

Financial Statements

2014

posti[®]

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BOARD OF DIRECTORS' REPORT

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.

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%).

Key figures of Posti Group

	2014	2013
Net sales, MEUR	1,858.7	1,976.8
Operating result (non-IFRS), MEUR*)	50.8	50.5
Operating result (non-IFRS), %*)	2.7	2.6
Operating result (EBIT), MEUR	5.8	9.9
Operating result (EBIT), %	0.3	0.5
Result before taxes, MEUR	-4.6	-2.4
Result for the period, MEUR	-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	57.5	61.1
Employees on average	24,617	27,253
Dividends, MEUR	-**)	-

*) Non-IFRS = excluding non-recurring items

**) Board proposal

Itella Mail Communications

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

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.

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.

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

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

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.

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.

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.

Key Figures of Business Groups, MEUR

	2014	2013	Change
Net sales			
Itella Mail Communications	1,133.0	1,155.5	-1.9%
Itella Logistics	586.2	641.8	-8.7%
Itella Russia	172.0	205.6	-16.3%
OpusCapita	259.6	263.4	-1.4%
Other operations	41.6	54.4	-23.4%
Intra-Group sales	-333.8	-343.8	
Itella Group	1,858.7	1,976.8	-6.0%
Operating result (non-IFRS)*)			
Itella Mail Communications	67.4	66.6	1.1%
Itella Logistics	-22.6	-24.5	-
Itella Russia	2.5	5.3	-51.8%
OpusCapita	20.0	22.5	-11.2%
Other operations	-16.4	-19.4	-
Itella Group	50.8	50.5	0.7%

Operating result (EBIT)

Itella Mail Communications	51.2	64.0	-20.0%
Itella Logistics	-36.5	-50.1	-
Itella Russia	2.4	4.3	-44.1%
OpusCapita	12.7	17.0	-25.3%
Other operations	-24.0	-25.3	-
Itella Group	5.8	9.9	-41.8%

Operating result (non-IFRS), %*)

Itella Mail Communications	5.9%	5.8%
Itella Logistics	-3.9%	-3.8%
Itella Russia	1.5%	2.6%
OpusCapita	7.7%	8.5%
Itella Group	2.7%	2.6%

Operating result (EBIT), %

Itella Mail Communications	4.5%	5.5%
Itella Logistics	-6.2%	-7.8%
Itella Russia	1.4%	2.1%
OpusCapita	4.9%	6.4%
Itella Group	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 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

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement

EUR million	Note	2014	2013
Net sales	<u>1</u> <u>3</u>	1,858.7	1,976.8
Other operating income	<u>4</u>	12.6	18.2
Materials and services	<u>5</u>	526.7	572.2
Employee benefits	<u>7</u>	847.8	885.4
Depreciation and amortization	<u>9</u>	86.0	92.1
Impairment losses	<u>9</u>	4.4	24.3
Other operating expenses	<u>10</u>	400.5	411.1
Operating profit (EBIT)		5.8	9.9
Financial income	<u>11</u>	26.6	25.2
Financial expenses	<u>11</u>	-36.9	-37.6
Result before income tax		-4.6	-2.4
Income tax	<u>12</u>	0.2	10.1
Result for the financial period		-4.4	7.7

Consolidated statement of comprehensive income

Result for the financial period	-4.4	7.7
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets	0.3	0.2
Translation differences	-73.3	-28.0
Tax effect	-0.1	0.0
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains and losses	-5.4	-5.0
Tax effect	1.1	1.0
Comprehensive income for the financial period	-81.9	-24.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31 Dec 2014	31 Dec 2013
Non-current assets			
Goodwill	13	183.1	180.0
Other intangible assets	13	59.4	70.1
Investment property	14	11.0	12.4
Property, plant and equipment	15	516.4	625.5
Investments in associated companies	16	0.0	0.4
Other non-current investments	19	5.9	6.0
Non-current receivables	20	10.5	12.5
Deferred tax assets	21	16.0	20.6
Total non-current assets		802.2	927.4
Current assets			
Inventories	22	5.1	7.8
Trade and other receivables	23	268.5	311.0
Income tax receivables		1.7	1.8
Financial assets available-for-sale	24	0.3	0.7
Financial assets held to maturity	24	12.0	0.0
Financial assets at fair value through profit or loss	25	88.0	85.8
Cash and cash equivalents	26	98.7	81.0
Total current assets		474.3	488.2
Non-current assets classified as held for sale	27	14.7	-
Total assets		1,291.3	1,415.6

EUR million	Note	31 Dec 2014	31 Dec 2013
Equity			
Share capital	28	70.0	70.0
Contingency reserve	28	142.7	142.7
Fair value reserve	28	0.2	0.0
Translation differences	28	-94.6	-21.3
Retained earnings		455.6	464.4
Total equity		573.8	655.8
Non-current liabilities			
Deferred tax liabilities	21	31.6	43.7
Non-current interest-bearing loans	31	283.5	283.6
Other non-current liabilities	32	11.4	11.5
Non-current provisions	30	12.6	12.8
Defined benefit pension plan obligations	29	16.3	11.3
Total non-current liabilities		355.4	362.8
Current liabilities			
Current interest-bearing loans	31	12.0	21.5
Trade payables and other liabilities	32	343.9	357.8
Income tax payables		0.3	2.6
Current provisions	30	6.0	15.0
Total current liabilities		362.1	397.0
Total liabilities		717.5	759.8
Total equity and liabilities		1,291.3	1,415.6

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2014	2013
Result for the financial period		-4.4	7.7
Adjustments:			
Depreciation and amortization	<u>9</u>	86.0	92.1
Impairment losses	<u>9</u>	4.4	24.3
Gains on sale of intangible and tangible assets	<u>4</u>	-1.9	-6.6
Losses on sale of intangible and tangible assets	<u>10</u>	1.0	1.3
Financial income	<u>11</u>	-26.6	-25.2
Financial expense	<u>11</u>	33.1	35.6
Income tax	<u>12</u>	-0.2	-10.1
Other adjustments		3.6	-19.4
Cash flow before change in net working capital		95.0	99.6
Change in trade and other receivables		24.5	9.0
Change in inventories		2.3	-1.4
Change in trade payables and other liabilities		-13.1	-11.3
Change in net working capital		13.7	-3.6
Cash flow before financial items and income tax		108.6	95.9
Interests paid		-21.2	-20.6
Interests received		7.6	7.1
Other financial items		3.1	1.4
Income tax paid		-4.9	-2.4
Cash flow from financial items and income tax		-15.4	-14.6

Cash flow from operating activities		93.2	81.3
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	<u>2</u>	-3.6	0.0
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	<u>2</u>	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
Cash flow from investing activities		-46.3	-49.2
Repayment of current loans	<u>31</u>	-12.5	0.0
Increases in non-current loans	<u>31</u>	0.2	-
Repayment of non-current loans		-	-25.1
Repayment of finance lease liabilities		-10.9	-7.4
Financial assets held to maturity	<u>24</u>	-	0.3
Dividends paid		-	-6.8
Cash flow from financing activities		-23.2	-39.0
Change in cash and cash equivalents		23.7	-6.8
Cash and cash equivalents at the beginning of the period	<u>26</u>	81.0	90.3
Effect of changes in exchange rates		-5.9	-2.5
Cash and cash equivalents at the end of the period	<u>26</u>	98.7	81.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity 1 Jan 2013	70.0	142.7	-0.2	6.7	467.5	686.7
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
Comprehensive income for the financial period			0.1	-28.0	3.7	-24.1
Transactions with equity holders						
Dividend distribution					-6.8	-6.8
Equity 31 Dec 2013	70.0	142.7	0.0	-21.3	464.4	655.8
EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity 1 Jan 2014	70.0	142.7	0.0	-21.3	464.4	655.8
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
Comprehensive income for the financial period			0.2	-73.3	-8.8	-81.9
Equity 31 Dec 2014	70.0	142.7	0.2	-94.6	455.6	573.8

Notes to the Consolidated Financial Statements

Company information

Posti Group provides mail communications, logistics and financial accounting outsourcing services and operates in 11 countries. The Group's parent company, Posti Group Corporation, is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

Posti Group Corporation has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, while adhering to the related IFRS/IAS standards, effective on December 31, 2014, and their SIC and IFRIC interpretations. The notes to the consolidated financial statements are also in compliance with Finnish accounting and company legislation.

The consolidated financial statements are prepared at historical cost, with the exception of financial assets and liabilities measured at fair value through profit or loss and non-current assets held for sale and available-for-sale financial assets. The consolidated financial statements are presented in millions of euros. The figures are rounded and thus the sum total of individual figures may be different than the total presented.

Consolidation Principles

Subsidiaries

The consolidated financial statements include the accounts of the parent company, Posti Group Corporation, and those of all of its subsidiaries. Subsidiaries refer to companies over which the Parent company exercises control, directly or indirectly, arising from the Group being exposed to or having right to variable returns from the subsidiary and having the ability to affect those returns through its power over the subsidiary.

Subsidiaries are consolidated from the date on which control is obtained until the control ceases. Intra-group shareholdings are eliminated using the purchase method and the resulting residual is allocated to the acquiree's assets and liabilities measured at fair value. Any excess of the cost of acquisition over the Group's interest in the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities are recognized as goodwill.

Intra-group transactions, receivables, liabilities and distribution of profits are eliminated in the consolidated financial statements. Comprehensive income attributable to the parent company's shareholder and non-controlling interests is presented in the consolidated statement of comprehensive income. Non-controlling interest is presented as a separate item within equity in the consolidated statement of financial position.

Associated companies

An associated company refers to an entity in which the Group holds more than 20 per cent of its shares and votes or, in other respects, over which the Group exercises significant influence, but not control. Holdings in associated companies are consolidated using the equity method. Investments in associated companies are recognized at cost as adjusted by post-acquisition changes in the Group's share of the associated company's net assets. The Group's share of associates company's

results, based on the Group's interest in the associated company, is shown as a separate item before operating profit in the statement of comprehensive income.

Mutual property companies

Posti Group has holdings in property companies which are presented in accordance with the nature of the asset and included in buildings and land areas in the statement of financial position. Liabilities of the property companies are included in Group's liabilities.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date. While monetary items in the balance sheet are translated into euros using the exchange rate quoted on the balance sheet date, non-monetary items are translated using the exchange rate quoted on the transaction date, excluding items carried at fair value translated using the exchange rate quoted on the date when the fair value was determined. Any exchange gains or losses arising from business operations are recorded in the statement of comprehensive income under the respective items above operating profit and those arising from financial instruments are included in financial income and expenses.

If the subsidiaries' functional currency differs from the Group's presentation currency, their income statements and cash flows are converted into euros using the average exchange rate quoted for the financial year, and their statements of financial position into the exchange rate on the balance sheet date. The translation difference arising from this is recognized in other items of comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognized in other comprehensive income. When the subsidiary is disposed of, any accumulated translation differences are recognized through profit or loss as part of gain or loss on disposal.

Goodwill resulting from the acquisition of foreign entities and the fair value adjustments of the carrying amounts of these entities' assets and liabilities made at the acquisition have been treated as the entity's assets and liabilities and translated into euros quoted on the balance sheet date. The goodwill resulting from acquisitions carried out before January 1, 2006, and fair value adjustments are recognized in euros.

In accordance with IAS 21, translation differences from net investments in foreign units are recorded under other items of comprehensive income. Net investments include also long-term loans granted by the Group to foreign units with unscheduled repayment and with unlikely repayment in the foreseeable future. As of October 1, 2009, intra-Group loan receivables from the Russian companies have been classified as long-term investments in compliance with IAS 21.

Revenue recognition

A significant portion of the Group's revenue is generated by the production of short-term services. Various delivery solutions form a significant portion of the Group's range of services. Revenue from services is recognized when the service in question has been performed in accordance with the agreement. Revenue from the sale of goods is recognized when the goods have been delivered to the customer, and the significant risks and benefits associated with the ownership of the goods have transferred to the buyer.

Net sales comprise the revenue generated by the sale of goods and services less the indirect taxes related to sales, discounts and foreign exchange differences.

Itella Mail Communications

Itella Mail Communications has its own shops which sell both letter and parcel services as well as goods. Itella Mail Communications offers customers daily postal services by providing delivery services for letters, advertisements, parcels and newspapers as well as by maintaining Post Offices across Finland. Revenue on sale of goods is recognized when goods are sold. Revenue on stamps (includes transport and delivery service) is recognized when they are sold. Net sales derived from the delivery of letters, publications, and direct marketing are recognized monthly on accrual basis. Services charged on an annual basis, such as post office boxes, net sales are recognized monthly in accordance with use.

The net sales of online shopping and parcel services are recognized per calendar month, based on the date of observation. The date of observation reflects the moment at which the first registration concerning a parcel was entered into the production system.

Itella Logistics

Itella Logistics offers freight and warehousing services. Net sales are based on agreements with customers. Revenue on freight services is recognized when the transportation service has been performed.

Revenue on warehousing services includes two components: processing and the rent for premises. Processing means collection done on behalf of a customer that is recognized on the basis of the number of occurrences. The rent for premises is recognized as income according to the space a customer's goods require (pallet meters per day) on accrual basis.

OpusCapita

The business group's net sales consist primarily of the volume-based invoicing of outbound services, electronic solutions, and financial management services. Sales are recognized on accrual basis during the month of production. Annual licenses related to electronic services are recognized during the period of license validity.

Government grants

Government grants mainly refer to product and business development grants and low-wage support, which are recognized in other operating income.

Other operating income

Other operating income includes capital gains on sale of assets and income other than that based on the sale of goods and services, such as rental income.

Employee benefits

Pensions

The majority of the Group's pension plans are classified as defined contribution plans. Contributions under defined contribution pension plans are recognized through profit or loss for the period during which the contributions are made. After the contributions have been paid, no pension obligations remain for the Group.

For defined benefit plans, the pension liability recognized in the balance sheet equals the present value of the defined benefit obligation, as adjusted for unrecognized past service costs, and reduced by the fair value of plan assets on the balance sheet date.

Expenses under both the defined contribution and defined benefit plans are included in employee benefit expenses in the

statement of comprehensive income. Actuarial gains and losses on defined benefit pension plans are included in other items of comprehensive income.

