Annual Report 2015

List of contents

YEAR 2015

Posti Group in brief

We are your first choice in postal, logistics, and eCommerce services. We manage the flow of commerce and everyday life in nine countries.

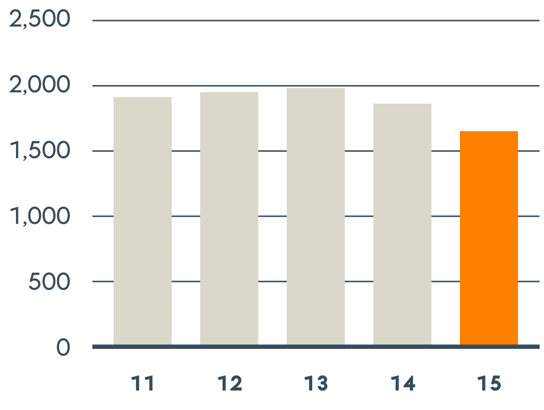
Our net sales in 2015 amounted to EUR 1,650 million. Business customers account for 96 per cent of the net sales. We employ 22,000 members of staff.

We have a nearly 400-year-old-history. Posti Group is owned by the state of Finland.

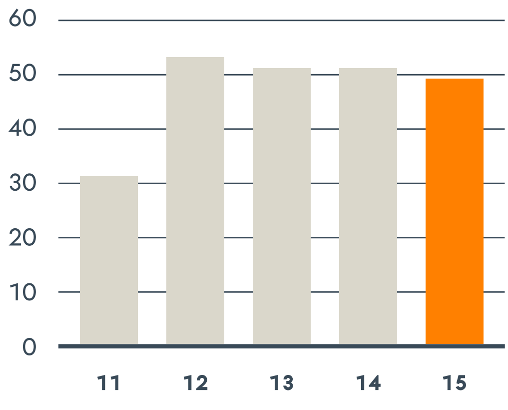
Posti Group has four business groups:

- Postal Services,
- Parcel and Logistics Services,
- Itella Russia,
- OpusCapita.

Net sales
EUR million

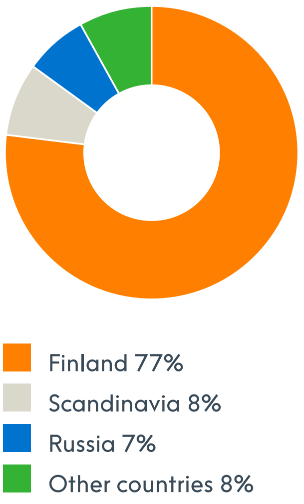


Operating result*
EUR million

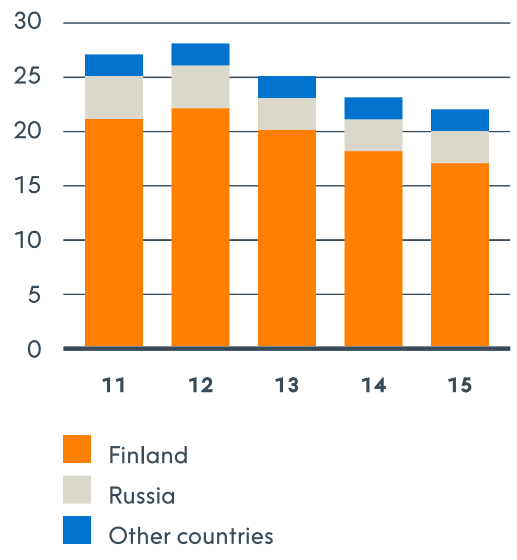


* Non-IFRS = excluding non-recurring items

Net sales by geographical area 2015
%



Development in the number of personnel
1,000 persons



President and CEO’s review

Posti faced a very difficult business environment in 2015. Economic growth in Finland has been non-existent, and the development of consumer purchasing power has been subdued. Our net sales decreased across all of the business groups. The declining delivery volumes of letters and publications reduced net sales by EUR 75 million. Domestic freight transport volumes decreased as the total market continued to decline. Itella Russia’s net sales were eroded by the weak ruble and the problems the Russian economy is facing.

In spite of the decrease in net sales, the Group’s operating result remained at the previous year’s level. This has, however, required many substitution measures and difficult decisions. The most significant source of satisfaction was the strong improvement in the result of the Parcel and Logistics Services business group. Its operating result turned to profit on the strength of determined efficiency improvement measures and restructuring. Going forward, we expect various logistics services to be the engine of Posti’s growth.

Posti’s operating result showed a significant improvement from the previous year. The improved result is attributable to the positive result of Parcel and Logistics Services as well as a sale and leaseback transaction worth EUR 120 million that involved Posti selling logistics properties located in Finland.

In Russia, the market situation became bleaker during the year. The substantially weaker national economy, declining consumer purchasing power and the weak ruble are currently complicating the business operations of foreign companies operating in Russia, and Itella Russia is no exception. Unfortunately, the prospects for 2016 involve significant continued uncertainty.

In spite of the difficult situation, our market position in Russia can be considered to be good. We are currently the market leader in warehouse operations in Russia, with operations not only in Moscow but also in six other cities with over a million inhabitants, and we also have a nationwide network of logistics centers in Russia.

Digitization creates opportunities

We announced our new strategy in the summer, with the primary objectives of renewing Posti to make it a customer-oriented first-class service company and pursuing profitable growth in new services. We want to be Finland’s largest postal and logistics company with the broadest service range and network.

Digitization offers opportunities for improving the Group’s services and developing new business operations. Our marketing services make use of Posti’s data and analytics expertise in creating new additional services.

Although letter and publication delivery volumes are declining, the market for home services is growing. The need for meal and home help services is constantly growing as the population is ageing. We hold a key position in the development of new home services, as we visit the door of every Finn five times a week.

In addition to home services, a new growth area is offered by food logistics. During this strategy period, we will expand our operations to temperature-controlled transports, including foodstuffs. Food logistics complements Posti’s logistics service portfolio and in part supports the growth targets of our company.

OpusCapita's strategy, in turn, is aimed at becoming a strong provider of financial management software and processes in Northern Europe. OpusCapita will adopt new process robotics, continue transformation towards cloud services and develop new solutions in order to improve the management of customers' working capital.

A strong partner for online retailers

The strategy in parcel services is to act as an enabler of online shopping for Finnish companies and consumers. We want to be the number one choice of consumers and a strong partner for online retailers. New information system solutions bring efficiency to the delivery chain, speed up capital circulation among online retailers and support the growth of online shopping.

Our new robot-assisted hybrid warehouse in Vantaa and the new logistics center and eCommerce hub in Lieto offer eCommerce operators as many as two or three additional days of sales during peak seasons. Customers, in turn, will enjoy fast delivery of their eCommerce orders, even on the day the order is placed.

The first provider of carbon-neutral postal services

As a significant logistics company, Posti takes responsibility for minimizing its environmental impacts. Posti is the world's first provider of carbon-neutral postal services.

In 2015, we expanded Posti Green to cover the parcel and logistics business in Finland, in addition to postal services. In practice, this means that all of the services we provide are automatically, without an additional charge, Posti Green services. We are undeniably a pioneer of green logistics in Finland.

Renewal measures to ensure competitiveness

Posti has engaged in a significant renewal of its operations in response to tighter competition and declining mail delivery volumes. Restructuring measures implemented in summer 2015 included rearranging the domestic terminal network and launching the renewal of Posti's retail network.

The new collective agreement for the postal industry, signed in late November, also supports Posti's renewal and the improvement of Posti's competitiveness. The past provisions concerning additional change security are no longer included in the new collective agreement. As a responsible employer, we use Posti's Uusi polku (New Path) support program to train people to help them find new jobs, become self-employed, or pursue a new profession.

The new collective agreement also eliminates previous restrictions on the use of supplementary workforce and subcontracting, for example during times of peak demand.

Significant structural transformation

Posti is currently undergoing a significant multi-year structural transformation of its industry. The decline in letter volumes cannot be halted. The two cornerstones of the company's strategy are to react to the declining letter volumes in a timely manner and pursue strong growth in new businesses. Posti has a solid financial standing and the capacity to make investments.

I am confident in Posti's ability to go through this transformation successfully.

Finally, I would like to take this opportunity to thank our personnel, customers and partners for their excellent cooperation during the year.

Heikki Malinen
President and CEO

Key figures

Posti Group's financial targets are:

- operating profit percentage exceeds 5%,
- return on invested capital is at least 10%,
- gearing does not exceed 35%,
- more than 10% of the Group's net sales comes from new business areas in 2018.

Key figures of Posti Group

	2015	2014	2013
Net sales, MEUR	1650.3	1,858.7	1,976.8
Operating result (non-IFRS), MEUR *)	48.7	50.8	50.5
Operating result (non-IFRS), % *)	2.9	2.7	2.6
Operating result (EBIT), MEUR	55.9	5.8	9.9
Operating result (EBIT), %	3.4	0.3	0.5
Result before taxes, MEUR	43.3	-4.6	-2.4
Result for the period, MEUR	36.0	-4.4	7.7
Return on equity (12 months), %	6.1	-0.7	1.1
Return on invested capital (12 months), %	6.3	1.0	1.3
Equity ratio, %	47.8	45.9	47.5
Gearing, %	-10.5	17.2	21.1
Gross capital expenditure, MEUR	60.6	57.5	61.1
Employees on average	22,219	24,617	27,253
Dividends, MEUR	18.0**)	-	-

*) Non-IFRS = excluding non-recurring items
**) Board of Directors' proposal to the Annual General Meeting

Corporate responsibility key figures

	2015	2014	2013	2012
Number of Posti's service outlets	1,401	1,450	1,310	1,098
Result of the customer satisfaction survey	2.93	3.05	3.14	3.11
Carbon dioxide emissions/net sales (tonnes)	0.097	0.096	0.09	0.1
Share of employees in functions covered by the ISO 14001 EMS	88%	88%	77%	72%

Key Figures for Business Groups

EUR million	2015	2014	Change
Net sales			
Postal Services	742.3	769.0	-3.5%
Parcel and Logistics Services	596.7	722.7	-17.4%
Itella Russia	118.9	172.0	-30.9%
OpusCapita	256.7	259.6	-1.2%
Other operations	8.7	48.6	-82.0%
Intra-Group sales	-73.0	-113.3	
Group total	**1,650.3**	**1,858.7**	**-11.2%**
Operating result (non-IFRS) *)			
Postal Services	56.4	66.0	-14.5%
Parcel and Logistics Services	0.6	-21.7	-
Itella Russia	-5.1	2.5	-
OpusCapita	14.5	20.0	-27.2%
Other operations	-17.7	-16.0	-
Group total	**48.7**	**50.8**	**-4.2%**
Operating result (EBIT)			
Postal Services	57.3	66.1	-13.3%
Parcel and Logistics Services	-12.6	-34.2	-
Itella Russia	-25.0	2.4	-
OpusCapita	13.3	12.7	5.1%
Other operations	22.8	-41.2	-
Group total	**55.9**	**5.8**	**867.5%**
Operating result (non-IFRS), % *)			
Postal Services	7.6%	8.6%	
Parcel and Logistics Services	0.1%	-3.0%	
Itella Russia	-4.3%	1.5%	
OpusCapita	5.7%	7.7%	
Group total	**2.9%**	**2.7%**	
Operating result (EBIT), %			
Postal Services	7.7%	8.6%	
Parcel and Logistics Services	-2.1%	-4.7%	
Itella Russia	-21.0%	1.4%	
OpusCapita	5.2%	4.9%	
Group total	**3.4%**	**0.3%**	

*) Non-IFRS = excluding non-recurring items

Highlights in 2015

During the year, we launched several new services and products, and we also announced the company's new strategy. The year's highlights included the launch of Postinen, a robotic delivery helicopter experiment, and the opening of the Lieto terminal and the new warehouse in Vantaa's Voutila district. We also completed corporate transactions during the year, the most significant of which was the divestment of the international freight business.

