend, EUR million			18.0
**) Non-IFRS = excluding non-recurring items*			

Heikki Malinen, President and CEO:

"In the first quarter, Posti actively continued its renewal and efficiency improvement measures as digitization is reducing traditional mail delivery volumes and changing customer behavior. The EUR 75 million savings target of the Group's performance improvement program 2015–2016 has now been achieved. The cost reductions partly compensated for the decrease in net sales in the first quarter. Unfortunately, it was also necessary to target personnel with cost reduction measures. The number of redundancies was, however, significantly reduced through Posti's support program.

Posti Group's operating result before non-recurring items was satisfactory in January–March, but declined to EUR 15.0 year-on-year. The positive aspect was the improved result of Postal Services in spite of lower volume. The factors affecting the business group's result in January–March included efficiency improvement measures, cost cuts and price increases, as well as Easter mailing volume falling in the first quarter. New growth has been achieved in forwarding shipments from Chinese online stores to Russia.

The upcoming reform of the Postal Act will completely deregulate the delivery of letter mail in Finland by eliminating requirements concerning postal licenses and delivery days from other operators. While we welcome competition in the delivery of letters, the relevant regulatory provisions must be fair. Under current regulations, Posti is subject to tougher delivery obligations than other operators. For this reason, it is important that the regulations pertaining to Posti's universal service obligation are eased by the reform of the Postal Act.

For the Parcel and Logistics Services business group, the first quarter included significant successes in spite of the result showing a loss due to upfront investments, intensifying competition and the challenging market situation. Posti won several major accounts in the first quarter, involving various logistics services ranging from transport to full-service supply chain solutions. The new contracts strengthen Posti's position as the largest logistics company in Finland.

In March, Posti signed a significant agreement on joining the DHL partner network, giving Posti's e-commerce customers access to a parcel delivery network covering 16 countries and 43,000 service points. At the same time, Posti will open a network of 1,200 pickup points in the Baltic countries. These concrete measures give Finnish online stores better opportunities to sell their products in the international market.

Itella Russia's net sales and operating result continued to be weighed down by the weak ruble, the economic climate in Russia and weaker demand for logistics services. The company has sought to improve profitability through significant cost cuts. While the Russian economy has contracted, the consumer e-commerce market in Russia is seeing substantial growth. In March, Itella Russia acquired the Russian courier company MaxiPost to expand its services to include parcel delivery in Russia. MaxiPost delivered more than a million parcels last year.

OpusCapita, which provides automation and software solutions for financial management, continued to invest in its new strategy as well as new e-invoicing services and cloud services, which was reflected in its result for the first quarter. In addition, the demand for paper-based products continued to decline due to digitization, and this decline in volume weighed down on the first quarter's operating result.

The business environment will remain very challenging in 2016 due to the subdued economic development in Finland. Transport volumes in heavy traffic have decreased in Finland for 47 consecutive months, starting from May 2012. We maintain our estimate, according to which comparable net sales in euros for 2016 are expected to decrease compared to 2015, and Posti's result before non-recurring items is expected to remain at the previous year's level. No quick turnaround is expected in the Russian economy and the development of the ruble exchange rate, which means that Itella Russia's business continues to involve significant uncertainty factors. Posti is in the midst of a major industry transformation. We are resolutely implementing our new strategy that will improve the Group's profitability and enable investments in future growth areas."

APPENDICES
Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION
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***Posti Group** is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in nine countries. Our net sales in 2015 amounted to EUR 1.65 billion. We employ approximately 22,000 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. All of our services in Finland are carbon neutral. www.posti.com.*

Interim Report for January–March 2016

Market situation and business environment

A significant upturn in the economic cycle has yet to materialize in Finland, and growth prospects remain modest. Transport volumes in heavy traffic have decreased in Finland for 47 consecutive months, starting from May 2012.

The amount of parcels delivered by Posti in January–March declined by 1%. The decline in the volume of Parcel Services was attributable to Easter falling in the first quarter and the generally weak domestic growth in both consumer parcels and business parcels. International parcel traffic saw slight growth. The number of parcels going through Posti's parcel points, nevertheless, grew by 26% year-on-year.

Domestic delivery product volumes continued to decline in Postal Services. The volume of addressed letters declined by -6% (-6%) and unaddressed delivery volumes by -11% (-9%). Electronic letter volumes grew. Newspaper volumes declined by -9% (-31%) and magazine volumes by -3% (-10%). Deliveries of shipments from Chinese online stores to Russia grew from the previous year.

The market situation in Russia remained challenging and the Russian GDP continued to decline. Volumes are negatively affected by the weak economic climate and GDP development, the depreciation of the ruble and the weak demand for logistics services. The demand for air and sea freight declined the most in the first quarter. The demand for warehousing also declined. The current expectation is that volumes will remain low in the remainder of 2016.

In OpusCapita, the decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected particularly in the volumes of iPost products, which decreased by -10% from the previous year. OpusCapita transmitted a total of 130 million transactions in January–March. The total transaction volume includes printed letters, mailed paper letters, and electronic transactions. The electronic transaction volume was 49.3 million transactions, which represents 38% of OpusCapita's total transaction volume.

Performance improvement program

The EUR 75 million savings target of the Group's performance improvement program 2015–2016 was achieved in the first quarter of 2016. Savings have been achieved in all areas of the Group, particularly through improving the efficiency of production in both postal and freight operations and reducing ICT costs and the Group's general expenses.