Other operating expenses

Other operating expenses include lease expenses, voluntary personnel expenses, maintenance expenses related to premises and vehicles, expenses related to fuels and lubricants, as well as other production expenses. In addition, sales commissions paid to non-employees and other sales costs and marketing, entertainment, office and IT expenses are included in other operating expenses.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group applies the following definition: an operating profit is a net amount derived from net sales plus other operating income, less purchase expenses from which change in finished goods inventory and work in progress is subtracted, adjusted for expenses from production for own use, 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.

Borrowing costs

Borrowing costs are expensed as incurred. Direct borrowing costs incurred by the acquisition, construction or manufacture of an asset that meets the conditions of IAS 23 are capitalized as part of the asset's acquisition cost. Loan-related transaction expenses clearly associated with a specific loan are included in the loan's original amortized cost and recognized as interest expenses using the effective interest method.

Income taxes

Income tax expense shown in the consolidated statement of comprehensive income includes Group companies' current income tax calculated on their profit for the financial year using the tax rate effective on the balance sheet date based on local tax regulations, as well as any tax adjustments for previous financial years and changes in deferred tax.

Deferred taxes are calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases. The largest temporary differences arise from depreciation of property, plant and equipment, defined benefit pension plans, unused tax losses and fair value adjustments related to acquisitions.

The tax rate enacted by the balance sheet date or, in practice, confirmed by the closing date of the reporting period, is used to determine deferred tax. A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilized.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree on the date of acquisition.

Instead of amortization, goodwill is annually tested for impairment. For this purpose, goodwill is allocated to cash generating units (CGUs). After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved products and enterprise resource planning systems are capitalized as intangible assets. Asset is capitalized only if it is technically and commercially feasible and the Group has sufficient resources to complete the intangible asset and it is probable that the created asset will generate future economic benefits. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives.

Other intangible assets

A purchased intangible asset is initially recognized at cost. Intangible assets acquired through business combinations, such as intangible assets related to customers, marketing and technology, are carried at fair value on the date of acquisition. Intangible rights mainly comprise software licenses and customer portfolios, trademarks and leases acquired through business combinations. The Group's other intangible assets have definite economic lives, over which period they are amortized. The expected useful lives are as follows:

Software licenses 3-5 years
Customer portfolios 5-10 years
Trademarks 5 years
Leases 4 years

Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses. PPE are depreciated on a straight-line basis over their expected useful lives. Land and water are not subject to depreciation.

The expected useful lives of PPE are as follows:

Production buildings 8-25 years
Office buildings 25-40 years
Structures 15 years
Machinery and equipment 3-13 years
Other tangible assets 3-10 years

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

When an asset's carrying amount is expected to be recovered principally through a sale rather than through continuing use, it is classified as held for sale. An asset is classified as held for sale if its sale is highly probable and it is available and ready for immediate sale. Furthermore, the company's management must be committed to a plan to sell the asset within 12 months of classification as held for sale. Assets classified as held for sale are not subject to depreciation.

Investment property

Investment property refers to land or buildings, or part thereof, held for rental income or capital appreciation. It is measured at cost less accumulated depreciation and impairment losses. Buildings under investment property are depreciated on a straight-line basis over their expected useful lives, 30–40 years. Land included in investment property is not depreciated.

Leases

Leases on property, plant and equipment, in which substantially all risks and rewards of ownership transfer to the lessee, are classified as finance leases. Leases in which risks and rewards remain with the lessor are classified as operating leases.

The Group as lessee

Assets under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease obligations are included in interest-bearing liabilities. Leased assets are depreciated over their useful lives or shorter lease term. Finance lease payments are apportioned between interest expenses and reduction of the lease liability.

Operating lease payments are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

The Group as lessor

Leases, for which the Group acts as a lessor and substantially all risks and rewards of ownership have transferred to the lessee, are accounted for as finance leases and recognized as receivables at the present value of investment. Finance lease income is recognized in such a way that the residual net investment generates the same return over the lease term.

Assets leased under operating leases are included in property, plant and equipment and depreciated over their useful lives in the same way as for similar assets in own use. Lease income is recorded on a straight-line basis through profit or loss over the lease term.

Inventories

After initial recognition, inventories are measured at the lower of cost or net realizable value. The cost is measured applying the average price method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Financial assets and liabilities

Financial assets are initially recognized at fair value. Their subsequent measurement depends on their classification. The Group's financial assets are classified according to IAS 39: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets available-for-sale. Classification of a financial asset is determined by the purpose for which the asset is purchased at the time of its original purchase. Transaction costs are included in the financial asset's original carrying amount, in the case of the financial asset is not carried at fair value through profit or loss. Purchases and sales of financial assets are recognized or derecognized at transaction settlement date.

The Group derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside the Group.

Financial assets recognized through profit or loss include financial assets held-for-trading. Also derivative instruments which

are not classified as hedging instruments qualified for hedge accounting are classified as held-for-trading. Investments in bonds and money-market instruments are measured at fair value on the balance sheet date, based on price quotes on the market on the balance sheet date, or valuation models based on observable market information. Financial assets held-for-trading are included in current assets. Any unrealized and realized gains or losses resulting from fair value changes are recognized through profit or loss during the period in which they occur.

Investments held-to-maturity are financial assets with fixed payments and fixed maturity, which the Group intends to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest-rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading. Loans and receivables are included in current and non-current assets and measured at amortized cost applying the effective interest-rate method. Trade and other receivables are recognized at cost, corresponding to their fair value and recorded under current assets.

Financial assets available-for-sale are non-derivatives designated in this asset category or not classified in any of the other asset categories. They are measured at fair value on the balance sheet date. Changes in fair value of the available-for-sale financial assets are recognized in other items of the comprehensive income, taking the related tax effect into account, and presented in the fair value reserve in equity. Changes in the fair value are recorded through profit or loss if the investment is sold or its value has decreased in such a way that an impairment loss must be recognized. Financial assets available-for-sale assets include equity fund investments measured at fair value on the balance sheet date as notified by the fund manager or at the latest available fair value.

Non-derivative financial liabilities are initially recognized based on the consideration received. Transaction costs are included in the initial carrying amount of financial liabilities. Subsequently, financial liabilities are measured at amortized cost applying the effective interest-rate method. The initial carrying amount of trade and other current liabilities equal their fair value, since the effect of discounting is not substantial considering the maturity of liabilities. Financial liabilities are included in both non-current and current liabilities.

Derivative contracts and hedge accounting

Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, their value is measured at their fair value on the balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The income effect of the value changes of derivative contracts, which constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The Group recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet, or hedges of highly probable future business transactions (cash flow hedge) or as derivative contracts, which do not meet the conditions for applying hedge accounting.

When commencing hedge accounting, the Group documents the relationship between the hedged item and the hedge instruments as well as the objectives of the Group's risk management and the strategy for carrying out hedging measures. When commencing hedging, and at least in connection with each closing of the books, the Group documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the fair value of the hedged item.

Changes in the fair value of derivatives that meet the conditions for and determined as fair-value hedges as well as changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized in the income statement. The Group applies fair-value hedge accounting for hedging against fixed-rate loans. Changes in the fair value of a derivatives contract hedging against a fixed-rate loan and changes in fair value attributable to the interest rate risk of a hedged fixed-rate loan are presented in financial items.

Changes in the fair value of derivatives that meet the conditions for and determined as cash-flow hedges are recognized in other items of comprehensive income. The fair value changes of the hedging instruments are reclassified into profit or loss when the hedged item is recognized through profit or loss. The Group applies cash flow hedging for hedging against foreign exchange risk on commitments in foreign currencies. The gains or losses on hedging instruments are netted against the cost as the hedged item realizes. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accrued fair value gain or loss is carried in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accrued fair value gain or loss is recognized through profit or loss immediately.

The Group has for hedging purposes entered into certain derivative contracts for which hedge accounting is not applied. The Group does not apply hedge accounting as defined in IAS 39 for currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities, or for electricity derivatives which are used for hedging against electricity price risk of future electricity purchases. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is the market quotation on the balance sheet date and the fair value of interest-rate swaps is the present value of future interest cash flows. The fair values of electricity derivatives are based on the quoted market price on the reporting date.

Cash and cash equivalents

Cash and cash equivalents consist of cash, callable bank deposits and other short-term, highly liquid investments that can be easily exchanged for a pre-determined amount of cash and that involve a very small risk of changes in value. The money-market investments classified as the Group's cash and cash equivalents have a maximum maturity of three months.

Provisions and contingent liabilities

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

A contingent liability is a potential liability based on previous events. It depends on the realization of an uncertain future event beyond the Group's control. Contingent liabilities also include obligations that will most likely not require the fulfillment of a payment obligation or the amount of which cannot be reliably determined. Contingent liabilities are disclosed in the Notes to the Consolidated Financial Statements.

Fair Value Measurement

The Group measures financial assets and liabilities held for trading purposes, financial assets available-for-sale, derivatives, as well as assets and liabilities acquired through a business combination at fair value. Also assets held-for-sale are carried at fair value if the fair value is lower than book value.

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

Level 1: Fair values are based on the quoted prices of identical asset 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 observable market data.

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

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

Impairment testing

An impairment test is performed on non-current asset which is depreciated during its economic lifetime if there is any indication that its carrying value exceeds the recoverable amount. However, goodwill is subject to an annual impairment test and factors having an impact on testing are reviewed during the financial period. For this purpose, goodwill is allocated to cash generating units, i.e. to the lowest level for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets. Posti Group's cash generating units are presented in the Notes.

The recoverable amount is the fair value of the asset less costs to be incurred in selling or a higher cash flow-based value in use. Value in use refers to estimated future net cash flows from an asset or a cash generating unit, discounted to their present value. If the asset's carrying amount exceeds its estimated recoverable amount, an impairment loss is recognized through profit or loss. The impairment loss on a cash generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then reduce the carrying amounts of the unit's other assets on a pro rata basis.

Impairment losses of tangible assets previously charged to expenses are reversed only if circumstances have changed and the asset's recoverable amount has changed from the date of impairment loss recognition. An impairment loss is reversed only to the extent that the reversal does not increase the asset's carrying amount above the asset's carrying amount if no impairment loss had been recognized. Impairment losses on goodwill are not reversed.

Critical accounting estimates and judgments in applying accounting policies

Preparing the consolidated financial statements in compliance with IFRS requires that Group management make certain estimates and judgments in applying the accounting policies. These estimates and assumptions are based on the management's best knowledge of current events and actions, but the actuals may differ from the estimates and assumptions stated in the financial statements. The most significant matter, in which the management uses estimates described above, is impairment testing of goodwill.

Goodwill is annually tested for any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units (CGUs) are based on calculations of value in use, whose preparation requires estimates and assumptions regarding aspects such as discount rate, long-term market growth and business profitability. Sensitivity analysis is prepared in order to assess the changing component's impact to the results. During the year, the management also assesses whether there is an indication of an impaired asset.

In connection with business combinations, the acquired entity's assets are measured at fair value. In significant business combinations, the Group has consulted external specialists in evaluating the fair values of the tangible and intangible assets. Allocating the total purchase consideration to intangible assets and goodwill is partly based on an estimate. Determining

assets' depreciation/amortization periods is based on the estimated useful lives of the assets. Any contingent purchase consideration for a business combination is recognized as part of acquisition cost based on management's estimate.

The carrying amounts of property, plant and equipment are based on the cost of acquisition and the related asset depreciation according to the asset's useful life. The assets' useful lives and their adjustment to meet the requirements of changed circumstances are based on estimates and assumptions. The carrying amounts of the tangible and intangible assets will be annually evaluated in the connection of fixed assets physical inventory.

Posti Group's revenue recognition is not considered to involve material discretionary items.

Application of new or amended IFRS-standards

In these financial statements the Group has applied the following new or amended standards and interpretations:

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (revised). The new IFRS 10 replaced the portion of IAS 27 that addressed the accounting for consolidated financial statements. The revised IAS 27 is limited to separate financial statements. IFRS 10 has changed whether an entity is consolidated by revising the definition of control. The new standard requires more comprehensive assessment of control than the previous standard, and disclosures on the assessment and the conclusions which have been made. The new standard has not had an impact on the Group's financial statements.

IFRS 11 Joint arrangements, IAS 28 Investments in Associates and Joint Ventures (revised). The new standard replaced the standard IAS 31 and the SIC-13 interpretation. IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. The new standard has not had an impact on the Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities. The new standard defines the disclosure requirements relating to subsidiaries, joint arrangements, associates and structured entities. In accordance with the new standard, the disclosures on these entities in consolidated financial statements have increased.

IAS 19 Employee Benefits, Defined Benefit Plans: Employee Contributions (amendment). The amendment clarifies the requirements that relate to how contributions from employees are accounted for. The amendment has not had an impact on the Group's financial statements.

IAS 32 Offsetting Financial Assets and Liabilities (amendment). The amendments to IAS 32 clarify the offsetting criteria and related definitions. The amendments have not had a material impact on Group's financial statements.

IAS 36 Recoverable amount Disclosures for Non-Financial Assets (amendment). The amendments have clarified the disclosure requirement in respect of fair value less cost of disposal. In addition, the amendment has increased disclosure requirements about certain assets carried at fair value. The amendments have not had a material impact on Group's financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (amendment). The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument. The amendments have not had a material impact on Group's financial statements.

The Group will apply the following new or amended standards as they become effective:

IFRS 9 Financial Instruments. The new standard will change the classification and measurement of financial assets and

liabilities, hedge accounting and impairment of financial assets. The Group estimates that the new standard will have an impact of classification and measurement of financial instruments and hedge accounting. The new standard will be applicable to financial periods beginning on or after 1 January 2018. The standard has not yet been endorsed to be applied within the EU.

IFRS 15 Revenue from contracts with customers. The new standard defines how and when revenue from contracts with customers is recognized. The standard also entails increased disclosures on revenue from customer contracts. The Group estimates that the new standard may change the revenue recognition principles of certain services. The new standard will be applicable to financial periods beginning on or after 1 January 2017. The standard has not yet been endorsed to be applied within the EU.

IFRS 11 Joint arrangements (amendment). The amendment specifies the treatment of acquisitions of an interest in a joint operation in which the activity constitutes a business. The amendment will be applicable to financial periods beginning on or after 1 January 2016. The amendment has not yet endorsed to be applied within the EU.

IAS 16 Property, Plant and Equipment (amendment) and **IAS 38 Intangible assets** (amendment). The amendments entail clarification of acceptable methods of depreciation and amortization. The amendment will be applicable to financial periods beginning on or after 1 January 2016. The amendment has not yet endorsed to be applied within the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1. OPERATING SEGMENTS

Group reporting segments consist of four operating segments: Itella Mail Communications, Itella Logistics, Itella Russia and OpusCapita. The Group's operating segments are based on the various services and products they offer, which is why they are managed as separate entities. The President and CEO is the chief operating decision maker, responsible for allocating resources to operating segments and the evaluation of the segments' results. The operating segments are also reporting segments.