Q1

A new product for unaddressed marketing

Posti launched Postinen, a new product for unaddressed marketing. Since the beginning of March, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week. Postinen helps customers separate advertising from other mail. Postinen is put together with the help of new technology that streamlines heavy work stages and speeds up operations.

Q1

Kirsi Nuotto joins Posti's Board of Directors

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 18, 2015. **Arto Hiltunen**, **Petri Järvinen**, **Petri Kokko**, **Jussi Kuutsa**, **Päivi Pesola**, **Marja Pokela**, and **Suvi-Anne Siimes** continued as members of Posti's Board of Directors. **Kirsi Nuotto** was elected to join the Board as a new member. Arto Hiltunen continued as the Chairman of the Board of Directors and Päivi Pesola as the Vice Chairman.

Q2

Posti and Helsinki Deaconess Institute Hoiva work together to expand their care and home services

Two traditional operators in their respective fields have found a new way to combine their competencies. Meal deliveries by Posti were supplemented with other day-to-day home care services. The new service was launched in Espoo in April by Posti and Helsinki Deaconess Institute Hoiva, a provider of various care services.

Many senior citizens need assistance with simple tasks such as replacing light bulbs or hanging laundry. This need is met by a new home service launched in Espoo by Posti in partnership with Helsinki Deaconess Institute Hoiva. The service involves the same person that delivers meals to the customer's home also handling additional tasks such as heating and serving the meal, as well as other tasks such as cleaning the refrigerator and taking out the garbage.

Q2

Posti divests its Scandinavian road freight business

In April, Posti continued to improve the profitability of its logistics business operations in line with its strategy by selling its Scandinavian road freight business operations to the Danish Nordic Transport Group (NTG). The transaction also included Posti's international road, air, and sea freight business in Finland.

Posti continues to provide logistics services in Finland in parcel services, company transport services, and supply chain solutions. In Sweden, Posti continues in parcel operations, which are seeing strong growth due to eCommerce. International freight services will be offered through Posti's partner network.

Q2

Posti commences the renewal of its retail network

Posti launched a renewal of its retail network in April. Going forward, Posti will operate 21 postal outlets of its own, and negotiations began concerning 77 outlets to be transferred to partners. Posti will also open 100 new service points and the total number of service points will increase to 1,500.

The changes will be implemented one outlet at a time over the next two and a half years as the negotiations with the partners proceed.

Q2

OpusCapita acquired Kredithanterarna and Svenska Fakturaköp

OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp in late April. The acquisitions see OpusCapita further strengthen its offering in Order-to-Cash management.

The acquisitions were a logical step in realizing OpusCapita's goal of providing its customers with a comprehensive solution for Order-to-Cash management. Kredithanterarna brings strong industry expertise from the Swedish market to OpusCapita. Kredithanterarna's management and organization remained unchanged as it became part of OpusCapita.

Q2

New strategy geared towards renewal

In June, Posti Group announced its new strategy and focus areas for 2015–2017. Posti aims to be the first choice for its customers as the provider of postal and logistics services in 2018. The most important financial target for Posti is to maintain good profitability.

The change taking place in the postal sector will become more rapid in the next few years when letter and publication distribution volumes fall as a result of electronic communications. Digitization will change Posti's business models and create new services and growth opportunities. At the same time, competition will become more fierce in postal and logistics services, and the role of eCommerce will become more prominent. The best customer experience, multi-channel service, the capability to reform, and competent personnel are the most important success factors.

These trends lie in the background of Posti Group's strategy to reform the company into a customer-oriented, first-class, profitable postal, and logistics service company.

Q4

Patrik Sallner appointed CEO of OpusCapita

OpusCapita appointed **Patrik Sallner** (MBA, MA, M.Sc., 45) as its new CEO effective from October 5. Before joining OpusCapita, Sallner was the CEO of MariaDB Corporation. Prior to that, he held executive positions at international companies such as F-Secure, Nokia, and McKinsey.

Q4

Mail deliveries enter the digital age as mail delivery personnel start using smartphones

Posti’s customers will be offered even more tailored services after Posti equips its mail delivery personnel with smart devices. The smart devices give mail delivery personnel on-the-move access to important information on changes related to mail deliveries, online purchases, meal deliveries or other services requested by customers.

Each day, mail delivery personnel contact some three million households and businesses. For many of them, buying services via digital channels is a daily occurrence. The introduction of tools that bring mail delivery operations to the digital age is part of Posti’s ongoing effort to modernize its services and diversify delivery operations.

The piloting of the devices began in late 2015. The equipment purchases for thousands of units will begin in 2016.

Q4

Posti's new logistics center in Lieto boosts eCommerce

Posti's new logistics center, opened in the fall near Turku in Lieto, is the hub of eCommerce. A substantial number of online store shipments arriving in Finland through the ports of the Turku economic region and shipments exported from Finland go through the hub in Lieto.

Posti's technology investments and renewed services meet the needs of growth in eCommerce. They give vendors more selling days and consumers the option of receiving parcels on the same day. The number of parcels will increase at an annual rate of 4–5 percent due to eCommerce.

The logistics center in Vantaa, featuring robot-assisted hybrid storage, and the Lieto logistics center, equipped with the latest sorting technology, are Posti's answer to the wishes of parcel and eCommerce customers. Posti has one of the most modern sorting and service solutions of its scale in Europe in terms of technology and service integration.

CASE: European stamp promotes green thinking

In spring 2016, European postal operators will publish a joint Think Green stamp that features the same image in all countries. The motif was selected in a joint design competition organized by PostEurop, the association of European public postal operators. The winner of the competition was a postage stamp designed by **Doxia Sergidou** from Cyprus. Posti also participated in the design competition.

The Think Green stamp is the 60th issue in the EUROPA series. Each country will add their own country indications and values to the stamp. The stamp will be published in Finland in May 2016.

The motif of the winning design shows a hand holding a paint roller that is painting over a gray polluted scene to create a greener and more environmentally friendly landscape.

“The green color symbolizes hope and inspires us to build a better world. The stamp shows us that it is in our hands to create a greener planet,” Doxia Sergidou explains.

CASE: Finland takes first place in driving habit competition

Finnish representatives **Heikki Toikkanen** and **Päivi Blom** took first place in the Drivers' Challenge driving habit competition organized by Posti and the International Post Corporation (IPC) in Ivalo in March. The runner-up pair was **Tadgh Linehan** and **Tommy Dempsey** from Ireland, with **Andres Rojas Ruiz** and **Santiago Munoz** of Spain finishing in third place.

In the international driving habit competition, postal workers from various countries competed in driving in the most ecological and safe manner. The competitors’ vehicle handling skills were tested on a skills course that included slalom driving on a cone track, parallel parking and zigzag reversing between marker poles. The Eco course assessed the participants’ economical driving style on a 15-kilometer track that included delivering letters to mailboxes and handing over a parcel to a customer.

The International Post Corporation (IPC) is a postal operators' cooperation organization with members in 24 countries.

CASE: Confectionery logistics in Russia

Russian confectionery company UNICONF selected Itella Russia as its sole logistics and warehouse partner in the summer of 2015. The two companies have been cooperating since 2006.

UNICONF is the largest confectionery company in Eastern Europe and the market leader in Russia. Their storage volume requires more than 20,000 pallets and they manufacture a wide range of consumer confectionery, from candies to cakes to chocolate, all of which have a rapid turnover. This demanding rate of production has prompted Itella Russia to hire more employees, based at its Krekshino warehouse, ensuring that the needs of warehouse and handling services are met.

Itella Russia, part of Posti Group, has been operating in Russia since 2008. Group has over 2,800 professionals serving both local and global brands in Russia. There is altogether 500,000 m² in warehouse space across the country.

CASE: Posti delivers fan merchandise for Jokerit

The Jokerit ice hockey team redesigned its online store for fan merchandise in late spring. As part of the renewal, Jokerit selected Posti as its supply chain solutions partner.

Starting from August 2015, Posti has handled product warehousing, transport and parcel delivery, as well as related services such as gift wrapping. The partnership extends beyond simple warehousing services to cover the entire order-supply chain.

"As a well-known, reliable and modern operator, Posti is an excellent partner for Jokerit. The demand for our fan merchandise is constantly growing, and Posti ensures that we can serve our supporters quickly, reliably, and cost-effectively," says **Jukka Kohonen**, CEO of Jokerit.

Posti's first automated warehouse, which is among the most modern in Europe, is ideally suited to the needs of eCommerce. Automated order picking at the automated warehouse that was completed in Vantaa's Voutila district in the fall will further speed up Posti's deliveries and offer a unique competitive advantage to online retailers.

CASE: Digitization represents a great opportunity

Posti was in Pori in July to participate in SuomiAreena, the summer's largest discussion event on topics of social significance. The topic of the panel discussion Posti participated in was "What is the impact of digitization on commerce and the economy?".

The panelists included **Heikki Malinen**, CEO of Posti Group, **Olli Rehn**, Minister of Economic Affairs, **Juhani Pekkala**, Managing Director of the Finnish Commerce Federation, and **Leena Mörttinen**, Executive Director of Family Business Network Finland. The panel was moderated by **Kristiina Helenius**, CEO of AmCham Finland.

The panelists described digitization as a great opportunity, as long as we in Finland ensure that we keep up with its development and preferably lead the way.

"It is a key objective for us, including the Government, to restore Finland's position as a leader in digital competence and digitization. Digital competence is one of the spearhead projects in the Government program, and it is key to Finland's future success," Olli Rehn explained.

Juhani Pekkala pointed out that the digital transformation takes place through various businesses and highlighted the importance of boosting their capacity to respond to the need for change and renewal. The Finnish Commerce Federation organizes eCommerce training events that have already attracted hundreds of participants.

"Digitization is an explosive phenomenon. Is Finland and the Finnish system sufficiently quick and agile to change with the times and ensure our continued competitiveness," Leena Mörttinen asked.

CASE: Robot helicopter delivered parcels to Suomenlinna

In September, Posti carried out an experiment to test the technology of the future in eCommerce logistics and mail delivery. The experiment involved testing a robotic helicopter in delivery and transport tasks for the first time in Finland, and for the first time in Europe in an inhabited urban environment.

The robotic helicopter flew with a parcel for example from mainland Helsinki to the island of Suomenlinna, a Unesco World Heritage Site.

The experiment was part of Posti's continued process of renewal. Together with its customers and partners, Posti develops and tests quick and easy delivery solutions and methods to support eCommerce. New technologies make online shopping quicker and easier for both senders and recipients.

Posti's partners in the experiment were Sharper Shape Ltd, which is responsible for the technology and operation of the robotic helicopter, and Verkkokauppa.com. The experiment was authorized by the Finnish Transport Safety Agency (Trafi) operating under the Ministry of Transport and Communications.

CASE: Seamless Purchase-to-Pay chain

The housing investment company SATO has a clear goal: a predictable and transparent process from purchase to payment.

SATO outsourced its accounts payable tasks to OpusCapita in summer 2014. The solution includes accounts payable tasks and systems as a cloud service, as well as process development. In early 2015, SATO implemented a new procurement system provided by OpusCapita's partner.

"We decided to partner with OpusCapita because they have a comprehensive approach and the capacity to provide systems and services to suit our needs on a tight schedule. I am very satisfied with their capacity for cooperation and flexible approach to their work. OpusCapita customized its solution to ensure that it suits our specific needs," says **Yaron Nadbornik**, Head of Procurement at SATO.

SATO receives invoices from 1,800 suppliers. In addition to SATO's own employees, purchase invoices are approved by 40 Property Managers employed by Realia Management Oy. Outsourcing accounts payable to OpusCapita has already accelerated our purchase invoice turnover, and the effectiveness of the new process will be further increased by the automatic reconciliation of purchase orders and purchase invoices.

CASE: Printed advertisements are more memorable

"A printed advertisement is up to 24 times more memorable when people can see and touch it, compared to only seeing it," says **David Brennan**, one of the authors of the 'Private Life of Mail' study by Royal Mail. Brennan discussed the results of the study at a customer event for Posti's Marketing Services in August.