Group-wide measures will continue to increase operational efficiency and achieve savings through methods including automation. In addition, the sourcing function will continue to implement annual savings targets.

Net sales and operating result in January–March

The Group's net sales in the first quarter were EUR 390.6 (435.9) million. Net sales decreased by 10.4%. Net sales decreased in all business groups. In local currencies, the decline in net sales was 9.3%. Comparable net sales, excluding divested businesses, decreased by 5.5%.

The decline in net sales was due to the divestment of the Scandinavian freight business, the decline in domestic postal volumes, the weak market situation and exchange rate development in Russia, as well as the decrease in domestic parcel and warehousing volumes. Net sales declined by 5.8% in Finland and by 31.9% in other countries. International operations accounted for 13.4% (17.7%) of net sales.

The operating result before non-recurring items decreased to EUR 15.0 (20.6) million, or 3.8% (4.7%) of net sales. The operating result before non-recurring items improved in Postal Services, and declined in Parcel and Logistics Services, Itella Russia and OpusCapita.

Non-recurring items recognized during the period totaled EUR -10.3 (0.0) million. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR 4.7 (20.5) million, or 1.2% (4.7%) of net sales. The result before taxes was EUR 3.5 (21.3) million.

The Group's net financing costs amounted to EUR -1.2 (0.8) million.

The Group's operating result for the period was EUR 3.4 (15.9) million.

Return on equity stood at 3.9% (1.2%).

Operations under the universal service obligation amounted to EUR 38.2 (38.4) million in January–March, which was 10% of the entire Group's net sales. Services that fall under the universal service obligation exist both in Postal Services and Parcel and Logistics Services.

Postal Services

The Postal Services business group's net sales in January–March decreased by 3.7% and amounted to EUR 188.6 (195.8) million. The decrease in net sales was due to a decline in the domestic delivery product volume. However, the volumes of Easter and Valentine's Day card deliveries increased substantially from the previous year thanks to marketing campaigns. Deliveries of shipments from Chinese online stores to Russia increased.

In cash services offered to consumers, Posti adopted the pricing model used commonly in Europe, in which all domestic and foreign letter items have their own fees. The change was made in February. There were also price increases in other cash-paid postal services.

The business group's operating result before non-recurring items improved to EUR 24.8 (21.0) million. No non-recurring items were recognized during the period (EUR 0.2 million). The result was boosted by improvements in operational efficiency, the increases in postage fees that took effect at the beginning of 2016, as well as Easter deliveries falling in the first quarter.

The operating result was EUR 24.8 (21.2) million.

In January–March, the year-on-year development of mail delivery volumes was as follows:

- Addressed letters, -6% (-6%)
- Unaddressed direct marketing, -11% (-9%)
- Newspapers, -9% (-31%)
- Magazines, -3% (-10%)
- Electronic letters, +11% (+6%)

The volume of addressed letters declined by -6% (-6%) and unaddressed delivery volumes by -11% (-9%). Electronic letter volumes grew. Newspaper delivery volumes declined by -9% (-31%). The exceptionally steep decline in newspaper delivery volumes in 2015 was attributable to the expiration of early-morning delivery agreements. Magazine delivery volumes declined by -3% (-10%). Magazine delivery volumes declined at a slower rate than in the previous year due to changes in customers' mailing methods, such as products being moved from unaddressed direct marketing to magazines.

The number of Netposti users increased by 8% year-on-year and stood at 649,000 at the end of March. Netposti is an electronic mailbox provided by Posti.

Parcel and Logistics Services

The Parcel and Logistics Services business group's net sales decreased by 16.3% and amounted to EUR 135.4 (161.8) million in January–March. Comparable net sales, excluding the international freight business, decreased by 4.9%.

The amount of parcels delivered by Posti in January–March was 8.6 million, which represents a decrease of 1%. The decline in the volume of Parcel Services was attributable to Easter falling in the first quarter and the generally weak domestic growth in both consumer parcels and business parcels. The effects of the postal strike that took place in late 2015 continued to be reflected in customer relationships in January–March. The strike led to Posti losing customers, some of whom have yet to resume their relationship with the company. International parcel traffic saw slight growth.

The number of parcels going through Posti's parcel points grew by 26% year-on-year. The number of Posti parcel points stood at 480 at the end of March.

The decline in domestic freight leveled off and volumes were on par with the previous year. However, net sales were negatively affected by a decrease in the fuel surcharge.

The net sales of the warehousing business decreased from the previous year due to a decline in processing volumes as well as fill rates. Posti won several logistics outsourcing agreements in the first quarter. As the projects are still in the takeover phase, their effects on net sales will only begin to show in the second quarter.

Posti is strengthening its role in international e-commerce and announced in February that it has established a pickup point network in the Baltic countries, which serves consumers and companies at shops and kiosks in Estonia, Latvia and Lithuania. The network will encompass 1,200 item pickup points and will be the largest pickup point system in the Baltic countries. Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries. In addition to the Finnish end customers covered by the network, Posti will deliver parcels to Estonia, Latvia, and Lithuania through its newly-established pickup point network.

The business group's operating result before non-recurring items decreased to EUR -5.3 (1.0) million. The result was weighed down by the low warehouse fill rate, investments in information systems in production operations, and start-up costs arising from new customer relationships. Further factors that had a negative impact on the result included the decline in parcel volume and the decrease of the fuel surcharge. Non-recurring items recognized during the period totaled EUR -0.4 (-1.9) million.