Other operations and unallocated items consist of centralized Group functions supporting the business, and of investment properties. Unallocated items include tax and financial items, as well as corporate items.

In internal management reporting, the segments' performance assessment is based on the operating result and return on invested capital. Items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating items are items the segment uses in its operations or that may be reasonably allocated to the segments. Capital expenditure consists of additions of tangible and intangible assets.

The valuation and accrual principles used in the internal management reporting are IFRS-compliant. Inter-segment sales are conducted at market prices.

Itella Mail Communications

Itella Mail Communications' main mission is to offer multi-channel postal services related to sending and receiving mail, staying in touch with friends and family, managing contact information and doing business. For businesses, Itella Mail Communications provides and develops new services for marketing. Itella Mail Communications has operations in Finland and Estonia.

Itella Logistics

Itella Logistics supports and develops the business of its customers by providing them with service logistics solutions for road, sea and air freight, warehousing and other contract logistics. Customers may outsource an individual element of their logistics process, or even their entire supply chain, to Itella Logistics. Itella Logistics has operations in eight countries and it provides global services through its partners.

Itella Russia

Itella Russia has provided comprehensive logistics services for biggest Russian and international companies for over 15 years in Russia - and is a market leader in warehousing. Services cover also road, air, sea and rail transport, as well as custom clearance and logistics for eCommerce.

OpusCapita

OpusCapita provides streamlining financial processes through automation solutions and business process outsourcing solutions. The aim is to help clients create even more efficient and high-quality business operations. OpusCapita has over

11,000 customers in Europe, and the solutions are used in over 50 countries. OpusCapita has operations in nine countries.

2014

EUR million	Itella Mail Communi- cations	Itella Logis- tics	Itella Russia	Opus- Capita	Seg- ments total	Other opera- tions and un- allocated	Elimi- nations	Group total
External sales	1,067.9	372.3	171.7	246.8	1,858.6	0.1		1,858.7
Inter-segment sales	65.1	214.0	0.4	12.8	292.3	41.6	-333.8	-
Net sales	1,133.0	586.2	172.0	259.6	2,150.9	41.6	-333.8	1,858.7
Share of associated companies' results	-	-	-	0.0	0.0	-	-	0.0
Operating result	51.2	-36.5	2.4	12.7	29.8	-24.0	-	5.8
Financial income and expense	-	-	-	-	-	-10.4	-	-10.4
Profit/loss for the period before taxes								-4.6
Investments in associated companies	-	-	-	0.0	0.0	-	-	0.0
Assets	457.9	299.9	149.3	171.7	1,078.8	231.7	-33.9	1,276.6
Non-current assets classified as held for sale	-	-	-	-	-	14.7	-	14.7
Liabilities	277.1	77.3	18.4	42.1	414.8	336.5	-33.9	717.5
Capital expenditure	24.4	12.6	2.6	5.8	45.5	12.1	-	57.5
Depreciation and amortization	34.1	17.5	13.8	6.6	72.0	14.0	-	86.0
Impairment losses	-	3.7	-	0.7	4.4	-	-	4.4
Personnel at period-end	14,473	3,035	2,919	2,292	22,719	570	-	23,289

2013

EUR million	Itella Mail Communi- cations	Itella Logis- tics	Itella Russia	Opus- Capita	Seg- ments total	Other opera- tions and un- allocated	Elimi- nations	Group total
External sales	1,096.1	426.0	205.4	249.2	1,976.7	0.1		1,976.8
Inter-segment sales	59.4	215.7	0.2	14.2	289.5	54.3	-343.8	0.0
Net sales	1,155.5	641.8	205.6	263.4	2,266.3	54.4	-343.8	1,976.8
Share of associated companies' results	-	0.0	-	0.0	0.0	-	-	0.0
Operating result	64.0	-50.1	4.3	17.0	35.2	-25.3	-	9.9
Financial income and expense						-12.3		-12.3
Profit/loss for the period before taxes								-2.4
Investments in associated companies	-	0.3	-	0.0	0.4	-	-	0.4
Assets	478.4	333.5	258.8	172.6	1,243.4	209.5	-37.3	1,415.6
Liabilities	264.9	83.8	37.2	42.7	428.6	368.5	-37.3	759.8
Capital expenditure	30.3	11.3	8.2	3.7	53.4	7.7	-	61.1
Depreciation and amortization	36.2	22.4	18.3	7.2	84.1	8.0		92.1
Impairment losses	3.3	21.0	-	-	24.3	-	-	24.3
Personnel at period-end	16,633	3,211	3,341	2,121	25,306	571	-	25,877

Geographical areas

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

2014

EUR million	Finland	Scan- dinavia	Russia	Other count- ries	Total
Net sales	1,358.8	211.5	171.8	116.5	1,858.7
Non-current assets	456.8	19.3	114.9	16.4	607.4

2013

EUR million	Finland	Scan- dinavia	Russia	Other count- ries	Total
Net sales	1,406.5	236.1	205.5	128.8	1,976.8
Non-current assets	476.8	23.8	196.0	17.5	714.3

2. 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 assets	0.1
Receivables	1.8
Cash and cash equivalents	0.0
Effect on assets	3.3

Effect on liabilities

EUR million	
Deferred tax liability	0.4
Non-current liabilities	0.4
Trade payables and other liabilities	1.9
Effect on liabilities	2.6
Net assets acquired	0.7

Components of acquisition cost**EUR million**

Purchase price	3.1
Earn-out consideration (estimated)	1.9
Total cost of acquisition	5.0
Fair value of net assets acquired	0.7
Goodwill	4.2

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
Cash flow	-3.6

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.

Acquired businesses 2013

No business acquisitions were carried out during the year 2013.

Business divestments in 2013

Posti Group Corporation sold the entire share capital of Itella Bank Ltd to the Finnish Savings Bank Group in April 2013. Itella Bank Ltd's 29 employees transferred from Posti Group to Bank of Savings Banks Ltd. Gain on disposal EUR 1.6 million was recognized in other operating income.

Net assets sold

EUR million	30.4.2013
Deposit certificates and other receivables	18.3
Cash and cash equivalents	1.9
Liabilities to the public and public sector entities and other liabilities	-7.7
Net assets	12.5
Consideration for the divestment	14.1
Gain on disposal	1.6

Effect on cash flow**EUR million**

Consideration paid in cash	14.1
Cash and cash equivalents of the divested company	-1.9
Effect on cash flow	12.2

OpusCapita sold its printing business in Poland to PostNord in August 2013. As a result of the transaction, 50 employees were transferred from Posti Group to PostNord. The Group recognized a loss on disposal totaling EUR 0.2 million in other operating expenses.

Posti Group Corporation sold its entire shareholding in Logia Software Oy to the management of the company in September 2013. The gain on disposal totaling EUR 0.3 million was recognized in other operating income.

3. NET SALES

EUR million	2014	2013
Sales of services	1,831.9	1,944.4
Sales of goods	16.4	21.7
Sales of licenses	10.5	10.7
Total	1,858.7	1,976.8

4. OTHER OPERATING INCOME

EUR million	2014	2013
Gains on sale of property, plant and equipment	1.1	4.5
Rental income	6.4	8.3
Rents from investment property	1.8	0.8
Gains on sale of subsidiaries and businesses	1.3	2.0
Other operating income	2.0	2.6
Total	12.6	18.2

Gains on disposal of property, plant and equipment consists of the sale of real estate shares as well as the sale of buildings, land and other items of property, plant and equipment. Rental income consists mainly of rents for the Group's buildings and flats.

5. MATERIALS AND SERVICES

EUR million	2014	2013
Purchases	34.3	37.4
External services	492.4	534.8
Total	526.7	572.2

External services consists mainly of purchased subcontracting services for production such as freight, forward and transport services.

6. NON-RECURRING ITEMS

EUR million	2014	2013
Personnel restructuring	25.8	17.5
Impairment of goodwill	0.0	5.3
Impairment of purchase price allocations	0.0	12.5
Logistics - restructuring and asset impairments	8.6	0.0
OpusCapita - restructuring and asset impairments	4.8	0.5
Gains on disposals of subsidiaries and businesses	-1.3	-2.0
Other	7.0	6.7
Total	45.0	40.5

Extraordinary events outside regular operations are regarded as non-recurring items which are allocated to segments. The Group's non-recurring items 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, and changes in purchase consideration for business combinations after the date of acquisition are defined as non-recurring items. Non-recurring items related to personnel restructuring are included in employee benefits expense.

7. EMPLOYEE BENEFITS

EUR million	2014	2013
Wages and salaries	684.7	713.4
Pensions (defined contribution plans)	103.3	107.4
Pensions (defined benefit plans)	0.6	0.5
Other social expenses	59.3	64.1
Total	847.8	885.4

Employee benefits

More detailed information on defined benefit pension plans can be found in Note 29. Employee benefit expense includes EUR 25.8 (17.5) million of personnel restructuring costs.

Group's employees are involved in the Group's profit sharing scheme. In Finland, the annual profit bonuses are transferred to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group's financial success. The profit share is determined on the basis of Group's result. The proposed profit share to be distributed for 2014 is EUR 1.0 (1.2) million.

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

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

8. RESEARCH AND DEVELOPMENT COSTS

EUR million	2014	2013
R&D costs charged to expenses	7.6	8.4
Amortization on development costs	3.6	2.9
Total	11.2	11.3

9. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR million	2014	2013
Amortization on intangible assets		
Development costs	0.5	0.2
Intangible rights	17.1	21.9
Total	17.7	22.2
Impairment losses on intangible assets		
Impairment losses on goodwill	-	5.3
Impairment losses on intangible rights	2.1	10.7
Total	2.1	16.0
Depreciation on tangible assets		
Buildings and structures	22.4	24.7
Investment properties	0.7	0.3
Machinery and equipment	33.7	35.9
Assets leased under finance lease	10.6	8.2
Other tangible assets	1.0	0.8
Total	68.4	69.9
Impairment losses on tangible assets		
Impairment losses on land and water	-	0.2
Impairment losses on buildings	2.4	8.0
Impairment losses on machinery and equipment	-	0.1
Total	2.4	8.3
Total depreciation, amortization and impairment losses	90.4	116.4

Goodwill is not amortized on regular basis. Instead, goodwill is tested for impairment annually and whenever there are indications for impairment. More information about impairment testing of goodwill is presented in Note 13.

10. OTHER OPERATING EXPENSES

EUR million	2014	2013
Rental expenses	119.3	125.3
Voluntary employee expenses	20.2	20.0
Losses on disposal of property, plant and equipment	1.0	1.3
IT operating costs	85.4	85.7
Facility maintenance expenses	45.4	49.6
Other operating expenses	129.3	129.3
Total	400.5	411.1

Other operating expenses contain costs of administration, traveling, fuel, marketing as well as other production costs.

Auditors' remuneration		
Audit	0.5	0.6
Tax advisory	0.0	0.1
Other services	0.1	0.2
Total	0.6	0.9

11. FINANCIAL INCOME AND EXPENSES

Financial income

EUR million	2014	2013
Dividends	0.1	0.1
Interest income		
Financial assets at fair value through profit or loss	5.7	5.1
Loans and receivables	1.7	1.3
Assets held to maturity	0.0	-
Financial assets available-for-sale	0.0	0.1
Gains on disposal of financial assets at fair value through profit or loss	0.0	0.0
Gains on disposal of available-for-sale assets	0.0	-
Changes in fair value of financial assets at fair value through profit or loss		
Investments	0.5	-
Exchange rate gains		
Interest-bearing receivables and liabilities	2.0	-
Currency derivatives, non-hedge accounting	15.5	16.6
Change in fair value of the hedged loan	1.0	2.1
Total	26.6	25.2

Financial expense

EUR million	2014	2013
Interest expense		
Financial liabilities at amortized cost	12.9	13.1
Financial liabilities at fair value through profit or loss	3.4	4.4
Other financial expenses on financial liabilities at amortized cost	0.8	0.9
Losses on disposal of financial assets at fair value through profit or loss	0.2	-
Losses on disposal of available-for-sale assets	0.2	-
Changes in fair value of financial assets at fair value through profit or loss		
Investments	-	0.5
Interest rate derivatives, hedge accounting	0.9	2.1
Exchange rate losses		
Interest-bearing receivables and liabilities	13.3	8.9
Currency derivatives, non-hedge accounting	5.2	7.8
Total	36.9	37.6

12. INCOME TAX EXPENSE

EUR million	2014	2013
Current tax	1.6	4.5
Tax for previous years	1.0	-0.3
Deferred tax	-2.8	-14.3
Total	-0.2	-10.1
Reconciliation of tax charge at Finnish tax rate (20 %)		
Profit or loss before tax and associates' results	-4.6	-2.4
Income tax at parent company's tax rate	-0.9	-0.6
Effect of foreign subsidiaries' tax rates	-1.8	-0.2
Non-deductible expenses and other differences	0.9	1.7
Tax-exempt income	-2.4	-3.6
Tax from previous years	1.0	-0.3
Effect of changes of tax rates on deferred tax	-2.6	1.5
Unrecognized deferred tax asset on losses for the financial period	5.6	2.4
Changes in deferred tax assets for previous years' losses	0.0	-11.1
Tax charge in the consolidated income statement	-0.2	-10.1
Effective tax rate	3.4%	418.2%

13. INTANGIBLE ASSETS

2014

EUR million	Goodwill	Intangible rights	Develop- ment costs	Advances paid and work in progress	Total
Cost on 1 Jan	238.3	238.1	26.1	9.1	511.6
Translation differences and other adjustments	3.7	-16.8	-	-	-13.1
Acquired businesses	4.2	1.1	-	-	5.3
Additions	-	4.2	-	8.3	12.4
Disposals	-	-12.7	-	-	-12.7
Transfers between items	-	5.1	3.0	-8.1	0.0
Cost on 31 Dec	246.2	218.9	29.1	9.2	503.5
Accumulated amortization and impairment losses 1 Jan	-58.3	-174.7	-25.1	-3.4	-261.5
Translation differences and other adjustments	-4.8	10.6	-	-	5.8
Amortization for the financial period	-	-16.0	-0.5	-	-16.6
Impairments	-	-1.4	-	-	-1.4
Accumulated amortization on disposals and transfers	-	12.7	-	-	12.7
Accumulated amortization and impairment losses 31 Dec	-63.1	-168.9	-25.6	-3.4	-261.0
Carrying amount on 1 Jan	180.0	63.4	1.0	5.8	250.1
Carrying amount on 31 Dec	183.1	50.0	3.5	5.9	242.4

2013

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total
Cost on 1 Jan	242.7	239.9	25.8	8.6	517.0
Translation differences and other adjustments	-4.7	-6.7	0.1	0.3	-11.0
Acquired businesses	0.0	-	-	-	0.0
Sale of businesses	-0.4	-0.4	-	-	-0.8
Additions	0.7	0.9	-	4.6	6.1
Disposals	-	-	-	-	-
Transfers between items	-	4.4	0.3	-4.4	0.3
Cost on 31 Dec	238.3	238.1	26.1	9.1	511.6
Accumulated amortization and impairment losses 1					
Jan	-55.8	-149.2	-24.9	-	-229.8
Translation differences and other adjustments	2.8	2.9	-	-	5.7
Sale of businesses	-	0.3	-	-	0.3
Amortization for the financial period	-	-21.9	-0.2	-	-22.1
Impairments	-5.3	-10.5	-	-3.4	-19.1
Accumulated amortization on disposals and transfers	-	3.6	-	-	3.6
Accumulated amortization and impairment losses 31 Dec	-58.3	-174.7	-25.1	-3.4	-261.5
Carrying amount on 1 Jan	186.9	90.8	0.9	8.6	287.1
Carrying amount on 31 Dec	180.0	63.4	1.0	5.8	250.1

Intangible rights include customer relationships acquired in business combinations as well as brands, licenses, and applications.