The study is groundbreaking in that it combines traditional market and media research with brain research, interviews, and analyses as well as ethnographic research, which deals with the customs of peoples and cultures.

The study shows that printed advertising plays a significant role in consumers' purchasing behavior. Printed advertisements provoke a more emotional response in consumers than television and online advertising, for example. They also exhibit better recall of what they read, and printed advertisements are effective in driving consumers to make purchases online.

"Sending a tactile advertisement in a highly technological, digital world may become a key factor in encouraging consumers to make purchasing decisions," Brennan explains.

CASE: Quite a jigsaw puzzle

Olvi's **Timo Tikkanen** and Posti's **Jari Vänskä** work with their colleagues to put together a jigsaw puzzle comprised of hundreds of little details to ensure that Posti's truck and trailer combinations transport Olvi beverages across Finland in a timely and safe manner. Tikkanen works as a Logistics Planner at Olvi's offices in Iisalmi, while Vänskä works as a Transport Planner at Posti's Transportation Management unit in Kuopio.

During peak times, the production facility in Northern Savonia ships out more than 70 truckloads of beer, cider, soft drinks, and mineral water. Around Midsummer, Christmas and the winter vacation period, Finnish consumers buy hundreds of thousands of liters of Olvi beverages per day.

The cooperation began in 2004 between Olvi and Transpoint. Transpoint's business operations were subsequently transferred to Posti as a result of an acquisition completed in 2012.

The cooperation has gradually grown into a comprehensive partnership. Posti transports Olvi products to Olvi's own terminals or terminal facilities leased to Olvi by Posti, as well as to central wholesale corporations. The products are then distributed to supermarkets and grocery stores, cafés, restaurants, kiosks and events. Posti also handles the distribution and shelving of brewing industry products in certain parts of Finland. Recycled glass and plastic bottles, as well as aluminum cans, are then backhauled to Olvi by Posti. The shipments also include shipping cartons and pallets.

CASE: Posti is responsible for Anttila's supply chain services

Anttila and Posti signed in December an agreement on the supply chain services in Finland for all department stores and online stores of Anttila. Under the agreement, Posti is responsible for the warehousing services of 25 Anttila department stores, nine Kodin1 department stores and Anttila.com and Kodin1.com online stores with associated value-added services, transport of products to the stores and transport and return services of online store products for consumer customers.

- We feel honored that one of the biggest commercial players in Finland has chosen us as their logistics partner. We are in a unique position to be able to bring Anttila's online and department store warehousing along with their value-added services under one roof and offer an optimal delivery service to store and to the end customer, says **Harri Kämppä**, Head of Supply Chain Solutions at Posti.

Anttila is continuing restructuring work and new department stores will continue to open in the course of 2016. The company's supply chain and logistics function is part of this ongoing restructuring work.

- When choosing a supply chain solutions provider, what mattered to us was ensuring that the company would provide the solutions required to support the Anttila reform program. We consider our agreement with Posti more than just a service agreement, that is, as a partnership agreement when building a successful, multi-channel Finnish retail enterprise, says **Arto Gauffin**, Supply Chain Director, Anttila.

CASE: Posti made youngsters move on the football pitch

Posti has a long history of supporting Finnish football, both at the top and at the grassroots level. We were the main cooperation partner of the Football Association of Finland from 1994 to 2015.

As part of our partnership with the Football Association of Finland, we promoted a better future and physical activity among young people under the Osoitteena Futis ("The Address is Football") project. Participating clubs sponsored by Posti organized some 400 events at daycare centers and schools during the year, which brought some 200 new players to the sport and helped launch nearly 100 new activity groups.

The project has three target groups: supporting football as a hobby among girls and boys, as well as supporting the development of recreational group activities. The goals include increasing the number of players under the age of 10, as well as developing cooperation between daycare centers, schools, and football clubs.

CASE: Meal delivery service wins a corporate responsibility award

Posti's meal delivery service won PostEurop's CSR Coups de Coeur corporate responsibility award. The Association of European Public Postal Operators, which has members in 52 countries, awarded prizes in three categories: environment, employees, and society. Posti won a gold medal in the society category. The purpose of the awards is to highlight the best practices of social responsibility by postal operators in Europe.

Posti delivers meals directly to the homes of elderly people, either as hot or cold deliveries, in more than 40 locations. Furthermore, we make meal deliveries to different types of institutions, such as daycare centers and schools, in 80 municipalities.

"Posti is a highly sought-after partner because we have the fleet and human resources to engage in these types of daily operations with a short duration," explains **Jyri Westerholm**, Product Manager at Posti.

Meal deliveries are a great example of a win-win concept. Municipalities benefit from Posti's extensive distribution network and fleet by outsourcing transport operations to an efficient and specialized partner. At the same time, Posti achieves more work for its drivers and more deliveries as the amount of traditional letter deliveries diminishes. The mail carriers, too, are keen on meal deliveries as they offer variation to the workday as well as interesting encounters with customers such as senior citizens.

Corporate strategy

The Board of Directors of Posti Group has specified the company's strategic goals for 2015–2017. They are targeted at renewing Posti and improving profitability in new services. Posti aims to be the first choice for its customers as the provider of postal and logistics services in 2018. The most important financial target for Posti is to maintain good profitability.

The change taking place in the postal sector will become more rapid in the next few years when letter and publication distribution volumes fall as a result of electronic communications. Digitalization will change Posti's current business models and create new services and growth opportunities.

At the same time, competition will become more fierce in postal and logistics services, and the role of eCommerce will become more prominent. The best customer experience, multi-channel service, the capability to renew, and competent personnel are the most important success factors.

These trends lie in the background of Posti's strategy to renew the company into a customer-oriented, first-class, profitable postal and logistics service company.

Posti’s strategic focus areas for 2015–2017 are:

1. We will defend the distribution business of publications and direct marketing by extending the product lifecycle so that it is as long as possible. We will shape our capacity with the aim of maintaining good cost competitiveness and service capability when letter and publication volumes are decreasing.

2. We are Finland's leading logistics service provider in parcel, warehouse and transport businesses and a major logistics operator in Russia. We create solutions that enable the online shopping of goods.

3. We improve the customer experience through multi-channel digital services and develop Posti's services to meet customers' needs.

4. Posti has access to an efficient, process controlled, digitalized nationwide production network that is managed in a high quality manner and on which we will base our growth.

5. OpusCapita is an important part of our Group and will be turned into a strong provider of financial management software, processes, and automation services in Northern Europe.

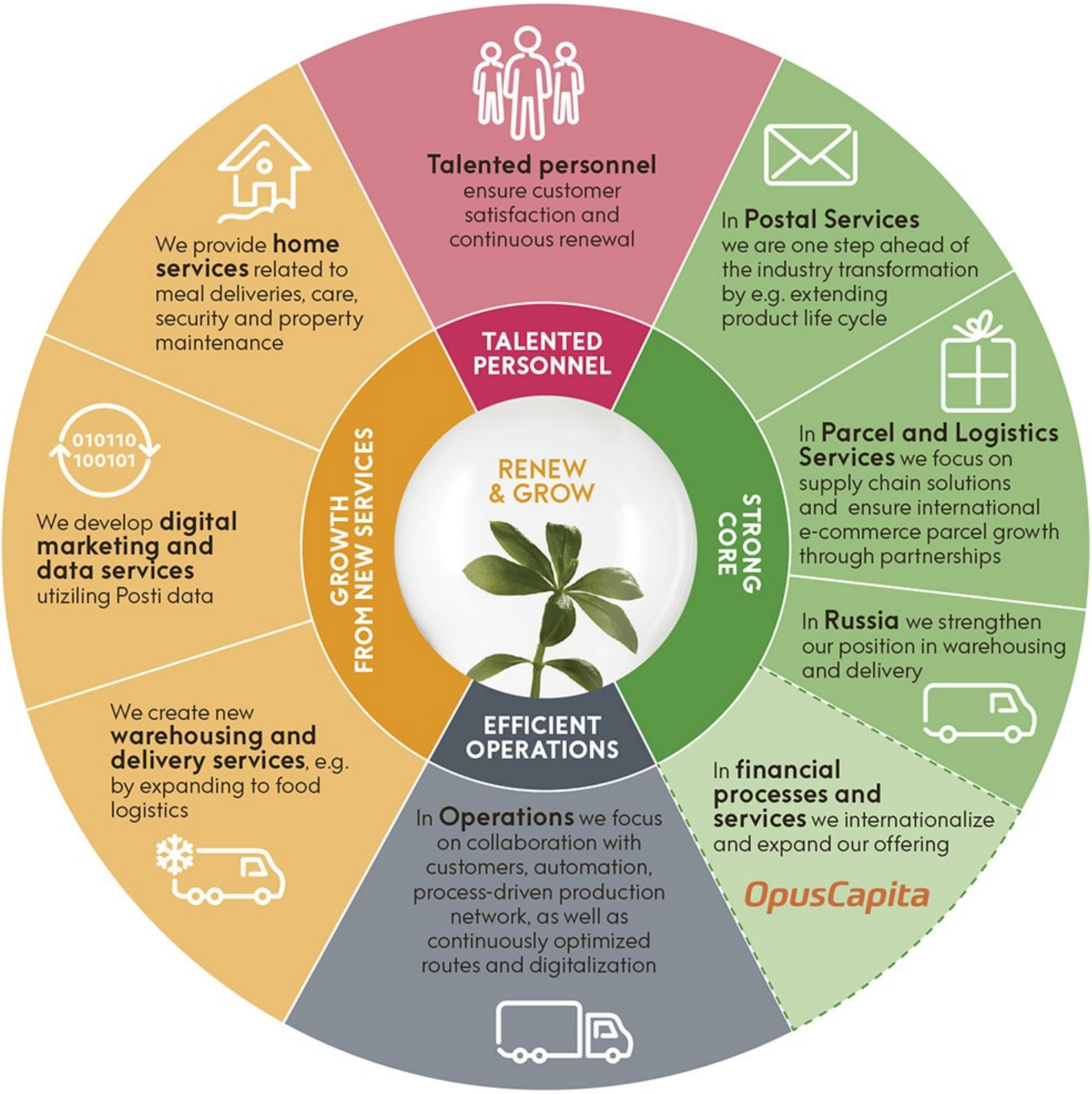
6. We look for synergy benefits from new growing markets. Home services, meal deliveries, and food logistics make use of Posti's nationwide distribution network. We develop new data and analytics services to meet customers' needs.

7. We develop the competence of our personnel in new services and the capability to address the opportunities of digitalizing business systematically. Our aim is to be the best workplace in the industry.

The Business Groups' operating environments and strategic goals are described in more detail in Business Groups' own sections.

Strategy 2015–2017

We are customers' first choice postal & logistics service provider in Finland, Baltics and Russia



Vision, mission, and customer promise

VISION:

- Our vision is to be customers' first choice in postal, logistics, and eCommerce services.

MISSION:

- Our mission is to manage the flow of commerce and everyday life.

CUSTOMER PROMISE:

- Our customer promise is to be easy, fast, reliable, and responsible.

Values

Succeeding together with the customer

- We provide added value for the customer in everything we do.
- We proactively provide services and solutions based on excellent understanding of the customer’s business.
- We serve customers as One Posti through our entire service chain.
- We work close to the customer.

Driving for improvement and innovation

- We are open minded towards change and development.
- We build on our strengths and welcome new ideas to enhance our profitability.
- We continuously learn and grow both as individuals and as a company.
- We execute changes thoroughly; we communicate openly, learn from experiences, and adjust when needed.

Taking responsibility

- We commit to decisions and make them happen.
- We keep our promises to each other to fulfill our commitment to the customer.
- We are trustworthy and base our business on reliability.
- We care for our people, the environment, and society.

Winning together

- We work together to reach our common goals.
- We share information and best practices.
- We are team players and respect each other.
- We are proud of Posti and our work.