The business group's operating result decreased to EUR -5.7 (-1.0) million.

The renewal of Posti's Retail Network has progressed according to plan. Posti had 1,405 service points and 480 parcel points at the end of March.

Itella Russia

Measured in local currency, Itella Russia's net sales decreased by 12.0% in January–March. The first quarter of 2015 was exceptionally strong. Net sales were negatively affected by the weak economic climate and GDP decline, the depreciation of the ruble and the demand for logistics services being weak due to lower customer volumes.

The demand for air and sea freight declined the most in the first quarter. The demand for warehousing also decreased, but the decline in processing volumes leveled off toward the end of the quarter. The current expectation is that volumes will remain low in the remainder of 2016.

The fill rates of warehouses decreased from the previous year and were at a satisfactory level at the end of March, at 79% (84%). The fill rate for warehouses in the Moscow area was 77% at the end of March, while that of other areas was 86% (88%).

Euro-denominated net sales decreased by 24.3% to EUR 21.0 (27.7) million.

The business group's operating result before non-recurring items was EUR -2.4 (-0.9) million. The weaker result was attributable to lower net sales and fill rates as well as partly currency-linked lease agreements.

The closing exchange rate of the Russian ruble on March 31, 2016, was 22% lower than on March 31, 2015.

The operating result was EUR -0.2 (-1.0) million. The operating result was improved by a non-recurring adjustment to a provision.

Itella Russia acquired the Russian courier company MaxiPost in March. MaxiPost specializes in the delivery of parcels for e-commerce operators. The company delivered more than one million shipments in 2015. The MaxiPost acquisition allows Itella Russia to strengthen its e-commerce and parcel services expertise in accordance with its strategy. MaxiPost has approximately 250 employees.

Itella Russia's investments amounted to EUR 1.4 (0.7) million.

OpusCapita

OpusCapita's net sales decreased by -9.1% to EUR 61.3 (67.5) million. OpusCapita sold its businesses serving the local markets in the Baltic countries in January. Comparable net sales, excluding the divested Baltic businesses, decreased by -4.8%. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was also reflected in OpusCapita's operations, particularly in the volumes of iPost products. The volumes of iPost products decreased by -10% from the previous year. Some 61% of the net sales comes from Finland, while the remaining 39% is from other countries.

Continuous service business operations made up 93.4% of OpusCapita's net sales. This includes multi-channel invoicing and invoice management solutions for paper and electronic invoices, as well as software maintenance and SaaS fees, and regularly invoiced outsourcing services.

OpusCapita transmitted a total of 130 million transactions in January–March. The total transaction volume includes printed letters, mailed paper letters, and electronic transactions. The electronic transaction volume was 49.3 million transactions, which represents 38% of OpusCapita's total transaction volume.

The decline in paper-based volumes is expected to continue, which puts greater emphasis on electronic transactions, financing solutions and software-based solutions in business. This trend is expected to lead to a higher share of foreign revenue.

The operating result before non-recurring items declined to EUR 2.0 (4.7) million. The decline was due to the decrease in traditional print volumes, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy. Non-recurring items recognized during the period totaled EUR -3.5 (-0.8) million and were related to corporate transactions and restructuring measures pursuant to the new strategy.

The operating result decreased to EUR -1.5 (3.9) million.

On January 11, 2016, OpusCapita sold its business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. The transaction did not include the service centers and centers of expertise related to OpusCapita's global business that are located in the Baltic countries.

Key Figures for Business Groups

Key Figures for Business Groups (EUR million)	**1–3/2016**	**1–3/2015**	**Change**	**1–12/2015**
Net sales				
Postal Services	188.6	195.8	-3.7%	742.3
Parcel and Logistics Services	135.4	161.8	-16.3%	596.7
Itella Russia	21.0	27.7	-24.3%	118.9
OpusCapita	61.3	67.5	-9.1%	256.7
Other operations	1.5	2.8	-47.0%	8.7
Intra-Group sales	-17.2	-19.7		-73.0
Posti Group	**390.6**	**435.9**	**-10.4%**	**1,650.3**
Operating result (non-IFRS)*				
Postal Services	24.8	21.0	17.8%	56.4
Parcel and Logistics Services	-5.3	1.0	-	0.6
Itella Russia	-2.4	-0.9	-	-5.1
OpusCapita	2.0	4.7	-57.6%	14.5
Other operations	-4.2	-5.3	-	-17.7
Posti Group	**15.0**	**20.6**	-27.3%	**48.7**
Operating result (EBIT)				
Postal Services	24.8	21.2	16.8%	57.3
Parcel and Logistics Services	-5.7	-1.0	-	-12.6
Itella Russia	-0.2	-1.0	-	-25.0
OpusCapita	-1.5	3.9	-	13.3
Other operations	-12.6	-2.6	-	22.8
Posti Group	**4.7**	**20.5**	**-77.1%**	**55.9**

Operating result (non-IFRS), %*				
Postal Services	13.1%	10.7%		7.6%
Parcel and Logistics Services	-3.9%	0.6%		0.1%
Itella Russia	-11.2%	-3.2%		-4.3%
OpusCapita	3.2%	7.0%		5.7%
Posti Group	**3.8%**	**4.7%**		**2.9%**
Operating result (EBIT), %				
Postal Services	13.1%	10.8%		7.7%
Parcel and Logistics Services	-4.2%	-0.6%		-2.1%
Itella Russia	-1.2%	-3.5%		-21.0%
OpusCapita	-2.5%	5.8%		5.2%
Posti Group	**1.2%**	**4.7%**		**3.4%**

) Non-IFRS = excluding non-recurring items

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 29.1 (35.2) million.