Goodwill allocation

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

EUR million	2014	2013
Itella Mail Communications	8.4	8.4
OpusCapita	104.1	100.9
Itella Logistics: Road and Air & Sea, Finland	57.7	57.8
Itella Logistics: Contract Logistics, Finland	12.9	12.9
Total	183.1	180.0

The result of the goodwill impairment testing in 2014

In the third quarter of 2014, the Group performed an impairment test on each cash-generating unit containing goodwill. Posti Group does not have other intangible assets with unlimited useful life. The impairment test did not result in recognition of impairment.

Impairment testing and sensitivity analysis

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

The terminal value beyond three years of cash-generating units is based on a moderate growth rate expectation of +0% – +2.0% (0% – +2.0%). The specific features of each cash-generating unit have been taken into account in the expectations.

Weighted average cost of capital (WACC) before taxes determined for each CGU has been used as discount rate. The calculation components are risk-free interest rate, market risk premium, beta for business area, target capital structure, the cost of debt and the country-specific risks. The basis for the risk-free discount rate was derived from the State bond rate. The discount rates decreased in comparison with previous year which is mainly attributable to decrease in risk-free interest rates.

The table below shows the key outcomes and the parameters used in testing. The corresponding figures for the previous period are given in parentheses.

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Itella Mail Communications	377 (541)	3.9 (5.6)	0.0 (0.0)	6.8 (8.5)	4.0 (5.9)
OpusCapita	359 (209)	9.8 (8.7)	2.0 (2.0)	7.6 (8.8)	10.5 (8.0)
Itella Logistics: Road and Air & Sea, Finland	155 (185)	2.8 (3.7)	2.0 (2.0)	7.0 (8.9)	3.4 (4.8)
Itella Logistics: Contract Logistics, Finland	29 (40)	7.7 (13.4)	2.0 (2.0)	7.0 (8.9)	7.8 (16.3)

Preparation of a sensitivity analysis was not considered necessary with regard to Itella Mail Communications, OpusCapita, and the Road and Air & Sea cash generating units of Itella Logistics, since the recoverable amounts clearly exceeded the balance sheet value of the tested assets.

A sensitivity analysis was performed on the Contract Logistics, Finland cash generating unit by determining which key parameter values would produce a carrying amount that would equal the recoverable amount (value-in-use). The parameters used in the analyses were EBIT margin average, terminal year growth, discount rate and terminal year EBIT

margin. The analysis was carried out by changing the values of a single parameter while leaving the others constant. The table below indicates the limits within which the carrying amount and value-in-use are equal.

	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Itella Logistics: Contract Logistics, Finland	6.1	0.3	8.4	5.9

14. INVESTMENT PROPERTY

EUR million	2014	2013
Cost 1 Jan	17.3	7.7
Disposals	-1.2	-
Transfers between items	0.0	9.6
Cost on 31 Dec	16.1	17.3
Accumulated depreciation and impairment losses 1 Jan	-4.9	-4.6
Depreciation for the financial period	-0.7	-0.3
Accumulated depreciation on disposals	0.5	-
Impairments	-	-
Accumulated depreciation and impairment losses 31 Dec	-5.1	-4.9
Carrying amount on 1 Jan	12.4	3.1
Carrying amount on 31 Dec	11.0	12.4

On December 31, 2014, the fair value of investment property totaled EUR 17.9 (18.7) million. Fair values are based on an external real estate agent's appraisal. In 2014 rental income from investment property totaled EUR 1.8 (0.8) million and maintenance charges amounted to EUR 0.4 (0.2) million.

15. PROPERTY, PLANT AND EQUIPMENT

2014

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on 1 Jan	83.0	617.7	455.2	11.9	10.1	1,177.9
Translation differences and other adjustments	-12.1	-66.9	-26.7	-0.1	-1.4	-107.3
Acquired businesses	-	-	0.2	-	-	0.2
Additions	-	8.8	10.1	0.7	27.2	46.9
Disposals	-4.2	-12.5	-44.1	-0.0	-	-60.8
Transfers between items	-	-	25.4	-	-25.4	0.0
Cost on 31 Dec	66.8	547.1	419.9	12.5	10.5	1,056.9
Accumulated depreciation and impairment losses						
1 Jan	-0.2	-256.6	-287.2	-8.5	-	-552.4
Translation differences and other adjustments	-	17.0	21.5	0.1	-	38.5
Depreciation for the financial period	-	-20.8	-42.9	-1.0	-	-64.7
Impairment	-	-2.3	-	-	-	-2.3
Accumulated depreciation on disposals and transfers	-	-1.9	42.3	-	-	40.4
Accumulated depreciation and impairment losses 31 Dec	-0.2	-264.5	-266.4	-9.4	-	-540.5
Carrying amount on 1 Jan	82.8	361.1	168.0	3.4	10.1	625.5
Carrying amount on 31 Dec	66.6	282.6	153.6	3.2	10.5	516.4

2013

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on 1 Jan	88.5	605.3	432.6	10.9	50.0	1,187.3
Translation differences and other adjustments	-4.0	-24.3	-8.3	-0.1	-0.4	-37.2
Acquired businesses	-	-	-	-	-	0.0
Sold businesses	-	-	-	-	-	0.0
Additions	0.3	0.9	24.9	0.7	28.0	54.9
Disposals	-0.4	-10.0	-18.3	-0.1	-	-28.7
Transfers between items	-1.4	45.9	24.3	0.5	-67.5	1.6
Cost on 31 Dec	83.0	617.7	455.2	11.9	10.1	1,177.9
Accumulated amortization and impairment losses						
1 Jan	-	-236.9	-267.3	-7.7	-	-511.9
Translation differences and other adjustments	-	5.0	7.6	0.0	-	12.6
Sold businesses	-	-	-	-	-	0.0
Amortization for the financial period	-	-24.7	-44.1	-0.8	-	-69.6
Impairment	-0.2	-7.9	-0.1	-	-	-8.2
Accumulated amortization on disposals and transfers	-	7.9	16.8	-	-	24.7
Accumulated amortization and impairment losses 31 Dec	-0.2	-256.6	-287.2	-8.5	-	-552.4
Carrying amount on 1 Jan	88.5	368.4	165.3	3.2	50.0	675.4
Carrying amount on 31 Dec	82.8	361.1	168.0	3.4	10.1	625.5

Property, plant and equipment include the following assets leased under finance lease:

2014

EUR million	Machinery and equipment
Cost on 31 Dec	74.4
Accumulated depreciation 31 Dec	-31.6
Carrying amount on 31 Dec	42.7

2013

EUR million	Machinery and equipment
Cost on 31 Dec	68.7
Accumulated depreciation 31 Dec	-29.1

Carrying amount on 31 Dec

39.6

In 2014, additions to assets leased under finance leases totaled EUR 14.4 (20.2) million.

16. ASSOCIATED COMPANIES

EUR million	2014	2013
Carrying amount on 1 Jan	0.4	0.4
Translation differences	0.0	0.0
Disposals	-0.3	0.0
Share of associated companies' results	0.0	0.0
Investments in associated companies on 31 Dec	0.0	0.4

The associated companies' carrying value does not include goodwill.

2014

EUR million	Assets	Liabilities	Net sales	Profit	Group's Holding %
BPO4U AB	0.7	0.6	3.6	-0.0	50.0
Total	0.7	0.6	3.6	-0.0	

2013

EUR million	Assets	Liabilities	Net sales	Profit	Group's Holding %
BPO4U AB	1.3	1.2	5.3	0.1	50.0
Porlogis-Transitos e Logistika Lda	1.5	0.6	3.3	0.0	35.0
Total	2.8	1.8	8.5	0.0	

17. FINANCIAL ASSETS AND LIABILITIES

2014

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and recei- vables	Assets held to maturity	Financial assets available- for-sale	Financial liabi- lities at amortized cost	Carry- ing value	Fair value
Non-current financial assets							
Non-current receivables	3.9	4.1	-	-	-	8.0	8.0
Current financial assets							
Trade and other receivables	-	198.4	-	-	-	198.4	198.4
Financial assets available-for-sale	-	-	-	0.3	-	0.3	0.3
Financial assets at fair value through profit or loss	88.0	-	-	-	-	88.0	88.0
Financial assets held to maturity	-	-	12.0	-	-	12.0	12.0
Cash and cash equivalents	60.2	38.6	-	-	-	98.7	98.7
Total	152.0	241.1	12.0	0.3	-	405.4	405.4
Non-current financial liabilities							
Interest-bearing liabilities	-	-	-	-	283.5	283.5	295.9
Current financial liabilities							
Interest-bearing liabilities	-	-	-	-	12.0	12.0	12.0
Trade payables and other liabilities	0.9	-	-	-	51.2	52.0	52.0
Total	0.9	-	-	-	346.7	347.5	359.9

2013

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and recei- vables	Assets held to maturity	Financial assets available- for-sale	Financial liabi- lities at amortized cost	Carry- ing value	Fair value
Non-current financial assets							
Non-current receivables	4.8	4.6	-	0.0	-	9.4	9.4
Current financial assets							
Trade and other receivables	0.0	234.1	-	0.0	-	234.1	234.1
Financial assets available-for-sale	0.0	0.0	-	0.7	-	0.7	0.7
Financial assets at fair value through profit or loss	85.8	0.0	-	0.0	-	85.8	85.8
Cash and cash equivalents	46.7	34.3	-	0.0	-	81.0	81.0
Total	137.3	273.0	-	0.7	-	411.1	411.1
Non-current financial liabilities							
Interest-bearing liabilities	-	-	-	-	283.4	283.4	296.0
Current financial liabilities							
Interest-bearing liabilities	-	-	-	-	21.5	21.5	21.5
Trade payables and other liabilities	1.6	-	-	-	60.2	61.8	61.8
Total	1.6	-	-	-	365.2	366.8	379.3

18. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

2014

Financial assets at fair value EUR million	Fair values at the end of the period			
	Total	Level 1	Level 2	Level 3
Non-current receivables				
Derivatives				
Interest rate swaps, hedge accounting	3.9		3.9	
Financial assets at fair value through profit or loss				
Money market investments	104.3		104.3	
Bonds	41.7	32.0	9.7	
Derivatives				
Currency forwards, non-hedge accounting	2.2		2.2	
Electricity forwards, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Equity fund investments	0.3			0.3
Total	152.3	32.0	120.1	0.3

Financial liabilities at fair value EUR million	Fair values at the end of the period			
	Total	Level 1	Level 2	Level 3
Trade and other payables				
Derivatives				
Currency forwards, non-hedge accounting	0.2		0.2	
Electricity forwards, non-hedge accounting	0.6	0.6		
Total	0.9	0.6	0.2	-

No transfers between fair value hierarchy levels 1 and 2 were made during 2014 or 2013. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

2013

Financial assets at fair value EUR million	Fair values at the end of the period			
	Total	Level 1	Level 2	Level 3
Non-current receivables				
Derivatives				
Interest rate swaps, hedge accounting	4.8		4.8	
Trade and other receivables				
Derivatives				
Currency forwards, hedge accounting	0.0		0.0	
Financial assets at fair value through profit or loss				
Money market investments	69.3		69.3	
Bonds	50.5	39.6	10.8	
Derivatives				
Currency forwards, non-hedge accounting	0.3		0.3	
Electricity forwards, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Debt certificates				
Equity fund investments				0.7
Total	124.9	39.7	85.2	0.7

Financial liabilities at fair value EUR million	Fair values at the end of the period			
	Total	Level 1	Level 2	Level 3
Trade and other payables				
Derivatives				
Currency forwards, non-hedge accounting	0.5		0.5	
Currency forwards, hedge accounting	0.0		0.0	
Electricity forwards, non-hedge accounting	1.1	1.1		
Total	1.6	1.1	0.5	0.0

Hierarchy levels

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

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

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

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 valuing forward contracts at the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market prices on the reporting date.

Reconciliation of Level 3 financial assets

2014

EUR million	Investments in equity funds
Carrying amount 1 Jan	0.7
Profits and losses:	
In income statement	-0.2
In other comprehensive income	0.3
Exercises	-0.5
Carrying amount 31 Jan	0.3
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

2013

EUR million	Investments in equity funds
Carrying amount 1 Jan	0.8
Profits and losses:	
In income statement	0.0
In other comprehensive income	0.2
Exercises	-0.2
Carrying amount 31 Jan	0.7
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.1

19. OTHER NON-CURRENT INVESTMENTS

EUR million	2014	2013
Cost on 1 Jan	7.3	7.3
Additions	0.0	0.1
Disposals	-0.2	0.0
Cost on 31 Dec	7.1	7.3
Accumulated depreciation and impairment losses 1 Jan	-1.3	-1.3
Accumulated depreciation and impairment losses 31 Dec	-1.3	-1.3
Carrying amount on 1 Jan	6.0	6.0
Carrying amount on 31 Dec	5.9	6.0

Other non-current investments consist mainly of holdings in companies not related to main businesses of the Group.