BUSINESS

Postal Services

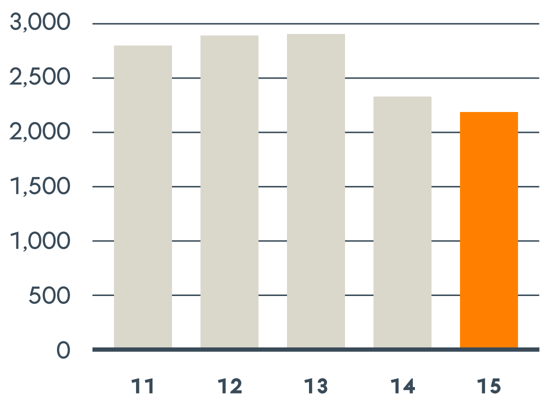
Postal Services is in charge of Posti's mail, press, and marketing services. The business group's own personnel focuses on product development, product management, customer relationship care, and sales.

Mail Services is in charge of letter services offered to companies and consumers, stamps, mail redirection services, Netposti, and international postal cooperation. The unit produces and develops services that enable Posti to play a strong and important role in personal communications.

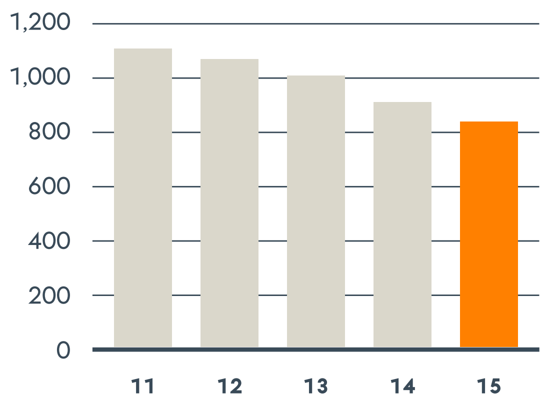
Press Services produces and develops newspaper, magazine, and free distribution paper delivery services for business customers.

Marketing Services produces and develops services for marketing. Most of the business today is delivery services for addressed and unaddressed direct marketing as well as value-added services, such as register services, target groups and the Contact service. We also develop new digital marketing services.

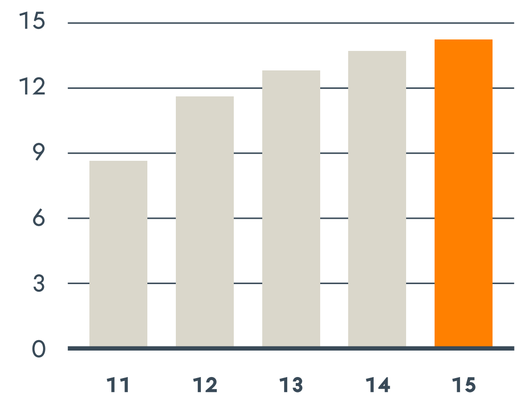
Deliveries in total in millions



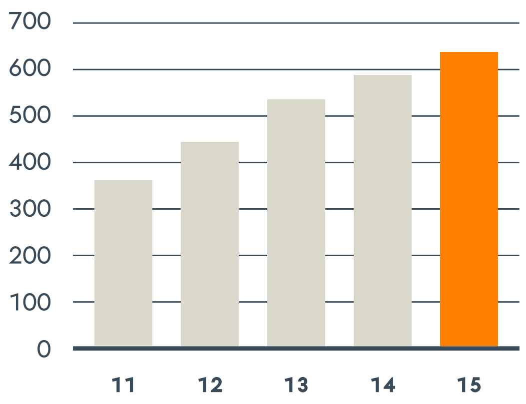
Addressed letters in millions



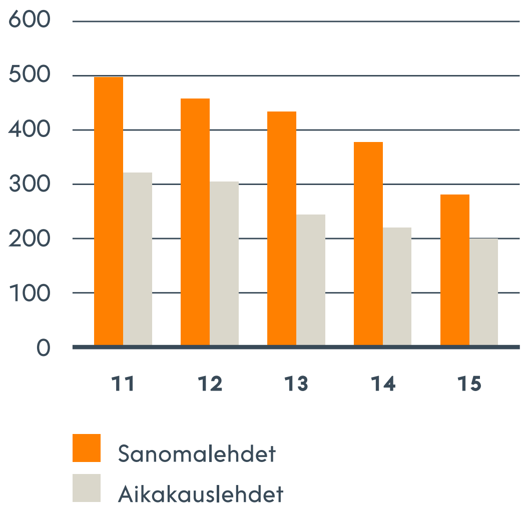
Electronic letters in Netposti in millions



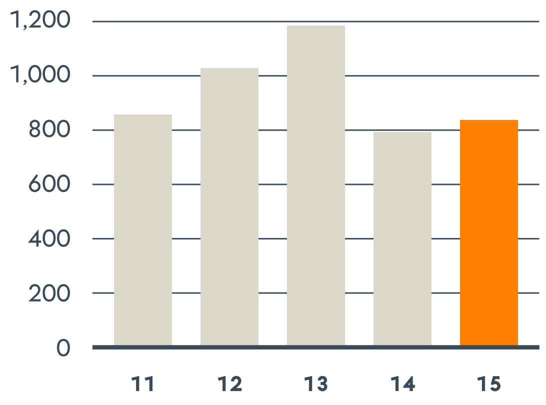
Consumers registered in Netposti in thousands



Subscriptions of magazines and newspapers in millions



Unaddressed direct marketing in millions



Business environment and strategy

As a company, Posti is in a completely different situation than five years ago. Digitization is reducing daily mail delivery volumes, while letter volumes are declining at an annual rate of approximately 10%. Posti's monopoly position will permanently become a thing of the past in 2016 when an amendment to the Finnish Postal Act makes it possible for practically any operator to offer mail delivery services.

Digitization and competition are revolutionizing the future of the postal industry as a whole. Due to declining volumes, mail delivery will become a substantially loss-making activity by 2019 barring improvements in operational efficiency and the development of new business. We want to take a pioneering role in this period of transformation.

The strategic goal of Postal Services is to hold a leading position in personal communications and services delivered to homes, as well as multi-channel and real-time targeted marketing.

The aging of the population creates demand for home services, and home services also provide business opportunities for Posti. We will also introduce new marketing services and make digital marketing solutions a stronger part of our service offering. Growth opportunities can be found in both multi-channel marketing and the utilization of data. By developing various regional models, our Press Services unit can be an attractive partner to both existing and new customers.

In addition to growth, we also want to ensure profitability. This will be pursued through a renewal of our product offering, pricing, the development of delivery models, and new sorting technology. This process of renewal will also benefit our customers: our services will become even better at making their everyday life smoother.

Key events in 2015

Posti signed an extension agreement with Ilkka-Yhtymä on newspaper delivery cooperation in Southern Ostrobothnia and Vaasa. The solution ensures an optimal service level and cost-efficiency in the delivery of the newspapers Ilkka and Pohjalainen. We have developed the delivery model in partnership with Ilkka-Yhtymä since 2007. The delivery model benefits the readers of the newspapers most of all. Satisfied readers, in turn, mean work for our highly professional delivery personnel.

Shipments to Russia from Chinese online stores increased our net sales by tens of millions of euros in 2015. This proves that we have the capacity to offer a reliable and transparent eCommerce supply chain that has a competitive lead time, which allows us to meet customer expectations.

We published approximately 20 new stamp releases during the year. The themes of the stamps included for example International Women's Day and **Jean Sibelius**. Heavier music was represented in the year's stamps by Hanoi Rocks, The Rasmus, HIM, Apocalyptica, Children of Bodom and Nightwish. Finns voted the Easter stamp *Spring twitter* as the most beautiful stamp released in 2015. In the stamp a great tit sings on a branch with willow catkins.

The number of users of Posti's electronic mailbox Netposti increased by 8% during the year to approximately 636,000. The Netposti service can be used to receive official letters, such as invoices, from more than 22,000 businesses and organizations. Using Netposti offers the sender cost savings and quicker communication. Electronic letters reach their recipients 1–2 days faster than paper letters. Invoices and salary slips, for example, are available via Netposti anytime and anywhere.

New products and services

One of the most significant new products of the year was Postinen, which was launched at the beginning of March 2015 as a new medium for unaddressed advertising. Households now receive advertisements and other unaddressed items in a separate wrapped bundle twice a week.

Advertisements, free distribution papers, and other unaddressed mail are automatically bundled inside a paper wrapping. The wrapping itself also serves as a new marketing medium for advertisers. The goal is to improve the competitiveness of paper-based communications and the profitability of delivery operations in the face of a rapid increase in digital communications, as well as to reduce the time spent on the manual sorting of advertising mail.

The Posti Home Services project develops new business based on home-delivered services. Our network of professionals and transport fleet cover the entire country and they can be used for the benefit of our customers in many ways in addition to the delivery of shipments and meals, as we reach 2.8 million households every working day. At Posti, we are used to having confidential encounters with customers as part of delivering mail and other goods. At the same time, we can help to create new jobs even as the volume of traditional letter mail is decreasing. We piloted various home-delivered services during the year in different parts of Finland.

Early in 2016, we began piloting a new service called Call & Check Visit in Oulu that involves delivery personnel making a personal visit to greet the customer. During these brief visits, the customer's well-being is checked in conjunction with the delivery of mail. In the pilot, delivery personnel who have received special training for the task will deliver the day's mail, meet the customer, and have a brief conversation following a loose script. Regular visits to greet the customer help create a sense of security and support day-to-day life at home.

Recognitions

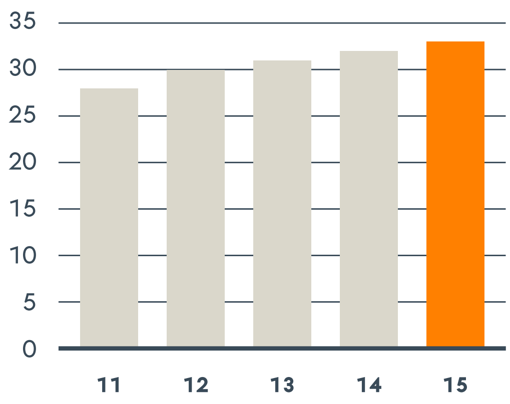
Organized by Grafia, the Association of Visual Communication Designers in Finland, the Best of Finnish Advertising and Design is Finland's most significant competition in the field of marketing communications and design. Posti's Tom of Finland stamps won the Gold prize in the Graphic Design category. Graphic designer **Timo Berry** designed the stamps to celebrate the life's work of artist **Touko Laaksonen**.

Parcel and Logistics Services

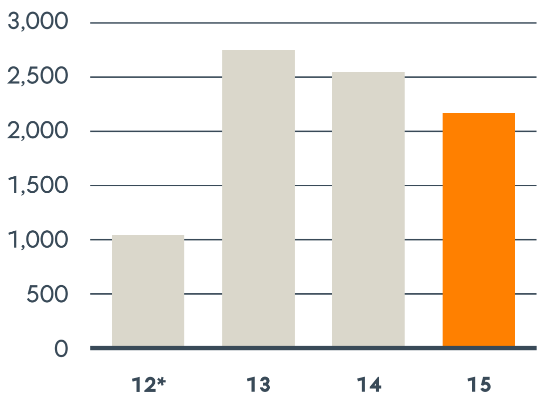
The Parcel and Logistics Services business group is in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services, retail network as well as warehousing and supplementary services in Finland and the Baltic countries. We are the market leader in Finland in the B2C and B2B parcel business and in warehousing services. In transport services we are among the three largest operators in Finland.

Number of service points

**Parcels
in millions**



**Freight volumes in Finland
in thousands**



* Inc. VR Transpoint starting
October 1, 2012

Business environment and strategy

In logistics, the competitive situation was tough throughout the year. The recession has slowed down the market, and volumes in heavy traffic have been on the decline in Finland for several consecutive years. Nevertheless, goods and products are constantly being transported and stored. The growth of eCommerce is also creating new opportunities in logistics.

Our strategic goal is to maintain a strong market position and achieve profitable growth. As the market leader, we are a high-quality and cost-effective service provider for our customers, and our services are easy to buy.