Investments amounted to EUR 11.3 (14.4) million. The Group invested in information systems, the transport fleet, production projects and an acquisition in January–March.

Proceeds from divestments totaled EUR 8.5 (3.5) million. The most significant divestment was OpusCapita's sale of its businesses serving the local markets in the Baltic countries to BaltCap on January 11, 2016.

At the end of the year, liquid assets totaled EUR 290.5 (207.2) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 287.4 (294.3) million. The equity ratio was 46.5% (46.6%), and gearing was -14.8% (11.7%).

Employees

At the end of March, the Group employed 20,660 (22,622) people. The Group's average number of personnel was 20,577 (22,579). At the end of March, a total of 4,588 (5,044) employees worked outside Finland. The number of employees working in Finland was 16,072 (17,578).

Personnel distribution was as follows:

Postal Services	73
Parcel and Logistics Services	1,473
Itella Russia	2,629
OpusCapita	2,034
Operations	13,516
Other operations	935

The Group's personnel expenses increased by EUR 0.7 million, or by 0.3% year-on-year. Personnel expenses included restructuring costs in the amount of EUR -10.8 (0.1) million. Excluding restructuring costs, personnel expenses declined by 5.3% year-on-year.

Posti's Uusi polku (New path) program offers personnel not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of March, 1,988 employees had applied for the program and 1,467 had been approved.

Cooperation negotiations

As part of its performance improvement program, Posti commenced cooperation negotiations on January 26, 2016. The target group of the negotiations consisted of 7,600 employees in total. The negotiations concerned administration and basic delivery in the Operations unit, the entire Sales and Customer Services unit, and certain Group Functions. The original reduction need was at most 860 employees. Posti's support program significantly reduced the number of redundancies down to 181.

OpusCapita announced the start of cooperation negotiations on February 8, 2016. The estimated reduction need was approximately 80 persons, of which at most 50 in Finland and about 30 in other countries. The outcome of the cooperation negotiations was a total reduction of approximately 70 persons. The total reduction in Finland is 41 persons, of which 22 are achieved through redundancies and 19 through other arrangements, including the termination of fixed-term employment relationships, pension arrangements and resignations. In other countries, the reduction is 30 persons, of which two thirds are achieved through redundancies.

Decisions adopted by the Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 23, 2016. The meeting adopted the 2015 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors be composed of eight members. The following will continue as members of the Board of Directors: Arto Hiltunen, M.Sc. (Econ.); Petri Järvinen, Director, Supply Chain, Logistics and Quality, Coop Sverige; Petri Kokko, Director, Retail, Google Germany GmbH; Jussi Kuutsa, Country Director, SRV Group Plc, Russia; Kirsi Nuotto, Senior Vice President, Human Resources, Outotec Corporation; Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office; and Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance TELA.

Board Professional Arja Talma was elected to join the Board of Directors as a new member. Arto Hiltunen will continue as the Chairman of the Board of Directors.

It was decided that the Supervisory Board comprises twelve members. The following will continue as members of the Supervisory Board: Maria Guzenina, MP, Social Democratic Party; Marisanna Jarva, MP, Centre Party; Rami Lehto, MP, True Finns Party; Eeva-Maria Maijala, MP, Centre Party; Sari Moisanen, Project Manager, Left Alliance; Mats Nylund, MP, Swedish People's Party of Finland; Sari Raassina, MP, National Coalition Party; Lulu Ranne, M.Sc. (Tech.), True Finns Party; Markku Rossi, MP, Centre Party; Satu Taavitsainen, MP, Social Democratic Party; Jani Toivola, MP, The Greens of Finland; and Kari Tolvanen, MP, National Coalition Party.

MP Markku Rossi will continue as the Chairman of the Supervisory Board and MP Jani Toivola as Vice Chairman.

In line with the Board of Directors' proposal, the Annual General Meeting decided that a dividend of EUR 18.0 million be distributed.

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.

Changes in corporate structure

In January, OpusCapita Group Ltd sold its business operations serving the local markets in the Baltic countries, namely OpusCapita AS (Estonia), OpusCapita AS (Latvia) and UAB OpusCapita (Lithuania).

Posti Global Oy acquired the Russian company OOO MaxiPost in March.

Business risks

The business risks are described in the Group's 2015 Financial Statements, and there have been no significant changes to the risks since then.

Key strategic risks were related to the decline in postal delivery volumes progressing 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. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Other strategic risks are related to Posti's competitive ability, Posti's ability to implement its strategy and develop new business models and its corporate culture, as well as regulation by the authorities. Operational risks are primarily related to profitability, the renewal of ICT operations, and business interruptions and other disruptions.

The Finnish government has submitted a legislative proposal to the parliament regarding the reform of the Postal Act, according to which the postal licenses issued by the government will be discontinued and competition in the delivery of letter mail will be increased. Posti's view is that the reform gives competitors in the field of mail delivery a clear competitive advantage. If regulations pertaining to the universal service obligation are not amended accordingly, Posti's ability to produce the universal services pursuant to the Postal Act will be compromised. This would also create an increased need to improve operational efficiency.