20. NON-CURRENT RECEIVABLES

EUR million	2014	2013
Derivatives, hedge accounting	3.9	4.8
Loan receivables	3.9	4.3
Finance lease receivables	0.2	0.2
Other receivables	2.5	3.1
Total	10.5	12.5

Loan receivables include a subordinated loan of EUR 3.1 million. The interest on the loan is dependent on the financial results of the debtor and payment terms are subordinate to other creditors.

Other receivables consist mainly of regular sales accruals and prepayments.

Finance lease receivables: minimum lease income

EUR million	2014	2013
Less than 1 year	0.1	0.1
1-5 years	0.2	0.3
More than 5 years	-	-
Minimum lease income	0.3	0.4
Future interest income	-0.0	-0.0
Total	0.2	0.3

Maturity of finance lease receivables

EUR million	2014	2013
Less than 1 year	0.1	0.1
1-5 years	0.2	0.2
More than 5 years	-	-
Total	0.2	0.3

The Group has leased out a property on a finance lease contract. The interest rate is 6 per cent.

21. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2014

EUR million	1.1.	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Rec- orded tough profit or loss	Recorded through other comp- rehensive income	Other changes	31.12.
Pension obligations	2.3	0.0	0.0	-0.1	1.1		3.2
Unused tax losses	0.9	0.0		-0.4			0.4
Impairment on real estate shares	2.6						2.6
Restructuring provision	2.9	-0.2		-0.1			2.6
Other temporary differences	11.9	-3.6		-1.5		0.3	7.2
Total	20.5	-3.8	0.0	-2.2	1.1	0.3	16.0

Deferred tax liabilities 2014

EUR million	1.1.	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Rec- orded tough profit or loss	Other changes	31.12.
Fair value measurement of intangible and tangible assets in acquisition	24.3	-7.4	0.4	-1.8		15.4
Accumulated depreciation in excess of plan	14.2			-3.3		10.9
Other temporary differences	5.2	-0.6	0.0	0.2	0.4	5.2
Total	43.7	-8.0	0.4	-5.0	0.4	31.6

Deferred tax assets 2013

EUR million	1.1.	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Record- ed through profit or loss	Recorded through other com- p- rehensive income	31.12.
Pension obligations	2.1			-0.8	1.0	2.3
Unused tax losses	1.3	0.0		-0.4		0.9
Impairment on real estate shares	2.6					2.6
Restructuring provision	5.1	0.0		-2.1		3.0
Other temporary differences	2.7	-1.0		10.1		11.8
Total	13.8	-1.1	0.0	6.8	1.0	20.5

Deferred tax liabilities 2013

EUR million	1.1.	Trans- lation differ- ence	Acquired/ Divested subsidi- aries	Record- ed through profit or loss	Other deduc- tions	31.12.
Fair value measurement of intangible and tangible assets in acquisition	33.9	-2.6	0.0	-7.0		24.3
Accumulated depreciation in excess of plan	13.7			0.6		14.2
Other temporary differences	6.5	-0.2	-0.1	-1.0		5.2
Total	54.1	-2.8	-0.1	-7.5	0.0	43.7

On 31 December 2014, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 93.7 (111.9) million, mainly arising from businesses in Scandinavia. Previously unrecognized deferred tax assets on unused tax losses recognized in 2014 amounted to EUR 0.0 (11.2) million.

22. INVENTORIES

EUR million	2014	2013
Materials and supplies	0.7	1.2
Goods	3.8	5.3
Advance payments for inventories	0.6	1.3
Total	5.1	7.8

23. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

EUR million	2014	2013
Finance lease receivables	0.1	0.1
Loan receivables	0.1	0.1
Trade receivables	195.3	220.8
Trade receivables from associated companies	0.6	0.8
Accrued income and prepayments	70.0	76.7
Other receivables	2.4	12.5
Total	268.5	311.0

More information on trade receivables is provided in note 35 Financial risk management. Other receivables mainly include credit card receivables from banks and financing companies.

The largest item under accrued income and prepayments includes EUR 28.4 (27.9) million accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

24. FINANCIAL ASSETS AVAILABLE-FOR-SALE AND FINANCIAL ASSETS HELD TO MATURITY

Financial assets available-for-sale

EUR million	2014	2013
Equity fund investments	0.3	0.7

Financial assets held to maturity

EUR million	2014	2013
Debt certificates	12.0	-

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR million	2014	2013
Derivatives, non-hedge accounting	2.2	0.3
Money market investments	44.1	35.0
Bonds	41.7	50.5
Total	88.0	85.8

26. CASH AND CASH EQUIVALENTS

EUR million	2014	2013
Money market investments	60.2	34.3
Cash and bank	38.6	46.7
Total	98.7	81.0

27. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

Non-current assets classified as held for sale

EUR million	2014	2013
Buildings and land	14.7	-
Total	14.7	-

Assets classified as held for sale includes real estates which are being used in warehouse business in Scandinavia, but are intended to be sold during 2015. There are no associated liabilities to these assets.

28. EQUITY

Shares and shareholders

EUR million	2014	2013
Share capital	70.0	70.0

The Finnish State holds all Posti Group Corporation's shares totaling 40,000,000. Other reserves include assets transferred from the share premium under restricted equity to the contingency reserve based on the AGM's decision in 1998, when Finland PT Group demerged. In accordance with the Articles of Association the contingency reserve is a distributable reserve. The change of fair value of available-for-sale financial assets and valuation of derivatives hedging foreign currency risk of rental expenses are recognized in the fair value reserve. Translation differences include the differences resulting from the translation of foreign units' financial statements and net investments in foreign currencies. Consolidated Statement of Changes in Equity contains additional information on equity changes.

29. PENSION LIABILITIES

Main characteristics of the defined benefit pension plans

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

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

Defined benefit pension liabilities in the balance sheet

EUR million	2014	2013
Present value of funded obligations	89.7	78.0
Fair value of plan assets	-73.5	-66.8
Deficit/Surplus	16.3	11.3

Defined benefit pension expenses in the income statement and statement of comprehensive income

Income statement

EUR million	2014	2013
Current service costs	0.3	0.2
Interest costs	0.3	0.2
Total	0.6	0.5

Statement of comprehensive income

EUR million	2014	2013
Actuarial gains (-) and losses (+)	5.4	5.0

Changes in the present value of the pension obligation

EUR million	2014	2013
Obligation at the beginning of the period	78.0	74.7
Current service costs	0.3	0.2
Interest costs	0.5	0.4
Curtailments	0.0	-0.2
Paid benefits	-5.8	-1.8
Acquired in business combinations	0.3	0.0
Actuarial gains (-) and losses (+) on changes in actuarial assumptions	13.3	2.3
Experience-based adjustments	3.2	2.3
Obligation at the end of the period	89.8	78.0

Changes in the fair value of the plan assets

EUR million	2014	2013
Fair value of the plan assets at the beginning of the period	66.8	66.5
Return on plan assets	0.1	0.2
Paid benefits	-5.8	-1.8
Employer contributions	1.3	2.5
Curtailement	0.0	-0.2
Actuarial gains (+) and losses (-)	11.0	-0.4
Fair value of the plan assets at the end of the period	73.5	66.8

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.4 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 12.1 years.

Key actuarial assumptions and sensitivity analysis

	2014	2013
Discount rate	1.75	3.25
Future salary increase assumption	0-2	0-2
Future pension increase expectation	2.1	2.1

	Change in assumption	Change in defined benefit liability			
		Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-436,662	-2.74%	456,562	2.86%
Salary increase rate	0.25%	30,135	0.19%	-29,813	-0.19%
Pension increase rate	0.25%	2,524,305	15.84%	-2,454,780	-15.40%
			Increase by one year		Decrease by one year
Life expectancy at birth		722,554	4.53%	-690,614	-4.33%

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

30. PROVISIONS

2014

EUR million	Restructuring provision	Provision for damage	Other	Total
Carrying amount on 1 Jan	12.6	14.4	0.7	27.8
Translation difference		-5.4		-5.4
Increase in provisions	6.4		2.7	9.0
Used provisions	-2.7	-7.5	-0.1	-10.3
Unused amounts reversed	-2.6			-2.6
Carrying amount on 31 Dec	13.7	1.6	3.3	18.6

2013

EUR million	Restructuring provision	Provision for damage	Other	Total
Carrying amount on 1 Jan	18.6	28.7	1.7	48.9
Translation difference	-	-3.2	-	-3.2
Increase in provisions	3.2	-	0.2	3.4
Used provisions	-6.2	-11.1	-1.1	-18.4
Unused amounts reversed	-2.9	-	-	-2.9
Carrying amount on 31 Dec	12.6	14.4	0.7	27.8

EUR million	2014	2013
Long-term provisions	12.6	12.8
Short-term provisions	6.0	15.0
Total	18.6	27.8

Restructuring provisions are primarily related to the statutory labor negotiations conducted during 2009–2011 and 2013–2014. A significant portion of the long-term personnel expense provisions in the Group's Finnish companies is the employer's liability component within the unemployment insurance contribution towards the Unemployment Insurance Fund. Approximately 50% is expected to be realized during 2015, and another 50% in 2016–2017.

31. INTEREST-BEARING LOANS

EUR million	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Non-current				
Bonds	251.3	263.6	252.0	296.0
Finance lease liabilities	32.1	32.1	31.4	31.4
Other	0.1	0.1	0.1	0.1
Total	283.5	295.9	283.6	327.5
Current				
Loans from financial institutions	0.0	0.0	-	-
Pension loans	-	-	12.5	12.5
Finance lease liabilities	11.8	11.8	9.0	9.0
Other	0.2	0.2	0.0	0.0
Total	12.0	12.0	21.5	21.6

Finance lease liabilities: minimum lease payments

EUR million	2014	2013
Less than 1 year	13.1	10.6
1–5 years	33.3	31.1
More than 5 years	0.7	1.8
Minimum lease payments total	47.1	43.6
Future interest expenses	-3.2	-3.1
Total	43.9	40.5

Present value of minimum lease payments:

EUR million	2014	2013
Less than 1 year	11.8	9.5
1–5 years	32.1	30.9
More than 5 years	0.0	0.0
Total	43.9	40.5

Finance leases consist mainly of leased transport-, production- and IT-equipment. Duration of leasing contracts is typically 3–10 years.

32. TRADE PAYABLES AND OTHER NON-INTEREST-BEARING LIABILITIES

Other non-current liabilities

EUR million	2014	2013
Other liabilities	6.5	7.2
Other accrued expenses	4.9	4.3
Total	11.4	11.5

Trade payables and other current liabilities

EUR million	2014	2013
Financial liabilities measured at fair value:		
Derivative contracts, non-hedge accounting	0.9	1.6
Derivative contracts, hedge accounting	-	0.0
Financial liabilities at amortized cost:		
Trade payables	51.0	63.2
Advances received	40.1	33.7
Accrued personnel expenses	148.0	149.0
Other accrued expenses and deferred income	47.7	46.8
Other liabilities	56.3	63.5
Current non-interest-bearing liabilities	343.9	357.8

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 10.0 (15.0) million. The remaining items comprise ordinary accruals of expenses.

33. OPERATING LEASES

Maturity of minimum lease payments:

EUR million	2014	2013
Less than 1 year	78.5	82.7
1-5 years	145.5	151.2
More than 5 years	39.9	54.2
Total	263.8	288.1

The income statement includes EUR 119.3 (125.3) million expenses for operating lease agreements. The Group has leased e.g. premises, office equipment and vehicles. The lease period for office equipment and vehicles varies between 2 and 5 years and that for premises until 10 years.

Maturity of minimum lease payment receivables:

EUR million	2014	2013
Less than 1 year	1.4	2.2
1-5 years	0.3	0.3
More than 5 years	2.0	1.6
Total	3.7	4.2

The Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months. The lease of As Oy Kirjekyllä's site will expire in 2050.

34. PLEDGES, COMMITMENTS AND OTHER LIABILITIES

EUR million	2014	2013
Pledges given on own behalf:		
Bank guarantee	7.5	8.3
Guarantee	4.0	4.9
Pledges	0.8	0.1
Total	12.2	13.2

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.

In accordance with the environmental permit, the Group is subject to environmental liability regarding the cleanup of land in the Pohjois-Pasila office lot. The liability amounts to approximately EUR 19.9 million and it will be realized in course of construction of these building lots. The Group estimates that the construction will take place within 8-15 years, depending on the market development of office premises.

35. FINANCIAL RISK MANAGEMENT

Principles of risk management

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

Risk management organization

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

Market risks

Currency risks

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks related to the balance sheet. Unhedged exposure is permitted within the limits specified in the Group's financing policy. Loans granted by the parent company to subsidiaries are primarily in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. On the balance sheet date, Posti Group had external currency derivatives with a nominal value of EUR 47.9 million used to hedge against the currency risk associated with loans, receivables and commitments. The Group is exposed to translation risk in connection with investments in subsidiaries outside the euro zone. The objective of translation risk management is to ensure exchange rate fluctuations do not cause any material changes in the Group's gearing. On the balance sheet date, the Group did not hedge against translation risk.

Due to high volatility and weakening of the ruble, the Group has taken the development of the Russian ruble and ruble markets under particular observation. As defined in the Group's treasury policy, equity investments in Russian subsidiaries are not hedged. The ruble-denominated receivables of the parent company have been fully hedged and operative currency positions subject to transaction risk have been partially hedged as per the Group's treasury policy. However, the hedging costs have increased due to the high interest rates and low liquidity of the ruble markets, so that the Group has quit hedging of operative transaction risks and also considers, either fully or partially, giving up hedging of the ruble-denominated receivables of the parent company.

Major transaction risk positions of financial instruments on the balance sheet date

2014 EUR million	EUR-companies					RUB-companies
	RUB	DKK	SEK	NOK	PLN	USD
Trade receivables and payables	-0.2	-0.2	0.2	-0.2	0.0	0.5
Loans and bank accounts*)	11.8	13.3	3.1	0.3	1.6	0.0
Derivatives	-11.8	-13.2	-3.0	-0.3	-1.5	
Open position	-0.2	-0.1	0.2	-0.2	0.1	0.5

2013 EUR million	EUR-companies					RUB-companies
	RUB	DKK	SEK	NOK	PLN	USD
Trade receivables and payables	0.0	0.0	-0.1	-0.4	-0.7	-1.0
Loans and bank accounts*)	32.1	4.1	14.0	5.4	2.4	0.1
Derivatives**)	-32.1	-4.0	-14.1	-5.4	-2.3	9.6
Open position	0.0	0.0	-0.2	-0.4	-0.6	8.7

*) Includes cash and cash equivalents, interest-bearing receivables and liabilities

***) Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on balance sheet items denominated in other than functional currencies of the group companies on the balance sheet date. The analysis includes solely the currency risks related to the financial instruments. Based on the analysis, strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR -0.7 (0.2) million on the Group's profit before tax. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR 0.1 (0.9) million on the Group's profit before tax.