We have the largest retail network in Finland and, during the first quarter of 2016, our retail network in the Baltic countries will also become the largest in that region. We improve the accessibility and cost-effectiveness of our retail network through partner solutions as well as digital services.

We continuously renew and develop our products and services. We improve the efficiency and utilization rates of our warehouses. As leveraging information technology is at the core of our entire strategy, we are investing in robotics, hybrid warehouses, and the management of material and information flows.

We seek significant growth in logistics outsourcing solutions. We are also taking new steps in food logistics, in-house logistics and eCommerce for food products, and we are investing in logistics services for the public sector.

We operate in Finland as a common carrier. This means that we are a neutral domestic delivery service provider that does not operate international traffic of its own and does not compete with other international operators in international traffic. We offer international carriers the "last mile" of the flow of goods.

Key events in 2015

We concluded several significant customer contracts late in the year, with major players such as MARS Nordics, JD.com, Anttila, TeliaSonera, and Verkkokauppa.com outsourcing their supply chain solutions to us. We continued to improve the profitability of our logistics business in line with our strategy by selling our Scandinavian road freight business operations to the Danish Nordic Transport Group in the spring. Going forward, international freight services will be offered through our partner network.

We also launched a renewal of our Retail Network in the spring. Posti will operate 21 postal outlets of our own, and we began negotiations concerning 77 outlets to be transferred to partners. We will also open 100 new service points. The changes will be implemented over the next two and a half years.

In September, we tested a robotic helicopter in delivery and transport tasks for the first time in Finland, and for the first time in Europe in a populated urban environment. The robotic helicopter flew with a parcel for example from mainland Helsinki to the island of Suomenlinna.

Late in the year, we opened a robot-assisted hybrid warehouse in Vantaa that seamlessly combines an automated warehouse with a pallet warehouse and a small-item warehouse. The new logistics center we opened in Lieto late in the year is a hub for eCommerce. Our logistics center in Vantaa, the robot-assisted hybrid warehouse, and the Lieto logistics center offer eCommerce operators as many as two or three additional days of sales during peak seasons. Customers, in turn, will enjoy fast delivery of their eCommerce orders, even on the day the order is placed.

New products and services

Meal deliveries by Posti were supplemented with other day-to-day home care services in the spring when we introduced a new home service in partnership with Helsinki Deaconess Institute Hoiva. The same person that delivers meals to the customer's home also handles additional tasks such as heating and serving the meal, as well as other assistance such as cleaning the refrigerator and taking out the garbage.

Viilea, a refrigerated mailbox, is used to deliver mail and consumer goods requiring cold storage without the customer having to be at home to receive them. We were the first operator in Finland to successfully test the service. The pilot started in summer 2015 in partnership with the senior citizens' services of the City of Rauma Department of Social Services and Health. The grocery bags were delivered to refrigerated Viilea mailboxes installed in front of the assisted living facility.

Following the expansion of our retail network in the Baltic countries, our network of pickup locations for eCommerce parcels now also covers Latvia and Lithuania. In Estonia, Posti's parcel point network holds a share of one third of the Estonian parcel market. The number of parcel points in Estonia currently stands at 82.

Our new cloud service GLUE (**G**eneric **L**ayer for **U**niversal **e**Commerce) provides eCommerce with opportunities for growth. GLUE brings customers, online stores, and suppliers under the same network. GLUE transfers the customer's order from the online store to the cloud service where the delivery can be directed to the customer directly from the supplier's storage, the online store's own storage, Posti's storage, or through a multi-channel retailer's physical retail locations.

Over the next two years, we will gradually implement a modern warehouse management system. With world-class technological capabilities, the system will enable improvements such as the optimization of automated warehouse operations. The system will be implemented at all of Posti's warehouses in Finland.

We signed an agreement with the City of Tampere on local logistics services delivered to customers of municipal services for the elderly who live at home. Examples of the goods delivered include incontinence products and library books. The number of deliveries is estimated at 10,000 per year. Starting in October, we have handled the transportation of materials between 43 libraries in Southwest Finland. The goods carried are mostly books, but other library materials are also included.

A tradition that goes back 45 years continued when advance voting for the Finnish parliamentary election took place in April at 912 advance voting locations across the country, 38 of which were Posti outlets. In addition to Posti outlets, we also organized advance voting in two shopping malls.

At the turn of the year 2015–2016, we opened Finland's most versatile and efficient service center for fashion logistics in Orimattila's Pennala district. In conjunction with this, we relocated our fashion logistics functions to Pennala from the Sopenkorva district of Lahti. We offer fashion logistics customers a comprehensive range of supplementary services: custom sewing, repair sewing, printing, embroidery, ozonization/odor removal, stain removal, and eCommerce solutions.

Recognitions

Posti's innovative meal delivery service won PostEurop's CSR Coups de Coeur corporate responsibility award in the Society category. The Association of European Public Postal Operators, which has members in 52 countries, awarded prizes in three categories: Environment, Employees and Society. We deliver meals in nearly 100 municipalities. In addition to delivering two million meals to homes per year, each day we deliver 500,000 meals to day-care centers, schools, assisted living facilities, and other municipal locations.

The Viilea refrigerated mailbox and the Alepa Kauppakassi service, introduced in 2014, received international recognition when Euromonitor International ranked it third among new retailing concepts.

Operations

The mission of Posti's Operations unit is to ensure high-quality mail, parcel, and logistics services in Finland and to engage in developing new services to meet customer needs. The Operations unit ensures that we reach approximately 2.8 million Finnish homes and approximately 200,000 business customers in an optimal fashion.

We have the best and most comprehensive service network in Finland. We deliver over eight million postal items each day, which adds up to over two billion postal items per year. Posti's delivery and transport fleet covers around 200 million kilometers per year.

Our strategy highlights four key areas: cooperation with customers, increasing automation, a process-oriented production network, continuous route optimization, and bold exploitation of digitalization. Our goals are an improved customer experience, higher quality and enhanced cost-effectiveness, flexibility, and safety at work.

Cost-effectiveness through joint operations

In early 2015, Postal Services' and Parcel and Logistics Services' production units merged and a new Operations unit was launched. Joint operations allow us to produce high-quality, cost-effective services, and to experiment and develop new services quickly and in an agile manner. We continuously measure all process components in order to be able to effectively manage our operations.

Last year, we tested a number of new services and launched, for example, Postinen. The Operations unit plays a key role in the development of new products, specifically in ensuring efficient, high-quality production methods that meet customer needs. This is particularly important for enhancing existing and developing new services.

Increased automation

Over the course of the year, we invested in increased automation, specifically in letter, publication, advertisement, and parcel sorting. We increased automation at the Helsinki postal center and invested in the bundling machines required for Postinen production. We have been able to use the bundling machines to insert unaddressed advertisements inside Postinen folders instead of inserting the advertisements manually. In the autumn, we also began test using a new-generation sorting machine and enhanced the use of our current sorting machines.

Last year, we invested in process management and network design, which allowed us to improve the delivery accuracy of our parcel and freight services according to customer needs. We adapted our freight terminal network, invested in a new joint operations terminal in Joensuu, and launched terminal construction in Pirkkala.

We enhanced our delivery network by optimizing mailbox grouping and the number of mailboxes. We grouped mailboxes in different parts of Finland in cooperation with our customers. We have been grouping mailboxes since the late 1970s. Over 80% of the mailboxes in Finland have been grouped, and grouping operations will be continued in 2016.

Posti also has the use of top expertise and tools that allow us to plan and optimize delivery route design. The sensors in our delivery vehicles report the location of the vehicles in real time. The information collected by the sensors has enabled us to enhance vehicle usage rates and to promote safer, more environmentally friendly driving styles.

The Posti Mobile project brings mobile equipment to mail deliverers

We have also launched the Posti Mobile project. In 2016, all delivery employees will be given the use of mobile smart devices. This way, we will be able to provide more flexible and effective services to our customers.

We are conducting a number of experiments together with our customers and partners to investigate the uses of digitalization and the industrial Internet. For example, the sensors in our vehicles offer many types of useful information concerning the road condition, telecommunications network signal strength, fuel prices, and traffic flow.

Itella Russia

We offer our customers comprehensive logistics solutions comprised of warehousing, freight and marketing services. We serve our customers in all significant economic regions in Russia, from St. Petersburg to Vladivostok. We are the market leader in warehousing and 3PL (3rd party logistics) solutions. Our solution covers the entire supply chain from picking to packaging and warehousing.

Having first established our company in Russia in 1996, this year marks the 20th anniversary of our operations. We have operated under the Itella brand since our merger with NLC (National Logistics Company) in 2008. Today, our organization also includes Itella Connextions, which is one of the largest direct marketing specialists in Russia.

We have over 2,800 employees, over 500,000 square meters of storage space in a total of 15 warehouses, as well as a transport fleet of our own in Russia. Our customers are well-known international companies representing a variety of sectors ranging from the automotive industry to the fashion business, consumer electronics and the pharmaceutical industry. All of our operations are certified under the ISO 9001 and 14001 standards.

Business environment and strategy

The economic situation in Russia remained challenging throughout the year. Net sales were negatively impacted by the general weak economic situation as well as lower demand for air and sea freight, and lower warehouse processing volumes. Nevertheless, our warehouse fill rate was at a good level. During the year, we were also successful in acquiring new customers as well as reacquiring old customers.

Many European companies exited the Russian market in 2015. For us at Posti, however, Russia remains a key market alongside Finland. Due to the economic situation in Russia, our business unfortunately involves a degree of uncertainty, and we are unable to predict when the Russian market will turn to growth. In the long run, Russia remains an attractive market for logistics and eCommerce services.

While the Russian economy is contracting, eCommerce is still growing. Russia is among the ten largest consumer eCommerce markets in the world. This offers us new business opportunities.

In line with our strategy, the sectors we focus on include fast-moving consumer goods, the pharmaceutical industry, the automotive industry, electronics, fashion, and mechanical engineering.

Our aim is to be the market leader in contract logistics, a strong player in road, air and sea freight, a leading operator in last-mile delivery in B2B and B2C shipments, and one of the key facilitators of eCommerce. We develop transports between countries using smaller transport units, and we also develop the terminal network. We are a significant logistics operator in Russia. We create solutions that enable shopping for goods online.

Key events in 2015

Active dialogue and continuous discussions with our customers produced good results. During the year, we won significant new accounts in sectors such as the electronics and food industries. In spite of the downward trend in the Russian economy, we not only acquired new customers but also reacquired some old customers.

During the year, we launched and developed new products and services in line with our strategy. We had a particular focus on the quality of our work. Our customers have also noticed this. This was reflected in our customer satisfaction survey, with our customers particularly praising the quality of our transport services. Our customers value us and consider our company to be a reliable, responsible and professional provider of transport services. There is also room for further improvement: our customers expect us to have even more flexible and quick decision-making in our logistics services.

In September, we opened a new warehouse in Aksay in the Rostov region. The warehouse is custom-built for our customers by the property developer A2, with whom we concluded a long-term lease. Procter & Gamble is one of the largest customers of the warehouse. Establishing the warehouse center creates more than 100 permanent jobs in Aksay, and the number of employees may even double from that amount during peak seasons. We also opened a total of five new eCommerce hubs, or central terminals, during the year. The terminals are located in Moscow, St. Petersburg, Rostov-on-Don, Novosibirsk, and Yekaterinburg.

Southern Russia is an important market area for us. We have an office in the Port of Novorossiysk. We believe that the port will play a significant role with respect to changing traffic flows, and that interest among business customers in our company’s operations in the Southern regions of Russia will be maintained in spite of the current crisis. We are well positioned for these changes: our two warehouses in the region have a combined capacity for more than 40,000 standard pallets.

Recognitions

In November, our company was recognized in an event in Moscow where awards were handed out to Russia's best logistics operators in 2014. Itella won the category "Best logistics operator serving international transport corridors". We were also recognised as a leading company in the logistics services market and named among the five best logistics operators in Russia. We have won awards in various categories for over ten years.