Strategic 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 the impacts of 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.

In logistics, unanticipated regulatory changes related to domestic transport and increasing international competition 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 planning and monitoring.

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 and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Currency risk is managed in accordance with the financial policy confirmed by the Board of Directors. Equity investments in subsidiaries are not hedged. The Group has discontinued the hedging of the parent company's ruble-denominated receivables for the time being due to high hedging costs. The aim is to hedge local transaction risk in Russia.

Risks in Russia are managed by continuously monitoring business development, increasing the monitoring of critical processes and by establishing a solid foothold 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.

In OpusCapita, 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.

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. OpusCapita's capacity to develop the outsourcing of financial processes against intensifying and increasingly international competition involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations.

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 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 2016

The Group's business is characterized by seasonality. Net sales and operating profit in the business groups 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.

Comparable net sales in euros for 2016 are expected to decrease compared to 2015. The Group's operating result before non-recurring items is expected to remain on par with the previous year. There is significant uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant non-recurring items. The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Investments is expected to increase from 2015.

Helsinki, April 28, 2016

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

Interim Report January-March 2016

Key figures of Posti Group

	1-3 2016	**1-3 2015**	**1-12 2015**
Net sales, MEUR	390,6	435,9	1 650,3
Operating result (non-IFRS), MEUR *)	15,0	20,6	48,7
Operating result (non-IFRS), % *)	3,8	4,7	2,9
Operating result (EBIT), MEUR	4,7	20,5	55,9
Operating result (EBIT), %	1,2	4,7	3,4
Result before taxes, MEUR	3,5	21,3	43,3
Result for the period, MEUR	3,4	15,9	36,0
Cash flow from operating activities	29,1	35,2	81,9
Return on equity (12 months), %	3,9	1,2	6,1
Return on invested capital (12 months), %	4,2	3,1	6,3
Equity ratio, %	46,5	46,6	47,8
Gearing, %	-14,8	11,7	-10,5
Gross capital expenditure, MEUR	11,4	16,5	60,6
Employees on average	20 577	22 579	22 219
Dividends, MEUR			18,0

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

Consolidated Income Statement

EUR million	1-3 2016	1-3 2015	1-12 2015
Net sales	**390,6**	**435,9**	**1 650,3**
Other operating income	5,0	4,1	57,4
Share of associated companies' results	0,0	0,0	0,1
Materials and services	95,5	114,0	437,6
Employee benefits	193,6	192,9	756,5
Depreciation and amortisation	19,0	20,8	80,5
Impairment losses	1,7	1,1	11,9
Other operating expenses	81,1	90,6	365,4
Operating result (EBIT)	**4,7**	**20,5**	**55,9**
% of net sales	1,2 %	4,7 %	3,4 %
Financial income	2,8	6,9	13,9
Financial expenses	4,0	6,0	26,4
Result before income tax	**3,5**	**21,3**	**43,3**
% of net sales	0,9 %	4,9 %	2,6 %
Income tax	-0,1	-5,5	-7,4
Result for the financial period	**3,4**	**15,9**	**36,0**
% of net sales	0,9 %	3,6 %	2,2 %

Consolidated Statement of Comprehensive Income

Result for the financial period	**3,4**	**15,9**	**36,0**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets	0,0	0,0	-0,1
Change in fair value of cash flow hedges	-0,7	-	-
Translation differences	4,9	20,1	-9,0
Tax effect	0,1	0,0	0,0
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses	2,0	-0,5	4,6
Tax effect	-0,4	0,1	-0,9
Comprehensive income for the financial period	**9,2**	**35,6**	**30,5**

Consolidated Statement of Financial Position

EUR million	31 March 2016	31 March 2015	31 Dec 2015
Non-current assets			
Goodwill	184,0	183,5	186,0
Other intangible assets	50,3	58,7	50,7
Investment property	10,2	10,8	10,3
Property, plant and equipment	401,4	464,8	406,0
Investments in associated companies	0,1	0,0	0,1
Other non-current investments	6,0	5,9	6,2
Non-current receivables	2,6	10,3	1,5
Deferred tax assets	19,4	17,3	18,0
Total non-current assets	**673,9**	**751,3**	**678,9**
Current assets			
Inventories	4,1	4,7	4,7
Trade and other receivables	255,7	282,5	262,5
Income tax receivables	1,4	1,7	1,0
Financial assets available-for-sale	0,2	0,3	0,2
Financial assests held to maturity	85,0	16,0	95,0
Financial assets at fair value through profit or loss	161,0	112,0	128,9
Cash and cash equivalents	130,9	95,2	130,1
Total current assets	**638,4**	**512,4**	**622,4**
Non-current assets classified as held for sale	**-**	**78,1**	**3,6**
Total assets	**1 312,3**	**1 341,7**	**1 304,8**
Equity			
Share capital	70,0	70,0	70,0
Contingency reserve	142,7	142,7	142,7
Fair value reserve	-0,5	0,2	0,1
Translation differences	-98,7	-74,5	-103,6
Retained earnings	482,1	471,0	495,2
Total equity	**595,6**	**609,4**	**604,4**
Non-current liabilities			
Deferred tax liabilities	22,8	32,6	23,1
Non-current interest-bearing loans	123,9	282,4	126,7
Other non-current liabilities	11,2	8,2	10,3
Non-current provisions	17,6	12,1	17,0
Defined benefit pension plan liabilities	9,7	16,7	11,6
Total non-current liabilities	**185,1**	**352,0**	**188,6**
Current liabilities			
Current interest-bearing loans	163,5	11,9	163,6
Trade payables and other liabilities	312,4	324,0	282,0
Advances received	31,1	32,8	40,1
Income tax payables	17,5	6,4	14,9
Current provisions	7,1	5,2	10,2
Total current liabilities	**531,6**	**380,3**	**510,8**
Liabilities associated with non-current assets classified as held for sale	**-**	**0,0**	**1,0**
Total liabilities	**716,7**	**732,4**	**700,4**
Total equity and liabilities	**1 312,3**	**1 341,7**	**1 304,8**