Major translation risk positions on the balance sheet date

2014 EUR million	RUB	SEK	NOK	PLN
Net investment	120.4	23.8	16.2	6.8
Hedging	-	-	-	-
Open position	120.4	23.8	16.2	6.8

2013 EUR million	RUB	SEK	NOK	PLN
Net investment	193.7	28.8	16.1	6.5
Hedging	-	-	-	-
Open position	193.7	28.8	16.1	6.5

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. The average interest-rate fixing period for the debt portfolio is determined in the financing policy. The objective of interest rate risk management related to liquid funds is to minimize the effect of interest rate movements on the fair value of the funds. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged through interest rate swaps, interest rate options and forward rate agreements.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 295.5 million and interest-bearing receivables to EUR 196.5 million. On the balance sheet date, all of the Group's interest-bearing loans were subject to fixed interest rates. The loans were partly hedged by an interest-rate swap. The interest rate risk of the fixed rate bond issued by Posti Group Corporation for nominal value EUR 70 million is hedged by an interest rate swap. The Group applies fair value hedge accounting to the interest-rate swap hedging the loan. The hedge effectiveness is monitored monthly. During financial year 2014 the hedging has been effective.

Interest-bearing receivables and debt according to interest rate fixing

2014

EUR million	Less than		More than	Total
	1 year	1–5 years	5 years	
Interest-bearing receivables	-162.7	-33.8	-	-196.5
Bond	-	251.3	-	251.3
Finance lease liabilities	11.8	32.1	-	43.9
Other liabilities	0.2	0.1	-	0.3
Net debt	-150.8	249.7	-	98.9
Impact of interest-rate swaps	70.0	-70.0	-	0.0
Total	-80.8	179.7	-	98.9

2013

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	-125.5	-38.7	-2.3	-166.5
Bond	-	252.0	-	252.0
Pension loans	12.5	-	-	12.5
Finance lease liabilities	9.0	29.6	1.8	40.5
Other liabilities	-	0.1	-	0.1
Net debt	-103.9	243.0	-0.5	138.6
Impact of interest-rate swaps	70.0	-70.0	-	0.0
Total	-33.9	173.0	-0.5	138.6

A change of 1 percentage point in the interest rate at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR -0.3 (1.1) million.

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs electricity derivatives to reduce the price risk related to electricity procurement. The Group uses standardized listed derivative products as hedging instruments. The derivatives are used for hedging purposes only, but hedge accounting as defined in the IFRS is not applied.

The Group has prepared a sensitivity analysis on open electricity derivatives at reporting date. A fluctuation of 10 percentage points in electricity price would have an impact of EUR 0.3 million (2013: EUR 0.5 million) on the Group's profit before taxes.

Derivative contracts**2014**

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	47.9	1.9	2.2	-0.2
Interest rate derivatives:				
Interest rate swaps, hedge accounting	70.0	3.9	3.9	-
Electricity derivatives:				
Electricity forwards, non-hedge accounting	4.1	-0.6	0.0	-0.6

2013

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	95.6	-0.2	0.3	-0.5
Currency forward contracts, hedge accounting	9.8	0.0	0.0	0.0
Interest rate derivatives:				
Interest rate swaps, hedge accounting	70.0	4.8	4.8	-
Electricity derivatives:				
Electricity forwards, non-hedge accounting	6.5	-1.0	0.0	-1.1

Derivative instruments are used to hedge against currency, interest rate and electricity price risk. Currency forward contracts are measured at fair value using the forward rates at the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts. The fair value of electricity derivatives is based on market prices on the reporting date.

Offsetting of financial instruments

Derivative assets	2014	2013
Derivative assets, reported as gross amount	6.0	5.2
Related derivative liabilities subject to master netting agreements	0.2	0.3
Net amount	5.8	4.8

Derivative liabilities	2014	
Derivative liabilities, reported as gross amount	0.9	1.6
Related derivative liabilities subject to master netting agreements	0.2	0.3
Net amount	0.6	1.3

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

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks

generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150 million, maturing in 2019, and a non-binding commercial paper program of EUR 200 million.

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 334.5 (286.5) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200 (200) million.

Contractual cash flows from financial liabilities, including interests

2014

EUR million	2015	2016	2017	2018	2019-	Total
Bonds	11.2	161.2	104.6	-	-	277.0
Finance lease liabilities	13.1	33.3	0.0	0.0	0.7	47.1
Other liabilities	0.0	0.1	-	-	-	0.2
Trade payables	51.0	-	-	-	-	51.0
Derivatives:						
Interest rate derivatives, cash flows payable	1.0	1.0	-	-	-	2.0
Interest rate derivatives, cash flows receivable	-3.1	-3.1	-	-	-	-6.1
Currency derivatives, cash flows payable	0.1	-	-	-	-	0.1
Currency derivatives, cash flows receivable	-2.5	-	-	-	-	-2.5
Electricity derivatives, cash flows payable	2.4	1.2	0.5	-	-	4.1
Total	73.2	193.7	105.1	0.0	0.7	372.8

2013

EUR million	2014	2015	2016	2017	2018-	Total
Bonds	11.2	11.2	161.2	104.6	-	288.2
Pension loans	12.7	-	-	-	-	12.7
Finance lease liabilities	10.6	31.0	0.1	0.0	1.8	43.6
Other liabilities	-	0.1	-	-	-	0.1
Trade payables	60.2	-	-	-	-	60.2
Derivatives:						
Interest rate derivatives, cash flows payable	1.1	1.1	1.1	-	-	3.3
Interest rate derivatives, cash flows receivable	-3.1	-3.1	-3.1	-	-	-9.2
Currency derivatives, cash flows payable	0.7	-	-	-	-	0.7
Currency derivatives, cash flows receivable	-0.1	-	-	-	-	-0.1
Electricity derivatives, cash flows payable	2.9	2.4	1.2	-	-	6.5
Total	96.2	42.7	160.5	104.6	1.8	405.9

Pension loans are secured with bank guarantees. Other loans have no security. Finance lease liabilities are in fact secured liabilities since, in default of payment, rights to the leased property transfer back to the lessor.

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with a high credit rating, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The book value of investments and derivative contracts corresponds to the maximum amount of the associated credit risk. Financing operations did not incur any credit losses during the financial year.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The book value of trade receivables corresponds to the maximum amount of the credit risk associated with them. Credit losses recognized for 2014 were EUR 1.7 (0.7) million.

Aging of trade receivables:

EUR million	2014	2013
Not yet due	174.8	191.8
1-30 days overdue	15.9	21.5
31-60 days overdue	3.0	3.7
61-90 days overdue	0.8	1.2
91-180 days overdue	0.6	1.5
181-365 days overdue	0.1	1.1
Total	195.3	220.8

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2014 and 2013. The Group's loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing equity ratio and gearing.

Group's total capital	2014	2013
Interest-bearing liabilities	295.5	305.1
./. Interest-bearing receivables	196.5	166.5
= Interest-bearing net liabilities	98.9	138.6
Total equity	573.8	655.8
Equity ratio, %	45.9	47.5
Gearing, %	17.2	21.1

36. RELATED PARTY TRANSACTIONS

The Group's related party consists of bodies that hold authority within the Group or are under the Group's authority. Such authority or other significant control is associated with financial or operational decision-making. Posti Group's related party consists of the Board of Directors, President & CEO, Posti Group Corporation's Management Team and the next of kin of the aforementioned. In addition, the related party includes the joint ventures, affiliates, mutual real estate companies, and the State of Finland, which owns 100% of Posti Group Corporations shares.

The upper management consists of the members of the Board of Directors, President & CEO and members of the Management Team. No financial loans have been granted to the upper management. Business transactions with related party companies, such as associated companies and other state-owned companies, are carried out applying market terms and conditions. Posti Group did not have significant business transactions with the upper management or their related parties. Posti Group has business relations with associations tied to its state-owner. During the financial period, the Group did not carry out any business transactions that, reviewed singly or jointly, are significant financially or qualitatively.

Business transactions with related party

Net sales and purchases, as well as the receivables and payables consist of business transactions with related party.

EUR million	2014	2013
Net sales	2.8	3.6
Purchases	0.0	0.1
Trade receivables and other receivables	0.6	0.8
Trade payables	0.0	0.0

Management remuneration

EUR million	2014	2013
Wages and salaries and other employee benefits	2.1	2.8
Pensions-Defined benefit plans	0.3	0.5

Salaries and fees of the management

EUR million	2014	2013
President & CEO	0.6	0.5
Executive Board (excl. CEO)	1.5	2.0
Board of Directors	0.3	0.3
Supervisory Board	0.0	0.0
Total	2.4	2.8

The management's pension commitments

Persons appointed to the Executive Board before September 22nd, 2009, are within the scope of a benefit-based pension scheme. Their retirement age is 60 years but the employer may postpone the retirement up to the maximum age of 62. Persons appointed to the Executive Board after September 22, 2009, are within a defined contribution pension scheme, and their retirement age is in accordance with the Employees Pensions Act (TyEL). The retirement age of Managing Directors of Group companies has been agreed to be 60–65 years.

The Board of Directors' salaries and fees

EUR thousand	2014	2013
Arto Hiltunen (chairman)	55.8	56.4
Päivi Pesola (vice chairman)	39.6	41.4
Hele-Hannele Aminoff	0.0	8.4
Petri Järvinen *)	28.4	0.0
Petri Kokko*)	29.0	0.0
Jussi Kuutsa *)	36.6	38.4
Timo Löyttyniemi **)	7.7	37.2
Ilpo Nuutinen **)	8.3	37.8
Marja Pokela **)	29.0	0.0
Maarit Toivanen-Koivisto **)	8.3	38.4
Riitta Savonlahti	36.0	36.6
Suvi-Anne Siimes	36.0	27.7
Total	314.6	322.3

*) Board member from 25th March 2014

***) Board member until 25th March 2014

37. GROUP COMPANIES

The Group's parent company is Posti Group Corporation.

Subsidiaries 31 Dec 2014	Group's holding %	Country	Business group
Debet & Kredit Inkasso AS	100	Norway	OpusCapita
Fastighets AB Vindtunneln	100	Sweden	Itella Logistics
Global Mail FP Oy	100	Finland	Itella Russia
GSB Logistics Ltd	100	Cyprus	Itella Logistics
Itella Information GmbH	100	Austria	Other operations
Itella Information Kft	100	Hungary	Other operations
Itella Information S.R.L.	100	Romania	Other operations
Itella Information s.r.o.	100	Czech Republic	Other operations
Itella Logistics A/S	100	Denmark	Itella Logistics
Itella Logistics AB	100	Sweden	Itella Logistics
Itella Logistics AS	100	Norway	Itella Logistics
Itella Logistics Oy	100	Finland	Itella Logistics
Itella Logistics OÜ	100	Estonia	Itella Logistics
Itella Logistics SIA	100	Latvia	Itella Logistics
Itella Logistics UAB	100	Lithuania	Itella Logistics
Posti Oy	100	Finland	Itella Mail Communications
Posti Kiinteistöt Oy	100	Finland	Other operations
Itella SmartPOST OÜ	100	Estonia	Itella Mail Communications
KEC GmbH	100	Germany	Itella Logistics
KEC UAB	100	Lithuania	Itella Logistics
KH Fur Oy	100	Finland	Itella Logistics
NLC Development Ltd	100	Cyprus	Itella Russia
NLC International Corporation Ltd	100	Cyprus	Itella Russia
Norian Accounting UAB	100	Lithuania	OpusCapita
Norian IT Solution AS	100	Norway	OpusCapita
Norian Redovisning AB	100	Sweden	OpusCapita
Norian Regnskap AS	100	Norway	OpusCapita
OOO Itella	100	Russia	Itella Russia
OOO Itella Connexions	100	Russia	Itella Russia
OOO KapstroyMontazh	100	Russia	Itella Russia
OOO NLC-Bataisk	100	Russia	Itella Russia
OOO NLC-Ekaterinburg	100	Russia	Itella Russia
OOO NLC-Samara	100	Russia	Itella Russia
OOO NLC-Trans	100	Russia	Itella Russia
OOO RED-Krekshino	100	Russia	Itella Russia
OOO Rent-Center	100	Russia	Itella Russia
OOO Terminal Lesnoy	100	Russia	Itella Russia
OOO Terminal Sibir	100	Russia	Itella Russia
OpusCapita AB	100	Sweden	OpusCapita
OpusCapita AS	100	Norway	OpusCapita
OpusCapita AS	100	Estonia	OpusCapita

OpusCapita AS	100	Latvia	OpusCapita
OpusCapita Competence Center OÜ	100	Estonia	OpusCapita
OpusCapita Competence Center SIA	100	Latvia	OpusCapita
OpusCapita GmbH	100	Germany	OpusCapita
OpusCapita Group Oy	100	Finland	OpusCapita
OpusCapita s.r.o.	100	Slovakia	OpusCapita
OpusCapita Services GmbH	100	Germany	OpusCapita
OpusCapita Sp. z o.o.	100	Poland	OpusCapita
OpusCapita UAB	100	Lithuania	OpusCapita
Posti Global Oy	100	Finland	Itella Russia
Redovia Group AB	100	Sweden	OpusCapita

The Group's joint ventures 31 Dec 2014	Group's holding %	Country	Business group
KOY Säästösave	58.5	Finland	Other operations

Associated companies 31 Dec 2014	Group's holding %	Country	Business group
BPO4U AB	50	Sweden	OpusCapita

Parent Company's Financial Statements, FAS

INCOME STATEMENT

EUR	Note	2014	2013
Net sales	1	84,408,809.48	81,356,891.73
Other operating income	2	2,545,474.06	7,675,631.63
Materials and services	3	-65,257.21	-65,833.95
Personnel expenses	4	-34,352,484.07	-38,561,069.63
Depreciation, amortization and impairment losses	5	-5,939,228.17	-5,294,953.10
Other operating expenses	6	-138,081,154.48	-91,048,321.15
Operating profit/loss		-91,483,840.39	-45,937,654.47
Financial income and expenses	8	176,764,176.95	-45,309,278.65
Profit / loss before extraordinary items		85,280,336.56	-91,246,933.12
Extraordinary items	9	53,900,000.00	44,600,000.00
Profit / loss before appropriations and income tax		139,180,336.56	-46,646,933.12
Income tax	10	-76,844.43	-336,273.25
Profit / loss for the financial period		139,103,492.13	-46,983,206.37