The comparative rating of the best logistics operators in Russia is organized annually by the Euro-Asian Logistics Association, which is the largest logistics industry association in Russia and CIS. The comparison includes international, national, and regional operators.

In July, Itella was selected among the best employers in Russia in "The Captains of Russian Business" employer competition. More than 200 companies participated in the company, with 15 companies receiving awards. Itella was in the top 15 with companies such as Pepsi, Unilever, Citibank, and Leroy Merlin.

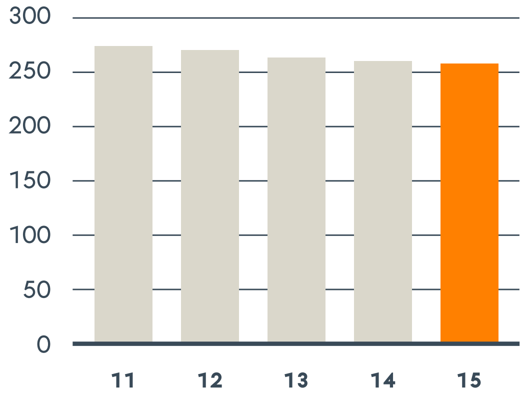
OpusCapita

The key success factors of today's companies include efficient and automated financial processes and their continuous improvement. OpusCapita provides solutions setting the new standard for companies' financial processes. Customers can choose from OpusCapita's offering to put together a service portfolio that best suits their needs: software solutions, combinations of software and services or financial management outsourcing partnership.

Our areas of special expertise include Purchase-to-Pay and Order-to-Cash processes, as well as outsourcing services for financial management and documentation flows. Our services and solutions enable the extensive integration and automation of processes to maximize the added value for the customer organization. As a new service, we also offer supply chain financing to our customers.

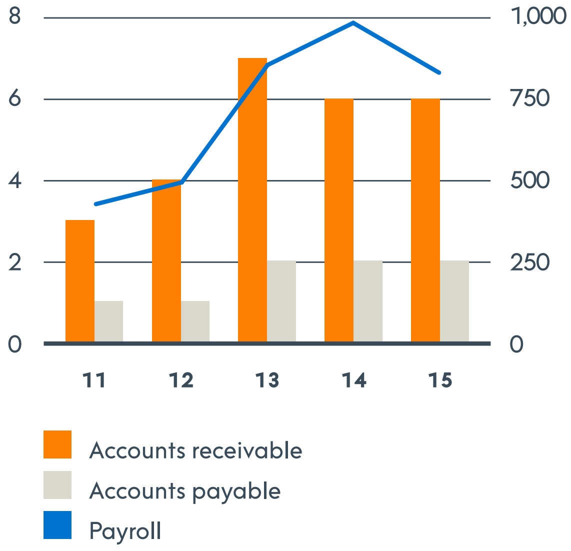
We have more than 11,000 corporate customers and software users in approximately 50 countries. We have offices in eight countries employing some 2,300 professionals. In 2015 we delivered 205 million electronic messages, 304 million scanned documents and 31 million printed letters.

Net sales / OpusCapita
EUR million

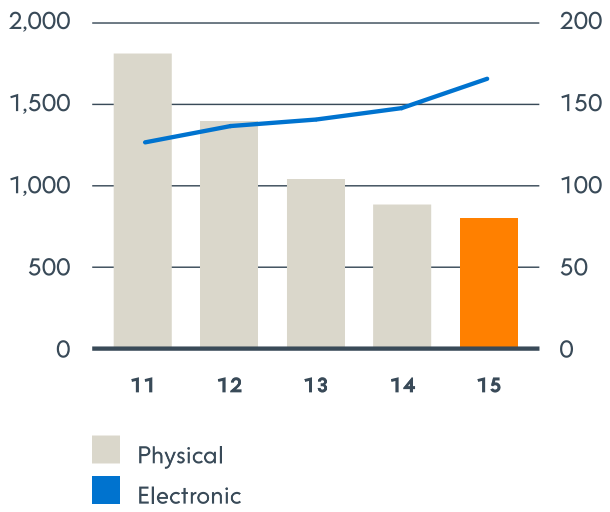


The transactions of financial accounting outsourcing
in millions

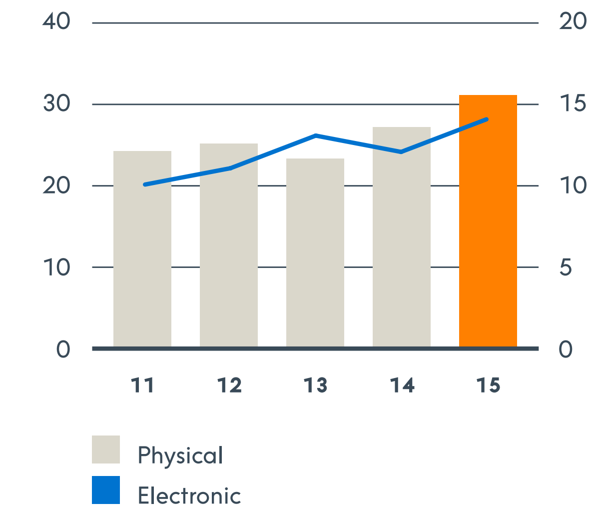
in thousands



Sales invoices (outbound documents) in millions



Purchase invoices (inbound documents) in millions



Business environment and strategy

OpusCapita's business environment is influenced particularly by the automation of knowledge work and the related use of robotics, e-invoicing, and payment period management.

The use of robotics is becoming more commonplace, and the future will also bring robots that are capable of learning and independent deduction. We are the first Finnish company to roll out software robotics in production operations. Our software robots work every day to support our customers' financial management and payroll administration by analyzing large quantities of data to identify changes in wages and salaries and verifying the accuracy of changes recorded with regard to employment relationships.

The proportion of e-invoicing in the invoice traffic of businesses and organizations is growing continuously. More than 40% of all B2B invoices and invoices between businesses and the public sector are now electronic in the Nordic countries. The regulations contained in new EU directives scheduled to enter into force at the end of 2018 include a requirement for public organizations to have the capacity to accept e-invoices related to public procurement. This requirement will impact more than 100,000 public administration offices and institutions in Europe. We are a pioneer in e-invoicing in Europe.

On March 3, 2015, the Finnish Parliament approved a legislative amendment stating that the payment period of invoices between businesses must not exceed 30 days. This legislative amendment and the new financing systems that are about to be introduced to the market present good opportunities for supporting the competitiveness and operating capacity of Finnish SMEs. According to our survey, 75% of Finnish companies see changes to payment periods as being significant with respect to their financial situation. We have complemented our service portfolio by launching a supply chain financing solution that allows companies to offer affordable financing to their suppliers using standardized processes.

In OpusCapita, we started to work on defining our new strategy in late 2015. Our goal is to create international growth through scalable buyer-supplier ecosystem solutions while ensuring stable and profitable business operations in our traditional business areas in the Nordic countries. We will continue to shape our new strategy in the first half of 2016.

Key events in 2015

In the spring, we acquired the Swedish company Kredithanterarna to strengthen OpusCapita's position in the Swedish market. Our goal is to improve the efficiency of our customers' financial processes to free up as much working capital as possible. The acquisition allows us to offer an attractive end-to-end solution for the management of our customers' cash flows and to help them optimize their working capital.

Being a company that wants to be at the forefront of development in robotics, we were one of the founding members of the Airo Island Association (Artificial Intelligence & Robotics). The aim is to have professionals and operators in the fields of AI and robotics working together on creating new products and concepts that will allow Finland to retake its position among the world's leading countries in leveraging and developing digitality as well as creating innovations related to robotized service products.

In September, we discontinued our operations in Slovakia after operating there since 2008. The decision was based on our strategy of withdrawing from markets in which we have not achieved the position of market leader in locally provided services.

OpusCapita got a new CEO at the beginning of October when **Patrik Sallner** joined the company. Before joining OpusCapita, he was the CEO of MariaDB Corporation.

Late in the year, we sold our businesses serving the local markets in the Baltic countries to BaltCap. The transaction included OpusCapita AS, which operates in Estonia and Latvia, as well as UAB OpusCapita, which operates in Lithuania. We nevertheless continue to operate our Baltic centres of expertise, which serve customers outside the Baltic countries. The transaction allows us to focus on our strategic business areas in Europe.

New products and services

During the year, we launched a supply chain financing service for Finnish companies. It allows SMEs to receive payment in a matter of days. In relation to the new service, we concluded a strategic partnership agreement with PrimeRevenue. By leveraging PrimeRevenue's platform for working capital finance solutions, we can deliver a unique range of multi-funder supply chain financing solutions. Such a large-scale financing solution, with hundreds of suppliers, has never before been offered in the Nordic region.

Recognitions

According to a corporate image survey of the ICT sector carried out by Taloustutkimus, OpusCapita is one of Finland's most highly regarded and best known software providers. Conducted in spring 2015, the extensive survey assessed perceptions and awareness with respect to operators in the ICT sector.

In the survey, OpusCapita was grouped together with 25 companies operating in Finland. We ranked sixth in the assessment of the most highly regarded companies among this group. Our perceived strengths were identified as professionalism and expertise. We also received good scores on end-to-end solutions, product performance and functionality, as well as understanding customer needs.

SUSTAINABILITY

Sustainability at Posti

Sustainability has been a cornerstone of Posti's operations for nearly 400 years, since the early days of postal operations. Since then, our business operations and their geographical coverage have been significantly expanded. Our commitment to responsibility has become even more important – it is part of our strategy, it is based on our shared values, and our customers also expect it from us to an increasing extent.

Posti announced its new strategy in the summer, with the primary objectives of renewing Posti to make it a customer-oriented, first-class service company and pursuing profitable growth in new services. For this reason, we also updated our material sustainability aspects and targets for the coming years. The materiality analysis consisted of an information collection stage based on interviews with key individuals, stakeholder perspectives, and an analysis of the megatrends and peer companies. Based on the results of this work, the corporate responsibility steering group updated Posti's material sustainability aspects in a workshop, the results of which were validated by the Management Board.

We divide our sustainability into four areas: responsible service provider, sustainable business, creating value for stakeholders, and engaged multi-skilled employees. The figure below describes the content of each area in more detail.

The four areas of sustainability

RESPONSIBLE SERVICE PROVIDER

- Ethical business practices in the whole network
- Energy efficient operations
- Responsible restructuring as employer
- Nationwide, secure services

→ Trustworthy and reliable partner

SUSTAINABLE BUSINESS

- Long-term profitability
- Operational efficiency
- Customer-driven innovations
- Transparent reporting

→ Renew and grow

CREATING VALUE FOR STAKEHOLDERS

- Creating value for stakeholders through sustainability, for example through climate-friendly Posti Green services

→ Forerunner in green logistics

ENGAGED MULTI-SKILLED EMPLOYEES

- Safety and well-being at work
- Performance management
- Competence development
- Diversity and equality

→ Attract, retain, develop

Management of sustainability

Sustainability is part of our daily work and management. At Posti, management is based on our values: succeeding together with the customer, driving for improvement and innovation, taking responsibility, and winning together. Good management supports the achievement of these targets and fosters a positive work atmosphere.

Posti is committed to operating in a responsible and ethical manner. Posti's way of working is documented in more detail for personnel in the company's Code of Conduct. The Code of Conduct covers compliance with laws and regulations, good business practices, non-discrimination and equality, conflicts of interest, ethical commercial practices, and environmental responsibility. The Code of Conduct also specifies the anonymous whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. In accordance with the principles of the UN Global Compact, we are also committed to promoting employees' rights, environmental protection, anti-corruption work, and human rights. We require our suppliers to make the same commitments.

Sustainability is the responsibility of our Vice President of Stakeholder Relations, who is a member of the Management Board. Sustainability issues are discussed by the Board of Directors' Audit Committee and the Group's Management Board at least once a year. During the review period, we updated our sustainability action plan for 2016–2018. The indicators and targets are described in the table below.