Consolidated Cash Flow Statement

EUR million	1-3 2016	1-3 2015	1-12 2015
Result for the financial period	**3,4**	**15,9**	**36,0**
Adjustments to cash flow	17,8	23,6	74,7
Change in net working capital	7,5	-3,6	-18,2
Cash flow before financial items and income tax	**28,7**	**35,9**	**92,4**
Financial items (net)	0,7	-0,1	-7,6
Income tax paid	-0,3	-0,6	-3,0
Cash flow from operating activities	**29,1**	**35,2**	**81,9**
Purchase of intangible assets	-4,8	-3,2	-17,7
Purchase of property, plant and equipment	-4,9	-11,2	-34,7
Proceeds from sale of intangible and tangible assets	0,1	3,5	122,2
Business acquisitions	-1,6	0,6	-3,5
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	8,4	-	14,2
Financial assets at fair value through profit or loss	-32,7	-25,9	-42,0
Financial assests held to maturity	10,0	-4,0	-83,0
Cash flow from other investments	0,2	2,8	4,0
Cash flow from investing activities	**-25,3**	**-37,5**	**-40,4**
Change in loans (net)	0,0	0,3	4,3
Payments of finance lease liabilities	-3,3	-2,9	-12,2
Cash flow from financing activities	**-3,3**	**-2,6**	**-8,0**
Change in cash and cash equivalents	**0,5**	**-4,9**	**33,4**
Cash and cash equivalents at the beginning of the period	**130,1**	**98,7**	**98,7**
Effect of changes in exchange rates	0,3	1,4	-0,3
Cash and cash equivalents for assets classified as held for sale	-	0,0	-1,8
Cash and cash equivalents at the end of the period	**130,9**	**95,2**	**130,1**

Consolidated Statement of Changes in Equity

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity 1 January 2015	**70,0**	**142,7**	**0,2**	**-94,6**	**455,6**	**573,8**
Comprehensive income						
Result for the financial period					15,9	15,9
Other items of Comprehensive income:						
Change in fair value reserve			0,0			0,0
Change in translation differences				20,1		20,1
Actuarial gains and losses					-0,4	-0,4
Comprehensive income for the financial period			**0,0**	**20,1**	**15,5**	**35,5**
Equity 31 March 2015	**70,0**	**142,7**	**0,2**	**-74,5**	**471,0**	**609,4**
Equity 1 January 2016	**70,0**	**142,7**	**0,1**	**-103,6**	**495,2**	**604,4**
Comprehensive income						
Result for the financial period					3,4	3,4
Other items of Comprehensive income:						
Change in fair value reserve			-0,6			-0,6
Change in translation differences				4,9		4,9
Actuarial gains and losses					1,6	1,6
Comprehensive income for the financial period			**-0,6**	**4,9**	**4,9**	**9,2**
Transactions with equity holders						
Dividends paid					-18,0	-18,0
Equity 31 March 2016	**70,0**	**142,7**	**-0,5**	**-98,7**	**482,1**	**595,6**

Notes

1. Accounting Principles

The interim review has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in financial statements for 2015. The Group has applied the currently valid IFRS standards and interpretations in the preparation of this interim review. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim review is unaudited. The amendments to IFRS standards effective as of 1 January 2016 had no impact on consolidated income statement or statement of financial position.

2. Segment Information

EUR million	1-3 2016	1-3 2015	1-12 2015
Net sales by business segment			
Postal Services	188,6	195,8	742,3
inter-segment sales	-12,9	-13,7	-52,4
Parcel and Logistics Services	135,4	161,8	596,7
inter-segment sales	0,0	-0,1	-0,3
Itella Russia	21,0	27,7	118,9
inter-segment sales	0,0	0,0	0,0
OpusCapita	61,3	67,5	256,7
inter-segment sales	-2,9	-3,1	-11,5
Other operations	1,5	2,8	8,7
inter-segment sales	-1,4	-2,7	-8,8
Total eliminations	-17,2	-19,7	-73,0
Total	**390,6**	**435,9**	**1 650,3**
Operating result by business segment (non-IFRS) *)			
Postal Services	24,8	21,0	56,4
Parcel and Logistics Services	-5,3	1,0	0,6
Itella Russia	-2,4	-0,9	-5,1
OpusCapita	2,0	4,7	14,5
Other operations	-4,2	-5,3	-17,7
Total	**15,0**	**20,6**	**48,7**
Operating result (EBIT) by business segment			
Postal Services	24,8	21,2	57,3
Parcel and Logistics Services	-5,7	-1,0	-12,6
Itella Russia	-0,2	-1,0	-25,0
OpusCapita	-1,5	3,9	13,3
Other operations	-12,6	-2,6	22,8
Total	**4,7**	**20,5**	**55,9**
Financial income and expenses	**-1,2**	**0,8**	**-12,5**
Result for the financial period	**3,4**	**15,9**	**36,0**