BALANCE SHEET

EUR	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	11	7,447,179.36	7,899,051.13
Tangible assets	12	5,464,942.12	6,947,459.35
Investments	13	830,871,345.81	701,689,474.45
Total non-current assets		843,783,467.29	716,535,984.93
Current assets			
Inventories	14	822.77	204,111.28
Non-current receivables	15	86,386,564.29	187,858,695.61
Current receivables	16	104,470,770.86	133,985,715.61
Current investments		158,282,359.79	120,517,164.87
Cash and bank		12,951.60	49,807.67
Total current assets		349,153,469.31	442,615,495.04
Total assets		1,192,936,936.60	1,159,151,479.97
EQUITY AND LIABILITIES			
Equity			
Share capital	18	70,000,000.00	70,000,000.00
Fair value reserve		166,467.98	-48,336.89
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		426,973,483.79	473,956,690.16
Profit / loss for the financial period		139,103,492.13	-46,983,206.37
Total equity		778,947,205.83	639,628,908.83
Provisions			
	19	1,287,274.11	1,176,541.87
Liabilities			
Non-current	21	255,883,456.02	256,138,158.17
Current	22	156,819,000.64	262,207,871.10
Total liabilities		412,702,456.66	518,346,029.27

Total equity and liabilities

1,192,936,936.60

1,159,151,479.97

CASH FLOW STATEMENT

EUR	2014	2013
Cash flow from operations		
Result before extraordinary items	85,280,336.56	-91,246,933.12
Adjustments:		
Depreciation and amortization	5,939,228.17	5,294,953.10
Gains or losses on disposal of fixed assets	34,231.16	13,373,908.83
Financial income (-) and expense (+)	-143,381,759.98	3,517,532.16
Impairment losses on non-current investments	-33,382,416.97	41,791,746.49
Loss on merger	53,140,506.53	0.00
Other adjustments	342,394.76	330,060.00
Cash flow before change in working capital	-32,027,479.77	-26,938,732.54
Interest-free current receivables, increase (-), decrease (+)	26,127,300.83	-21,872,655.87
Interest-free non-current receivables, increase (-), decrease (+)	79,876.08	-400,151.97
Inventories, increase (-), decrease (+)	203,288.51	-123,083.81
Interest-free current liabilities, increase (+), decrease (-)	2,611,713.64	6,598,862.44
Interest-free non-current liabilities, increase (+), decrease (-)	464,047.63	217,756.50
Change in working capital	29,486,226.69	-15,579,272.71
Cash flow from operating activities before financial items and taxes	-2,541,253.08	-42,518,005.25
Interests paid	-16,473,017.85	-19,038,217.76
Interests received	21,921,048.33	16,429,616.01
Other financial items	5,816,123.73	1,562,919.69
Income tax paid	-118,706.03	-409,119.61
Cash flow from financial items and taxes	11,145,448.18	-1,454,801.67
Cash flow from operating activities (A)	8,604,195.10	-43,972,806.92
Investments in tangible and intangible assets	-5,059,429.98	-5,205,415.74
Proceeds from sale of tangible and intangible assets	2,442,575.07	3,346,073.96
Other investments	-182,326,692.20	-3,200,000.00
Proceeds from sale of other investments	37,895,740.00	38,722,228.83
Loans granted	-38,876,015.84	-43,640,354.40
Repayments of loan receivables	108,176,494.97	10,367,257.28
Dividends received	165,088,047.50	5,154,522.75
Cash flow from investing activities (B)	87,340,719.52	5,544,312.68

Repayment of current loans	-25,908,856.76	598,865.09
Repayment of non-current loans	-12,500,000.00	-25,000,000.00
Dividends paid	0.00	-6,800,000.00
Group contributions received and paid	44,600,000.00	97,000,000.00
Cash flow from financing activities (C)	6,191,143.24	65,798,865.09
Change in cash and cash equivalents before business transfers (A+B+C)	102,136,057.86	27,370,370.85
Change in group cash pool	-64,407,719.01	-8,487,419.83
Change in cash and cash equivalents	37,728,338.85	18,882,951.02
Cash and cash equivalents at the beginning of the financial period	120,566,972.54	101,684,021.52
Cash and cash equivalents at the end of the financial period	158,295,311.39	120,566,972.54

Accounting Policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish Accounting legislation.

Revenue recognition and net sales

Offering services of short duration generates a major part of Posti Group Corporation's revenues. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes, discounts and exchange rate differences.

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services, such as income from administration services. Government grants mainly refer to product and business development grants and low-wage support, which are recognized as other operating income.

Valuation of fixed assets

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

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

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

Machinery and equipment 3–5 years

Land and water are not subject to depreciation.

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

Research and development expenditure

Research costs are expensed as incurred. Only development costs arising from significant new or substantially improved products and enterprise resource planning systems are capitalized as intangible assets provided that they are technically feasible and it is probable that the created asset will generate future economic benefits and development expenses can be measured reliably. Development costs which have been expensed once will not be capitalized later. Amortizations on intangible assets are recognized as of the date asset has been taken into use. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives which is three to five years. The value of the intangible asset is the original acquisition cost less any accumulated depreciation and impairment losses. If the previous criteria are not fulfilled, the development cost is expensed as incurred.

Maintenance and renovation expenditure

Normal repair, maintenance and servicing costs are expensed as incurred with the exception of large renovation expenditures which have been capitalized as part of the acquisition cost.

Leasing

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

Inventory

Inventories are measured at acquisition cost, average acquisition cost or probable realisation value, whichever is lower.

Cash in hand and at banks

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

Pension schemes

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

Extraordinary income and expenses

Extraordinary income and expenses include transactions that do not specifically belong in the scope of the business activity of the company but are notable in size, incl. group contributions.

Provisions

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

Income taxes

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

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

Foreign currency transactions

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

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

Measurement of financial instruments

Investments in bonds and commercial papers have been measured at fair value at the market rates quoted on the balance sheet date. The fair values of currency forward contracts are based on the forward prices quoted on the balance sheet date. The fair value of interest-rate swaps equals the present value of future interest cash flows. Other investments are equity fund investments measured at the fair value on the balance sheet date notified by the fund manager or the latest available fair value.

Derivative contracts and hedge accounting

Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, they are measured at fair value on the balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The effect of the value changes of derivative contracts, which constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The company recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet or as derivative contracts, which do not meet the conditions for applying hedge accounting.

When commencing hedge accounting, the company documents the relationship between the hedged item and the hedge instruments as well as the objectives of the company's risk management and the strategy for carrying out hedging measures. When commencing hedging, and at least in connection with each annual financial statements, the company documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the fair value of the hedged item.

Changes in the fair value of derivatives that meet the conditions and determined as fair value hedges as well as changes in the fair value of a property item attributable to the hedged risk or the fair value of a loan are recognized in the income statement. The company applies fair value hedge accounting for hedging against fixed-rate loans. Changes in the fair value of a derivative instrument hedging against a fixed-rate loan and changes in fair value attributable to the interest rate risk of a hedged fixed-rate loan are presented in financial items.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is the market quotation on the balance sheet date and the fair value of interest-rate swaps is the present value of future interest cash flows.

1. NET SALES BY GEOGRAPHICAL LOCATION

	2014	2013
Finland	81,928,341.40	78,289,518.81
Scandinavia	1,032,958.47	1,511,489.77
Baltic and Russia	1,009,003.04	1,013,693.57
Other countries	438,506.57	542,189.58
Total	84,408,809.48	81,356,891.73

2. OTHER OPERATING INCOME

	2014	2013
Gains on sale of fixed assets	0.00	1,620.13
Rental income	64,143.64	70,632.67
Other operating income	2,481,330.42	7,603,378.83
Total	2,545,474.06	7,675,631.63

3. MATERIALS AND SERVICES

	2014	2013
Purchases during the financial period	1,634.12	2,594.35
External services	63,623.09	63,239.60
Total	65,257.21	65,833.95

4. PERSONNEL EXPENSES

	2014	2013
Wages and salaries	29,316,830.66	31,384,206.28
Pension expenses	3,653,265.35	5,083,462.99
Other social expenses	1,382,388.06	2,093,400.36
Total	34,352,484.07	38,561,069.63
Management remuneration		
President and CEO	565,606.00	471,446.00
Executive Board (excl. CEO)	1,263,264.25	1,553,063.00
Board of Directors	314,603.22	322,267.74
Supervisory Board	21,200.00	22,500.00
Total	2,164,673.47	2,369,276.74
Average number of personnel during the financial period		
Administrative employees	360	410
Employees	1	7
Total	361	417

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

	2014	2013
Intangible rights	3,573,533.31	2,573,924.52
Machinery and equipment	2,365,694.86	2,721,028.58
Total	5,939,228.17	5,294,953.10

6. OTHER OPERATING EXPENSES

	2014	2013
Rents and leases	2,935,057.82	4,011,086.65
Losses on sale of fixed assets	34,231.16	13,375,528.96
Personnel related costs	1,617,605.09	1,011,531.07
Travelling expenses	995,350.96	993,046.09
Marketing expenses	8,510,214.52	5,776,044.19
Entertainment expenses	252,128.64	192,526.65
Facility maintenance expenses	94,465.22	79,229.85
Security expenses	785.46	6,330.23
Office and administrative expenses	8,916,332.79	8,125,898.40
IT operating costs	57,968,111.52	53,475,907.27
Loss on merger	53,140,506.53	0.00
Other operating expenses	3,616,364.77	4,001,191.79
Total	138,081,154.48	91,048,321.15

7. AUDITORS' REMUNERATION

	2014	2013
Audit	150,232.00	146,013.00
Tax advisory	625.00	68,439.99
Other services	69,362.07	60,227.61
Total	220,219.07	274,680.60

8. FINANCIAL INCOME AND EXPENSES

	2014	2013
Dividends received		
From Group companies	165,000,000.00	5,086,661.75
From others	88,047.50	67,861.00
Total	165,088,047.50	5,154,522.75
Other interest and financial income		
From Group companies	2,347,203.68	5,587,406.03
Gains from currency exchange	17,207,842.23	16,168,640.30
Other interest income from others	5,957,951.64	5,302,871.69
Other financial income from others	1,514,006.65	2,103,655.14
Total	27,027,004.20	29,162,573.16
Total financial income	192,115,051.70	34,317,095.91
Interest and other financial expenses		
To Group companies	1,574,955.40	852,065.95
Losses on currency exchange	24,341,983.09	17,503,721.80
Other interest expenses to others	14,673,236.59	16,168,486.37
Other financial expenses to others	2,177,978.56	3,310,353.95
Total	42,768,153.64	37,834,628.07
Impairment losses on non-current assets		
Impairment losses on group interests/receivables on Group companies	26,353,057.69	41,791,746.49
Impairment losses on financial securities	-53,770,336.58	-
Total	-27,417,278.89	41,791,746.49
Total financial expenses	15,350,874.75	79,626,374.56
Total financial income and expenses	176,764,176.95	-45,309,278.65
Financial income and expenses including gains and losses on currency exchange (net)	-7,134,140.86	-1,335,081.50

9. EXTRAORDINARY ITEMS

	2014	2013
Group contributions received	66,800,000.00	62,100,000.00
Group contributions distributed	-12,900,000.00	-17,500,000.00
Total	53,900,000.00	44,600,000.00

10. INCOME TAX

	2014	2013
Income tax on extraordinary items	10,780,000.00	10,927,000.00
Income tax on business activities	-10,753,068.38	-10,808,890.48
Income tax from previous years	7,569.41	-163,189.09
Change in deferred tax assets	42,343.40	381,352.82
Total	76,844.43	336,273.25

11. INTANGIBLE ASSETS

Development costs	2014	2013
Cost 1 Jan	4,131,567.00	4,131,567.00
Cost 31 Dec	4,131,567.00	4,131,567.00
Accumulated amortization 1 Jan	4,131,567.00	4,131,567.00
Accumulated amortization 31 Dec	4,131,567.00	4,131,567.00
Book value 31 Dec	0.00	0.00
Intangible rights		
Cost 1 Jan	29,047,963.85	28,576,783.03
Additions	2,066,135.37	1,001,257.57
Disposals	-2,989,225.67	-729,380.84
Transfers between items	531,357.55	199,304.09
Cost 31 Dec	28,656,231.10	29,047,963.85
Accumulated amortization 1 Jan	24,342,429.53	22,494,644.01
Accumulated amortization on disposals	-2,978,354.53	-726,139.00
Amortization for the financial period	2,184,580.05	2,573,924.52
Accumulated amortization 31 Dec	23,548,655.05	24,342,429.53
Book value 31 Dec	5,107,576.05	4,705,534.32
Prepayments		
Cost 1 Jan	3,193,516.81	5,490,819.23
Additions	1,383,850.81	1,090,366.32
Disposals	-317,453.50	-3,188,364.65
Transfers between items	-531,357.55	-199,304.09
Cost 31 Dec	3,728,556.57	3,193,516.81
Impairment	1,388,953.26	0.00
Accumulated impairment 31 Dec	1,388,953.26	0.00
Book value 31 Dec	2,339,603.31	3,193,516.81
Total intangible assets	7,447,179.36	7,899,051.13

12. TANGIBLE ASSETS

	2014	2013
Land and water		
Cost 1 Jan	891,396.01	891,396.01
Cost 31 Dec	891,396.01	891,396.01
Book value 31 Dec	891,396.01	891,396.01
Machinery and equipment		
Cost 1 Jan	24,280,327.53	22,360,855.58
Additions	1,609,443.80	3,071,305.85
Disposals	-13,347,124.25	-1,151,833.90
Transfers between items	41,670.25	0.00
Cost 31 Dec	12,584,317.33	24,280,327.53
Accumulated depreciation 1 Jan	19,390,353.32	17,729,387.84
Accumulated depreciation on disposals and transfers	-12,621,673.83	-1,060,063.10
Depreciation for the financial period	2,365,694.86	2,721,028.58
Accumulated depreciation 31 Dec	9,134,374.35	19,390,353.32
Book value 31 Dec	3,449,942.98	4,889,974.21
Other tangible assets		
Cost 1 Jan	1,189,127.90	1,191,007.90
Disposals	0.00	-1,880.00
Cost 31 Dec	1,189,127.90	1,189,127.90
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	65,524.77	65,524.77
Book value 31 Dec	1,123,603.13	1,123,603.13
Work in progress		
Cost 1 Jan	42,486.00	72,615.00
Additions	0.00	42,486.00
Disposals	-815.75	-72,615.00
Transfers between items	-41,670.25	0.00
Cost 31 Dec	0.00	42,486.00
Book value 31 Dec	0.00	42,486.00
Total intangible assets	5,464,942.12	6,947,459.35