Indicators and targets of sustainability

Area of corporate responsibility	Indicator	Description	Realized in 2015	Target in 2020
Sustainable business	Operating result (non-IFRS), %*	Operating result as a percentage of net sales. The operating result equals the result reported in the income statement after the deduction of all expenses and depreciation and amortization, but before the deduction of financial items and taxes.	2.9%	Over 5%
	Revenue from new business areas and solutions	According to Posti's strategy it aims to gain over 10% of its revenue in 2018 from new business areas such as home services and food logistics.	N/A	Over 10% (in 2018)
Responsible service provider	Number of Posti's service points	Posti aims to be the number one service provider for postal and logistics customers. Accessible and reliable services are in the core of our business. The indicator includes the service points maintained by Posti and its partners, parcel points, delivery pickup locations and business service points.	1,401	1,500
	Customer satisfaction rate	The indicator applies solely to the operations of Posti Ltd. Customer satisfaction refers to the results of the customer satisfaction survey cunducted in Finland by Posti, on a scale from one to five.	2.93	N/A
Engaged multi-skilled employees	Personnel engagement index	Engagement index contains four items: pride, satisfaction, willingness to recommend and engagement.	47%	-
Environmental responsibility	Carbon dioxide emissions	The primary goal of Posti's environmental program is to reduce carbon dioxide emissions by 30 percent by 2020 (compared to 2007; emissions in relation to net sales).	-16%	-30%

* Non-IFRS = excluding non-recurring items

Management of sustainability risks

We update our sustainability risks twice a year as part of our comprehensive risk management process, and they are reported as a separate item in the Group's risk report. The risk report is processed by the Posti Group Board of Directors and its Audit Committee, the Group's Executive Board, and corporate responsibility steering group.

Sustainability risks include, for example:

- outsourcing measures related to potential personnel arrangements that can have a negative effect on our reputation and, consequently, cause us to lose customers;
- potential information leaks and information security deviations, particularly those related to personal information;
- possible accidents that cause extensive damage to the environment.

Compliance risks include, for example, corruption as well as risks related supplier management and the failure of internal control. These are particularly important in Russia, Poland and the Baltic countries.

We process all information in strict confidence, taking information security issues into account. Our corporate security policy determines the minimum level for all of our countries of operation. Exceeding legal requirements, our policy is based on international standards (SoGP, ISO/IEC 27001 and TAPA), which determine our targets, responsibilities, and implementation methods in information security management.

Our policy takes into account the information security requirements of our customers, the business environment, and risk management. In terms of protection, we see as particularly important customer and personnel information as well as our and our partners' confidential information and the related systems and business processes.

Our risk management unit prepares information security guidelines and supports the management in implementing them. In all of our Group companies, the management is responsible for implementing our corporate security policy as part of their daily work.

Highlights in 2015

Some of Posti Group's sustainability highlights of the year are described below.

Q1

January-March

Posti's carbon neutral Posti Green concept was expanded early in the year to cover all of Posti's services in Finland: postal services, parcels, transport and freight services, as well as warehousing services. With its 100% carbon neutral services, Posti is a pioneer in green logistics in Finland.

Finnish representatives **Heikki Toikkanen** and **Päivi Blom** took first place in the Drivers' Challenge driving habit competition organized by Posti and the International Post Corporation (IPC) in Ivalo in March. The competition involved driving efficiency and safety tests as well as customer service-oriented tasks. In addition to vehicle handling skills, points were awarded on the extent of the postal companies' commitment to environmental objectives and sustainable development.

Q2

April-June

Posti started a cooperation with Lassila & Tikanoja to reuse and recycle pallets. Pallets that can be fixed are renovated and stored, while those that cannot be fixed are chipped and recycled as fuel for energy. Posti also started a pilot with L&T to recycle plastic used for binding and sheeting.

In late spring, we launched a new online training program to put Posti's Employee Code of Conduct into practice. The Code of Conduct documents the common ethically acceptable procedures that apply to everyone at Posti. The training is mandatory for all employees.

Posti participated in the Responsible Summer Job campaign and hired 1.900 summer employees all together.

Q3

July-September

The Group's sourcing system harmonization project was completed in Finland and the Baltic countries, which supports the monitoring of compliance with the sourcing policy. Posti's sourcing policy documents our commitment to an ethical and responsible way of working.

Posti participated in the national Energy Awareness Week by engaging in active communications to personnel on how to reduce carbon dioxide emissions and other environmental impacts from operations by using energy and materials sensibly.

Posti participated in the PopUp Electric Car event at Senate Square in Helsinki. Posti uses several alternative fuel vehicles, some of which are in test use and some are permanently part of the fleet. They include electric vans and cars powered by biodiesel and biogas as well as dual fuel trucks and very large eco-trucks.

Q4

October-December

Posti's meal delivery service concept won PostEurop's CSR Coups de Coeur corporate responsibility award in the Society category.

Posti's headquarters organized a campaign to collect household linen and cutlery for reception centers operated by the Finnish Red Cross. Posti also supported the refugee assistance operations of the Finnish Red Cross by transporting meals and supplies to reception centers in cooperation with partners.

In November, we partnered with the Finnish War Veterans Federation and the Union of Front Veteran Soldiers to organize a campaign encouraging people to send thank you cards to the veterans of Finland's wars. The campaign was well received and Posti delivered some 15,000 cards to veterans before the Finnish Independence Day.

Posti's personnel magazine, Me postilaiset, was recognized as the best personnel magazine in Finland.

We donated our customer and partner Christmas gift funds to support the operations of SOS Children's Villages Finland. SOS Children's Villages provides diverse family care and child protection services to families and children in need.

Posti in society

Posti's most significant task in society is to ensure a smooth daily life for Finnish consumers and businesses. Each weekday, we visit the front door of some 2.8 million Finns, and we serve approximately 200,000 business customers per year.

Our well-functioning and efficient infrastructure enables us to provide reliable services for all of our customer groups in a socially responsible manner. We deal ethically, openly, and transparently with all of our stakeholders. We use various channels to provide our stakeholders with information and enable them to interact with us.

Posti is the largest logistics company in Finland. We have nearly 400,000 m^2 in warehousing capacity in Finland, more than 4,000 vehicles, and we drive over 100 million kilometers on Finnish roads every year. We offer the most comprehensive nationwide logistics network. The strategy in parcel services is to act as an enabler of online shopping for Finnish companies and consumers.

Our basic business is undergoing a transformation as digitization erodes letter and publication delivery volumes. Letter and publication delivery volumes are declining by some 10% annually, and it is estimated that letter delivery volumes will fall to half of their current level by the end of the decade. Nevertheless, providing premium mail services to everyone across the country is our main mission in Finland.

We ensure that the letter and parcel services that fall within the scope of universal service obligation are available to everyone. We are the only operator in Finland to provide five-day delivery services that cover the entire country. The universal service obligation covers the entire country, with the exception of the Åland Islands, and its fulfilment is supervised by the Finnish Communications Regulatory Authority.

We delivered items that fall within the scope of the universal service obligation on five weekdays to all households in accordance with the Finnish Postal Act. In areas that are difficult to reach, we deviated from the five-weekday obligation in the case of approximately 106 households, with the allowed maximum being 300. Posti handled 2,894 inquiries related to normal letters during the year. Altogether 1,749 inquiries were unresolved, and 178 items were declared as having been lost, while 967 lost items were found. Inquiries related to letter items represented 0.00033% of the total volume.

The Postal Museum has an important social mission

Owned by the Postal Museum Foundation, the Postal Museum is located in Museum Centre Vapriikki in Tampere. Established in 1926, the Postal Museum studies, records, and exhibits phenomena related to postal operations, mail communications, and data and goods traffic. It houses extensive collections of Posti's artifacts and photographs as well as every stamp released in Finland and various philatelic special collections.

The Postal Museum offers a variety of interesting experiences. The experience-oriented Messengers exhibition illustrates the long history of postal operations and communications in Finland, from the 1600s to the present day. The museum also organizes exhibitions on special themes as well as a broad range of events for various target groups. In 2015, the theme exhibition On the Move! – To a New Home touched on a current topic of interest. The exhibition highlights the experiences of evacuees from Karelia as well as refugees who have migrated to Finland for humanitarian reasons.

The main mission of the Postal Museum Foundation is to maintain and develop the Postal Museum and to preserve and present the cultural heritage of Finnish postal operations. The Postal Museum Foundation is responsible for the archival, presentation, and information services related to Posti's history under a service agreement.

Financial responsibility

Posti's financial responsibility is based on transparency and profitability. We want to grow profitably, as only a financially sound company can implement its responsibilities in terms of society, personnel, the environment, and all stakeholder groups. We plan our finances from a long-term perspective, anticipating changes in the market, customer demands, and risk scenarios in Finland and abroad. Financial responsibility management is supported by our risk management policy, internal control principles, and corporate governance principles.

We are a state-owned company that operates on market terms, and our operations are entirely based on the revenue received from our customers. We implement our financial responsibility by reforming our business operations and improving our profitability in line with our strategy.

Our financial targets are that the company's operating profit percentage exceeds 5%, return on invested capital is at least 10%, gearing does not exceed 35%, and more than 10% of the Group's net sales comes from new business areas in 2018.

The financial impact of our operations is comparable to those of the banking and telecommunications sectors, as our services are used by hundreds of thousands of private and public sector operators every day, in addition to consumers.

Financial impact in accordance with the income statement

EUR million	2015	2014	2013
From customers			
Net sales:	1,650.3	1,858.7	1,976.8

EUR million	2015	2014	2013
To personnel			
Salaries and fees	606.9	684.7	713.4
Social security expenses	50.9	59.3	64.1
Pension expenses	98.8	103.9	107.9
To suppliers			
Materials and services	437.6	526.7	572.2
Other operating expenses	365.4	400.5	411.1
To public sector			
Income tax on profit for the period*	18.3	1.6	4.5
To Financial sector			
Interest expenses	14.1	16.3	17.4
To owner			
Dividends for profit for the period*	18.0	0.0	0.0

* more information from the section Tax footprint

We support development and well-being throughout the country. Our Group's operations span the entire country, and we are an important employer in Finland. In addition to providing employment, our operations generate well-being in and tax revenue for Finland. At the end of 2015, we had 16,874 employees in Finland.

The geographical distribution of our employees in Finland on December 31, 2015

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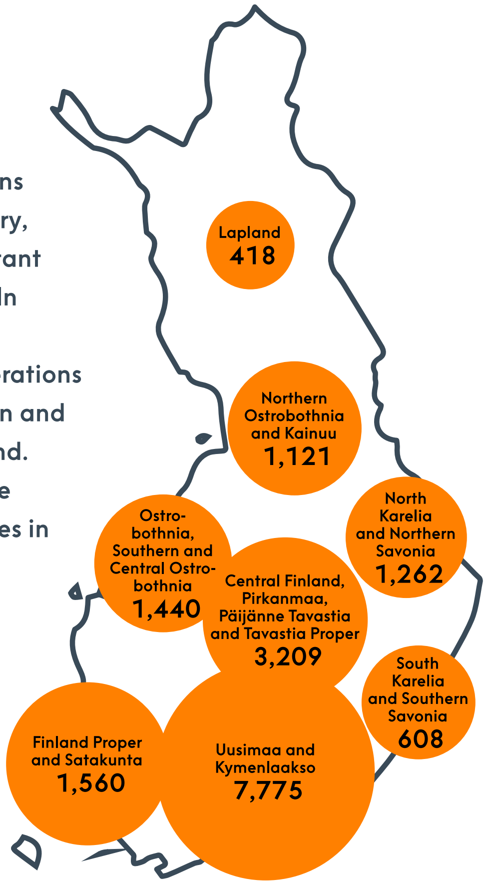


Tax footprint 2015

In its tax footprint reporting, Posti adheres to the country-specific tax reporting guidelines for companies of which the state is the majority shareholder, provided by the Ownership Steering Department on October 1, 2014.