	1-3 2016	1-3 2015	1-12 2015
Non-recurring items by business segment			
Postal Services	0,0	-0,2	-0,9
Parcel and Logistics Services	0,4	1,9	13,2
Itella Russia	-2,1	0,1	19,9
OpusCapita	3,5	0,8	1,2
Other operations	8,4	-2,6	-40,5
Total	**10,3**	**0,0**	**-7,2**

EUR million	**31 March 2016**	**31 March 2015**	**31 Dec 2015**
Assets			
Postal Services	259,0	307,3	262,1
Parcel and Logistics Services	274,8	344,2	288,5
Itella Russia	133,9	170,9	126,1
OpusCapita	169,5	172,2	172,7
Non-current assets classified as held for sale	-	78,1	3,6
Other operations and unallocated	479,0	274,0	456,9
Eliminations	-3,9	-4,9	-5,1
Total	**1 312,3**	**1 341,7**	**1 304,8**
Liabilities			
Postal Services	163,5	181,3	163,5
Parcel and Logistics Services	114,0	134,8	119,2
Itella Russia	26,9	20,0	27,0
OpusCapita	37,5	43,9	36,1
Liabilities associated with non-current assets classified as held for sale	-	-	1,0
Other operations and unallocated	378,7	357,3	358,8
Eliminations	-3,9	-4,9	-5,1
Total	**716,7**	**732,4**	**700,4**
Personnel at end of the period			
Postal Services	73	110	69
Parcel and Logistics Services	1 473	1 732	1 478
Itella Russia	2 629	2 794	2 646
OpusCapita	2 034	2 239	2 178
Operations	13 516	14 769	14 256
Other functions	935	978	971
Total	**20 660**	**22 622**	**21 598**

*) non-IFRS = excluding non-recurring items

3. Acquired businesses and business divestments

Acquired businesses 2016

Posti Group's subsidiary, Posti Global Oy, acquired a Russian courier company OOO MaxiPost on 17th March, 2016. MaxiPost offers courier services to Russian companies, employing approximately 250 people.

The acquisition cost was EUR 1.1 million, of which the contingent earn-out component reconized in liabilities is EUR 0.7 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

According to provisional analysis goodwill arising from the acquisition totals to EUR 1.2 million.

Analysis of net assets acquired - provisional amounts

Effect on assets

EUR million	Fair value
Intangible assets	0,1
Receivables	0,9
Cash and cash equivalents	0,0
Effect on assets	**1,1**

Effect on liabilities

EUR million	
Trade payables and other liabilities	1,1
Effect on liabilities	**1,1**
Net assets acquired	**0,0**

Components of acquisition cost

EUR million	
Cash consideration	0,4
Earn-out consideration (estimated)	0,7
Total cost of acquisition	**1,1**
Fair value of net assets acquired	0,0
Goodwill	**1,2**

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	0,4
Cash and cash equivalents of the acquired subsidiary	0,0
Cash flow	**-0,4**

Business divestments in 2016

OpusCapita Group has sold the business operations serving the local markets in the Baltic Countries to BaltCap 11th Jan, 2016. The transaction consisted of OpusCapita AS (Estonia), OpusCapita AS (Latvia) and UAB OpusCapita (Lithuania). The divesment did not include OpusCapita competence centers in Baltic Countries serving global business. The divestment had one-off positive impact on Group's first quarter result and cash flows.

4. Net sales by geographical location

EUR million	1-3 2016	1-3 2015	1-12 2015
Finland	311,8	335,1	1 265,3
Scandinavia	32,5	44,5	140,4
Russia	21,3	27,7	118,5
Other countries	25,0	28,6	126,1
Total	**390,6**	**435,9**	**1 650,3**

5. Changes in property, plant and equipment

EUR million	31 March 2016	31 March 2015	31 Dec 2015
Carrying amount on 1 January	406,0	516,4	516,4
Additions	5,5	13,3	43,2
Disposals and transfers between items	-0,1	-64,8	-78,4
Depreciation and impairment	-15,2	-17,0	-67,4
Translation differences	5,3	17,0	-7,8
Carrying amount at the end of the period	**401,4**	**464,8**	**406,1**

6. Fair values of interest-bearing loans

EUR million	Carrying amount 31 March 2016	Fair value 31 March 2016	Carrying amount 31 March 2016	Fair value 31 March 2016	Carrying amount 31 Dec 2015	Fair value 31 Dec 2015
Non-current interest-bearing loans						
Bonds	99,8	103,7	250,9	262,6	99,8	104,1
Finance lease liabilities	23,6	23,6	31,4	31,4	26,4	26,4
Other interest-bearing loans	0,5	0,5	0,1	0,1	0,5	0,5
Total	**123,9**	**127,8**	**282,4**	**294,0**	**126,7**	**131,0**
Current interest-bearing loans						
Bonds	150,3	153,0	-	-	150,4	154,0
Finance lease liabilities	13,2	13,2	11,8	11,8	13,2	13,2
Other	0,0	0,0	0,1	0,1	0,0	0,0
Total	**163,5**	**166,2**	**11,9**	**11,9**	**163,6**	**167,2**