13. INVESTMENTS

Shares in Group companies	2014	2013
Cost 1 Jan	916,298,211.73	960,415,671.04
Additions	160,519,741.66	69,361,183.86
Disposals	-44,300,372.21	-113,478,643.17
Cost 31 Dec	1,032,517,581.18	916,298,211.73
Accumulated impairment losses 1 Jan	265,268,231.70	258,491,602.94
Impairment losses	18,509,183.03	39,553,465.73
Reversals of impairments	-44,250,372.00	-32,776,836.97
Book value 31 Dec	792,990,538.45	651,029,980.03
Shares in associated companies		
Cost 1 Jan	513,245.14	513,245.14
Cost 31 Dec	513,245.14	513,245.14
Share of profits or losses 1 Jan	1,310,984.87	1,310,984.87
Accumulated impairment losses 1 Jan	-1,097,739.73	-1,097,739.73
Book value 31 Dec	300,000.00	300,000.00
Other shares and holdings		
Cost 1 Jan	6,660,306.40	6,660,424.13
Disposals	0.00	-117.73
Cost 31 Dec	6,660,306.40	6,660,306.40
Accumulated impairment losses 1 Jan	660,676.07	660,676.07
Book value 31 Dec	5,999,630.33	5,999,630.33
Receivables from Group companies		
Capital loan receivables		
Cost 1 Jan	93,181,287.06	93,181,287.06
Disposals	-64,670,287.06	0.00
Cost 31 Dec	28,511,000.00	93,181,287.06
Accumulated impairment losses 1 Jan	51,891,600.00	51,891,600.00
Reversals of impairment losses	-51,891,600.00	0.00
Book value 31 Dec	28,511,000.00	41,289,687.06

Receivables from others		
Capital loan receivables		
Cost 1 Jan	3,070,177.03	1,500,000.00
Additions	0.00	1,570,177.03
Cost 31 Dec	3,070,177.03	3,070,177.03
Book value 31 Dec	3,070,177.03	3,070,177.03
Total investments	830,871,345.81	701,689,474.45

14. INVENTORIES

	2014	2013
Prepayments	822.77	204,111.28
Total	822.77	204,111.28

15. NON-CURRENT RECEIVABLES

Receivables from Group companies	2014	2013
Loan receivables	80,408,248.39	180,810,318.50
Total	80,408,248.39	180,810,318.50
Receivables from others		
Loan receivables	861,122.19	861,122.19
Other receivables	420,134.63	500,010.71
Deferred tax assets	835,603.06	890,030.68
Other accrued income and prepayments	3,861,456.02	4,797,213.53
Total	5,978,315.90	7,048,377.11
Total non-current receivables	86,386,564.29	187,858,695.61

16. CURRENT RECEIVABLES

Receivables from Group companies	2014	2013
Trade receivables	1,433,274.96	23,825,559.32
Loan receivables	22,677,938.62	19,040,000.00
Interest receivables	4,954,508.26	18,440,453.26
Other receivables	32,844.89	0.00
Prepayments and accrued income	66,820,042.91	67,637,514.57
Total	95,918,609.64	128,943,527.15
Receivables from others		
Trade receivables	5,260.40	40,286.27
Other receivables	2,199,212.51	306,504.50
Prepayments and accrued income	6,347,688.31	4,695,397.69
Total	8,552,161.22	5,042,188.46
Total current receivables	104,470,770.86	133,985,715.61
Key items in prepayments and accrued income		
Interest receivables	1,537,806.25	1,667,754.26
Tax assets	0.00	5,482.67
Other prepayments and accrued income	4,809,882.06	3,022,160.76
Total	6,347,688.31	4,695,397.69

17. FAIR VALUE AND CHANGE IN FAIR VALUE BY FINANCIAL INSTRUMENT

	2014	2013
Investments in bonds and notes	41,704,990.51	50,465,735.52
Change in fair value recognized in the income statement	461,815.16	-468,065.72
Investments in commercial papers	104,279,619.28	69,305,940.79
Change in fair value recognized in the income statement	14,743.37	-105.89
Currency derivatives	1,939,699.18	-200,976.62
Change in fair value recognized in the income statement	2,140,675.80	-1,050,453.69
Interest rate derivatives	3,861,456.02	4,797,213.52
Change in fair value recognized in the income statement	-935,757.50	2,056,984.71
Other investments	297,750.00	745,488.59
Change in fair value recognized in the fair value reserve of which deferred tax	268,509.09 -53,701.22	171,539.62 -34,307.92

18. EQUITY

	2014	2013
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	70,000,000.00	70,000,000.00
Fair value reserve and other reserves 1 Jan	-48,336.89	-175,130.35
Profit or loss at fair value, other current investments	214,804.87	126,793.46
Fair value reserve 31 Dec	166,467.98	-48,336.89
Restricted equity total	70,166,467.98	69,951,663.11
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	142,703,761.93	142,703,761.93
Retained earnings 1 Jan	426,973,483.79	480,756,690.16
Dividend distribution	0.00	-6,800,000.00
Retained earnings 31 Dec	426,973,483.79	473,956,690.16
Profit/loss for the financial year 31 Dec	139,103,492.13	-46,983,206.37
Total unrestricted equity	708,780,737.85	569,677,245.72
Total equity	778,947,205.83	639,628,908.83
Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	426,973,483.79	473,956,690.16
Profit/loss for the financial period	139,103,492.13	-46,983,206.37
Total	708,780,737.85	569,677,245.72

19. PROVISIONS FOR LIABILITIES AND CHARGES

	2014	2013
Pension provision	310,146.00	315,242.00
Restructuring provision	687,267.61	861,299.87
Other provisions	289,860.50	0.00
Total	1,287,274.11	1,176,541.87

20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	2014	2013
From provisions for liabilities and charges	257,454.83	235,308.39
From impairments	159,242.64	159,242.64
From temporary differences	418,905.59	495,479.65
Total	835,603.06	890,030.68

Deferred tax liabilities	2014	2013
Valuation to fair value	41,617.00	0.00
Total	41,617.00	0.00

21. NON-CURRENT LIABILITIES

	2014	2013
Bonds	251,251,916.55	252,012,283.33
Deferred tax liability	41,617.00	0.00
Other non-current liabilities	4,589,922.47	4,125,874.84
Total	255,883,456.02	256,138,158.17

Liabilities, maturity more than 5 years

Bonds	-	-
Total	0.00	0.00

22. CURRENT LIABILITIES

Amounts owed to Group companies	2014	2013
Trade payables	850,019.77	683,697.69
Interest liabilities	68,426.69	123,920.96
Other liabilities	111,978,496.18	202,307,378.02
Accruals and deferred income	12,929,191.50	17,554,106.50
Total	125,826,134.14	220,669,103.17
Amounts owed to others		
Pension liabilities	0.00	12,500,000.00
Trade payables	8,101,721.70	7,183,570.96
Other liabilities	5,711,976.56	4,951,107.05
Accruals and deferred income	17,179,168.24	16,904,089.92
Total	30,992,866.50	41,538,767.93
Total current liabilities	156,819,000.64	262,207,871.10
Key items in other liabilities		
Payroll and related social costs	926,881.11	942,616.71
VAT-liability	4,723,165.55	3,498,242.34
Other liabilities	61,929.90	510,248.00
Total	5,711,976.56	4,951,107.05
Key items in accruals and deferred income		
Employee related costs	7,731,215.14	8,689,889.82
Accrued interests	1,324,674.85	1,494,006.44
Tax liabilities	15,870.72	105,558.39
Other accruals and deferred income	8,107,407.53	6,614,635.27
Total	17,179,168.24	16,904,089.92
Interest-bearing liabilities		
Non-current liabilities	251,251,916.55	252,012,283.33
Current liabilities	24,318,166.62	62,727,023.38
Total	275,570,083.17	314,739,306.71

23. ASSETS PLEDGED, COMMITMENTS AND OTHER LIABILITIES

Pledges given for Group companies	2014	2013
Guarantees	107,227,356.00	135,168,257.00
Total	107,227,356.00	135,168,257.00
Pledges given for others		
Guarantees	-	-
Others	100,000.00	100,000.00
Total	100,000.00	100,000.00
Lease contracts unpaid amounts		
Payable within one year	291,282.54	515,073.67
Payable in later years	383,471.86	348,301.38
Total	674,754.40	863,375.05
Rental liabilities	815.00	815.00
Other commitments	26,424.00	181,741.00
Derivative contracts		
Currency forward contracts		
Fair value	1,939,699.18	-200,976.62
Nominal value	47,867,325.04	95,646,067.09
Interest rate swaps		
Fair value	3,861,456.02	4,797,213.52
Nominal value	70,000,000.00	70,000,000.00

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

Other commitments

Posti Group Corporation and Posti Ltd have received claims from its contract customers to refund the value added taxes they have paid amounting to a total of EUR 101 million. The decision given by the Helsinki District Court in summer 2011 was favourable to company. The decision was however nullified by the Helsinki Court of Appeal and thus returned to the district

court in which the proceedings began in 2012. The company considers the customers' claims to be unfounded in their entirety.

24. SHARES AND HOLDINGS OF POSTI GROUP CORPORATION

Company name and domicile	Number of shares	Ownership (%)	Book value
Group companies			
Global Mail FP Oy, Helsinki	4,200	99.92	275,454,471.34
Itella Information GmbH, Vienna		100.00	50,000.00
Itella Information Kft, Budapest		100.00	50,000.00
OpusCapita Group Oy, Helsinki	1,847	100.00	110,975,397.77
Itella Information S.R.L., Bucharest		99.00	28,582.19
Itella Information s.r.o., Prague		100.00	47,101.45
Itella Logistics AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics AS, Oslo	6	100.00	7,944,485.94
Itella Logistics A/S, Hvidovre	1,000,000	100.00	20,000.22
Itella Logistics Oy, Vantaa	454	100.00	64,541,547.38
Itella Logistics SIA, Riga	20	100.00	66,251.45
Itella Logistics UAB, Vilnius	1,000	100.00	18,147.59
Posti Kiinteistöt Oy, Helsinki		100.00	192,730,895.55
Itella SmartPOST OÜ, Tallinn		100.00	750,000.00
NLC International Corporation, Limassol	57,667,410	100.00	95,853,934.59
Posti Oy, Helsinki	2,423,000	100.00	42,117,490.32
Posti Global Oy, Helsinki	999	99.90	49,950.00
Fastighets AB Vindtunneln, Borås	961	49.01	2,290,501.35
Total			792,990,538.45
Associated companies			
KOY Heliposti, Kotka	4,253	28.35	300,000.00
Total			300,000.00

Other companies

As. Oy Rasion Keskuslähiö, Raisio	6,350	9.77	132,292.00
As. Oy Rovaniemen Viirikankaant. 2-4, Rovaniemi	1,584	15.84	200,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
KOY Elimäen Matkakaari, Elimäki	2,700	11.09	70,000.00
Cooperative Vereniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Kouvola Innorail Oy			5,080.00
Master Golf Course Oy/Ab, Espoo	3		44,103.92
Vierumäki Golf Oy, Helsinki	7	0.06	96,516.41
Oy Samlink Ab	8,590	5.88	5,000,067.20
Total			5,999,630.33

BOARD OF DIRECTORS' PROPOSAL

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2014, the parent company's distributable profits total EUR 708,780,737.90 of which net profit for the financial year accounts for EUR 139,103,492.10.

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

The Board of Directors proposes to the Annual General Meeting that no dividend to be distributed and EUR 708,780,737.90 retain in the shareholders' equity.

SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Helsinki, 12 February 2015

Arto Hiltunen
Chairman

Heikki Malinen
President & CEO

Päivi Pesola
Vice Chairman

Petri Järvinen

Petri Kokko

Jussi Kuutsa

Marja Pokela

Riitta Savonlahti

Suvi-Anne Siimes

Our auditor's report has been issued today.

Helsinki, 12 February 2015

PricewaterhouseCoopers Oy

Merja Lindh
Authorized Public Accountant

Auditor's Report

(Translation from the Finnish original)

To the Annual General Meeting of Posti Group Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Posti Group Corporation for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, [income statement,] statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet (and the distribution of other unrestricted equity) is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki February 12, 2015

PricewaterhouseCoopers Oy

Authorised Public Accountants

Merja Lindh

Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

At its meeting today, the Supervisory Board of Posti Group Corporation has considered the Board of Directors' Report , Financial Statements and the Auditors' Report for 2014 of Posti Group Corporation.

The Supervisory Board proposes to the 2015 Annual General Meeting that the Income Statement and Balance Sheet for 2014 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 12 February 2015

Mauri Pekkarinen
Chairman of the Supervisory Board

Investor information

Our financial reports follow the International Financial Reporting Standards. As an issuer of two publicly listed bonds, we are obligated to disclose periodic information to a limited extent.

The first bond (EUR 150 million) was issued in November 2009 and listed on NASDAQ OMX Helsinki in December 2009. The second bond (EUR 100 million) was issued in November 2011 and listed on NASDAQ OMX Helsinki in January 2012.

This disclosure obligation is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd.

We fulfill our obligation to disclose periodic information by publishing our financial statements and quarterly interim reports as stock exchange releases.

Our financial communications policy is available in full at www.posti.com/financials.

Financial calendar in 2015

Financial Statements for 2014: February 13, 2015

January–March: April 30, 2015

January–June: July 17, 2015

January–September: November 2, 2015

Silent period

Posti has a silent period of 21 days before each quarterly financial report announcement. During the silent period, Posti refrains from making any contacts with or comments to investors, analysts and the media about the company's business prospects or financial results.

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held on March 25, 2014. Posti deviates from the Finnish Corporate Governance Code in that notices concerning its Annual General Meeting and the related notes are not published on its website because Posti is a state-owned company and therefore has only one shareholder.

The tasks and resolutions of the Annual General Meeting are available www.posti.com/agm.

Contact information for financial communications

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