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

EUR million	Total	Level 1	Level 2	Level 3
31 March 2016				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6,0			6,0
Financial assets at fair value through profit and loss				
Money market investments	168,5		168,5	
Bonds	42,6	33,1	9,5	
Derivative contracts				
Currency derivatives, non-hedge accounting	0,1		0,1	
Interest rate derivatives, non-hedge accounting	1,4		1,4	
Available-for-sale financial assets				
Equity fund investments	0,2			0,2
Total	**218,7**	**33,1**	**179,4**	**6,2**
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,1		0,1	
Currency derivatives, hedge accounting	0,7		0,7	
Electricity derivatives, non-hedge accounting	0,7	0,7		
Total	**1,6**	**0,7**	**0,8**	**-**

EUR million	Total	Level 1	Level 2	Level 3
31 December 2015				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6,2			6,2
Financial assets at fair value through profit and loss				
Money market investments	123,4		123,4	
Bonds	45,5	35,8	9,7	
Derivative contracts				
Currency derivatives, non-hedge accounting	0,1		0,1	
Interest rate derivatives, non-hedge accounting	1,9		1,9	
Available-for-sale financial assets				
Equity fund investments	0,2			0,2
Total	**177,3**	**35,8**	**135,1**	**6,4**
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Electricity derivatives, non-hedge accounting	0,9	0,9		
Total	**0,9**	**0,9**	**-**	**-**

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.

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

EUR million	Available-for-sale shares and equity fund investments
2016	
Carrying amount on 1 January	6,4
Exercises	-0,2
Carrying amount on 31 March	**6,2**

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

In financial income and expenses	0,0

8. Contingent liabilities

EUR million	**31 March 2016**	**31 March 2015**	**31 Dec 2015**
Pledges for own behalf	10,0	13,2	10,9
Lease commitments	301,8	265,3	305,7

On September 18, 2015, the District Court of Helsinki issued a positive ruling in favor of Posti regarding a dispute concerning the refund of value added taxes. Posti is not deemed liable to compensate value added taxes paid by its customers. Posti’s contract customers filed a claim for the damage of value added taxes of postal services totaling a little over EUR 100 million. According to the District Court, including the VAT in the postal services referred to in the case was not contrary to EU law. The plaintiffs consisted of seven large-scale financing and insurance institutions. The plaintiffs, except one of them, have appealed to the Helsinki Court of Appeal.

Derivative contracts

EUR million	31 March 2016	31 March 2015	31 Dec 2015
Currency derivatives			
Non-hedge accounting			
Fair value	0,0	0,0	0,0
Nominal value	10,1	29,5	8,6
Hedge accounting			
Fair value	-0,7	-	-
Nominal value	8,7	-	-
Interest rate derivates			
Non-hedge accounting			
Fair value	1,4	-	1,9
Nominal value	70,0	-	70,0
Hedge accounting			
Fair value	-	3,5	-
Nominal value	-	70,0	-
Electricity derivatives			
Non-hedge accounting			
Fair value	-0,7	-0,8	-0,9
Nominal value	2,4	4,3	2,5

9. Events after the reporting period, seasonality of the business and changes in the Group structure

Events after the reporting period, description of the seasonality of the business and changes in the Group structure have been included in the management commentary section.

10. Foreign exchange rates

Average rate	1-3 2016	1-3 2015	1-12 2015
RUB	82,4730	71,0867	68,0090
SEK	9,3260	9,3839	9,3543
NOK	9,5276	8,7314	8,9419

Closing rate	31 March 2016	31 March 2015	31 Dec 2015
RUB	76,3051	62,4400	80,6736
SEK	9,2253	9,2901	9,1895
NOK	9,4145	8,7035	9,6030

11. Calculation of key figures (IFRS)

Return on equity, %	100 x	$\dfrac{\text{result for the period (12m roll.) - income taxes (12m roll.)}}{\text{total equity (average)}}$
Return on invested capital, %	100 x	$\dfrac{\text{result before income tax (12m roll.) + interest and other financial expenses (12m roll.)}}{\text{total equity + interest-bearing liabilities (average)}}$
Equity ratio, %	100 x	$\dfrac{\text{total equity}}{\text{total assets - advances received}}$
Gearing, %	100 x	$\dfrac{\text{interest-bearing liabilities - cash and cash equivalents - current interest-bearing receivables}}{\text{total equity}}$

Gross capital expenditure includes the investments in intangible and tangible assets and business acquisitions.

Current interest-bearing receivables consist of financial assests held to maturity and financial assets at fair value through profit or loss, excluding derivatives.

Liquid funds consist of cash and cash equivalents and liquid investments with original maturity of over three months.

Operating result (EBIT) is a net amount derived from net sales plus other operating income, less cost for production materials and services, less employee benefit expenses, depreciation, amortization and any impairment losses, other operating expenses and the share of associated company's results. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations. Otherwise they are recognized in financial items.

The Group reports separately non-recurring items which include reorganization costs, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, properties or business operations, changes in purchase consideration for business combinations after the date of acquisition recognized in income statement, and other material items outside of ordinary course of business are defined as non-recurring items.

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