Tax strategy

All companies in the Group have committed to operating responsibly and to meeting all obligations and requirements defined by the valid legislation of each country. Posti Group companies pay their taxes in the countries in which their actual business operations take place. All taxes are to be paid on time without delay. The Group's long-term target is to ensure that the Group's effective tax rate is at the same level as the corporate income tax rate valid in Finland at each particular time.

According to the Group's tax strategy, taxation is always a consequence of business operations, which means that tax solutions must also be based on business needs. Posti does not practice tax planning that would aim at artificially decreasing the Group's taxable income. In tax-related issues, the Group operates within the framework of legislation and legal practice in planning the taxable profit of Group companies. This can include the utilization of tax losses accrued in a subsidiary or the granting of group contributions, for example. In transfer pricing between subsidiaries, Posti aims to always ensure that the prices are market-based. To clarify taxation practices, some situations may involve contacting the tax authorities for either verbal guidance or a written decision on the taxation treatment of the planned action.

Management of tax-related issues

The management of tax-related issues is centralized to the Group Finance unit, which is responsible for managing and monitoring tax-related issues at the Group level. Decisions related to taxation are made at the Group level. Significant matters of principle are presented to the parent company's Board of Directors for decision-making. The Group's CFO reports regularly on taxation-related issues to the Group's Audit Committee. The key task of the management of tax-related issues is to ensure that all Group companies comply with the regulations of tax legislation in all countries of operation. Tax risk management is part of the Group's risk management process.

Principles observed in tax reporting

The information presented in this report is based on information collected from the Group's accounting systems. Taxes refer to taxes or tax-like fees paid to public sector entities, whether they are paid or remitted by the company. The nature and amount of taxes vary significantly from country to country. Taxes payable refer to taxes paid by the Group companies which are, as a rule, expensed in the company's Financial Statements. Taxes remitted refer to taxes or fees collected by the companies which are remitted to tax collectors, often on behalf of parties other than the company itself.

The company has restricted its tax reporting to only cover substantial operating countries. Based on this decision, country-specific tax information is only presented for Finland and Russia. Nearly 84% of the Group's net sales comes from these countries. According to the Group's strategy, these countries are its main markets. Other operating countries are grouped under Scandinavia and Other countries. Posti also uses the same geographical categorization in its Consolidated Financial Statements.

For countries other than Finland and Russia, information is presented on a country group-specific basis as the information reported is not of material importance and the presentation of country-specific information might jeopardize the non-disclosure of confidential information, such as customer or pricing details. From the Group's perspective, the amount of information reported is not of material importance when the taxes payable for an individual country do not exceed EUR 5 million.

The Group operates in nine countries. In addition, Posti has companies in countries where the Group no longer has business operations. When assessing the materiality threshold, net sales of EUR 1 million for each individual subsidiary is considered the threshold for non-materiality. Non-material companies are excluded from the reporting, as the amount of taxes paid by the companies is minor in proportion to the figures disclosed by the Group. These companies are in the categories Scandinavia and Other countries.

Changes in Group structure during the financial period are described in more detail in the Group's Financial Statements release.

In 2015, the Group's effective tax rate was 17.1% (2014: 3.4%). The divestment of logistics operations in Scandinavia in fiscal year 2015 had a significant effect on Posti Group's position with regard to taxation. Posti's sale of postal center properties in spring 2015 resulted in significant taxable profits.

Tax disputes

The Large Taxpayers' Office has partly approved Posti Group Corporation's petition for the deduction of losses by foreign subsidiaries merged into the company. Based on a decision made in October 2015, these losses were approved in the amount of EUR 2.4 million. At the same time, Posti's petition for the deduction of losses in the amount of EUR 39.0 million was refused. Posti considers the decision erroneous in this respect and has decided to lodge an appeal regarding the tax authority's decision with the Board of Adjustment of the Large Taxpayers' Office (Konserniverokeskuksen oikaisulautakunta).

The Group's tax footprint

2015, MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,265.3	118.5	140.4	126.1
Result before taxes	133.9	-14.6	-9.7	0.6
Number of personnel	16,874	2,809	417	1,498
Paid taxes	43.7	7.5	5.6	5.0
Remitted taxes	274.8	10.4	13.5	6.8
Received public support	0.1	0.0	0.0	0.2

2014, MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,358.8	171.8	211.5	116.5
Result before taxes	76.6	7.5	-21.3	0.9
Number of personnel	18,033	3,063	656	1,400
Paid taxes	31.7	10.8	6.1	3.3
Remitted taxes	305.5	18.0	13.3	6.0
Received public support	0.1	0.0	0.0	0.1

Taxes by category and by geographical area

Paid taxes 2015, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	18,092	16,061	345	490	1,196
Real estate taxes	3,675	2,588	1,087	0	0
Employer taxes	26,278	11,240	6,082	5,115	3,841
Environmental taxes	13,184	13,184	0	0	0
Other taxes	567	567	0	0	0

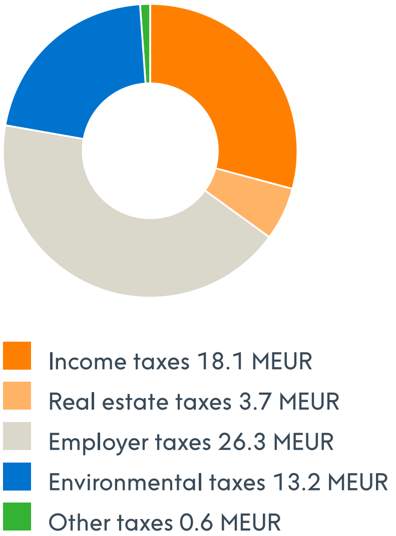
Paid taxes 2014, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	1,873	1,436	536	-288	190
Real estate taxes	4,314	2,636	1,566	112	0
Employer taxes	29,830	11,691	8,744	6,272	3,124
Environmental taxes	14,152	14,152	0	0	0

Remitted taxes by category and by geographical area

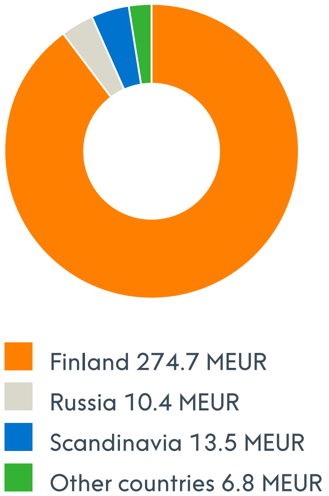
Remitted taxes 2015, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	172,389	155,400	6,505	8,918	1,566
Salary taxes	132,154	119,262	3,206	4,463	5,223
Other taxes	830	79	646	88	17

Remitted taxes 2014, thousand EUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	197,208	178,478	12,523	4,463	1,745
Salary taxes	144,916	127,065	4,830	8,819	4,202

Paid taxes and fees, total 61.8 MEUR

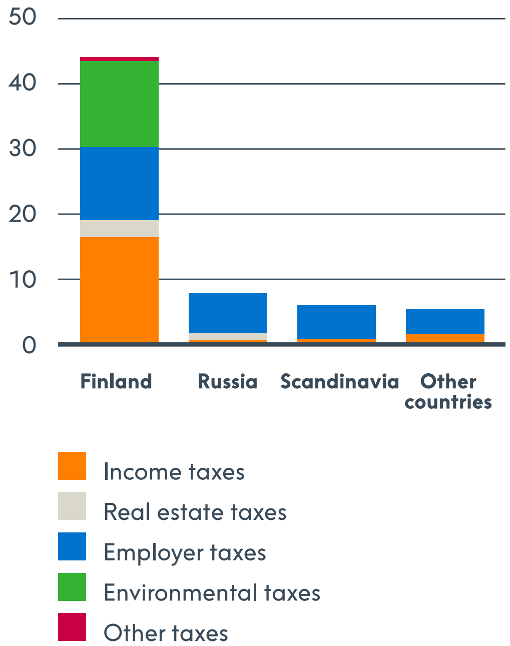


Remitted taxes by geographical area, total 305.4 MEUR*



* Of which value added taxes 172,4 MEUR, salary taxes 132,2 MEUR and other taxes 0.8 MEUR.

Paid taxes by type and geographical area, total MEUR



Cooperation with stakeholders

The postal industry is undergoing a profound transformation, which is why Posti must actively engage its stakeholders. Our key stakeholders are customers, personnel, the state as our owner, political decision-makers, authorities and the media, as well as our partners in subcontracting, research and the industry. The table below presents our key stakeholders and their expectations, as well as the key tools and forms of stakeholder interaction during the review period.

Stakeholder group	Expectations	Key interaction tools and results in 2015
Customers	• Reliable high-quality postal and logistics services and financial management services for a reasonable price • Information security and protection of privacy in all services • Commitment to ethical principles • Modernization in response to customer needs • Solutions for digitization • Environmental efficiency	• We made effective use of customer satisfaction surveys and feedback. • We expanded the carbon neutral Posti Green portfolio to cover all operations in Finland. • We operate in an environmentally responsible way by reducing the emissions of our vehicles, for example. Since 2011 the emissions of Posti's delivery vehicles have decreased by 8 %.
Personnel	• Responsible management and supervisory work • Equal treatment of personnel • Competitive and fair rewards • Development of well-being at work • Engagement and flow of information	• Posti is in the midst of an industry transformation, which is why we have placed a significant focus on change management and the training of personnel. Approximately 180 supervisors participated in the Changemakers training, while some 450 supervisors participated in line management training for production operations. • The bonus plan covers the entire Group. • The Group invested in occupational safety and organized safety walkabouts for management, for example. • Posti organized Ideatalkoot (Idea Drive), an innovation competition for personnel, which saw nearly 90 employees submit a total of 57 ideas for business development.

		• Employees have a channel for submitting feedback on issues related to the Code of Conduct and topics discussed by the equality committee. Feedback can also be submitted anonymously. • We continued to actively cooperate with our personnel, and managers and employee representatives met regularly at cooperation meetings.
Owner, political decision-makers, and authorities	• Reliable high-quality postal services for reasonable prices throughout Finland • Profitability and solvency • Good governance and transparency of operations • Employees' status and rights, and environmental responsibility • Increasing ownership value in a sustainable and responsible manner	• The revised Employee Code of Conduct was deployed among personnel. In 2015, the Group completion rate for the training was 63%. • Active dialog with political decision-makers, interest groups, and authorities.
Partners in subcontracting, research, and the industry	• Transparent sourcing criteria and equal treatment of suppliers • Pilot and research projects for new technologies and business models • An active role in international industry associations	• Permanent membership of PostEurop, the Universal Postal Union (UPU), and the International Post Corporation (IPC). • Membership of the Finnish service sector employers' association Palta, the Finnish Federation for Communications and Teleinformatics (FiCom), and Finnish Business & Society (FIBS).
The media	• Fast and reliable flow of information • High level of availability and swift services	• We issued approximately 300 media releases during the year. • We organized meetings with representatives of the media and offered reporters information on news and current events in our industry. • Our MediaDesk serves journalists: we received nearly 700 contact requests from the media. We generally responded to all requests for an interview within 30 minutes.

Stakeholder survey results

At the turn of the year, Posti surveyed its stakeholders' views regarding the regulation of the postal industry, the future of the industry, as well as their perceptions related to corporate responsibility. The survey was sent to consumers and business decision-makers, as well as representatives of the public administration and labor market organizations.

The results of the survey indicate that consumers, business decision-makers, and influencers in the public administration all understand the need for change in the postal industry and support the customer-focused development of the business. According to the respondents, the most important objectives related to regulatory reform in the postal industry include ensuring reasonably priced postal services throughout the country, on the one hand, and easing regulation to curb the increase in delivery costs, on the other hand.

The respondents were asked about how to best secure the availability of postal services in the future. The most commonly held view was that services are best secured by improving the profitability of Posti's business and easing the regulation of the postal industry. Subsidizing postal operations from the state budget or by a separate postal tax was not a popular option among the respondents.

Consumers value Posti's comprehensive retail network and accept that Posti must develop its cooperation with partner companies to ensure the availability of postal services.

With regard to responsibility, the themes highlighted as the most important by the respondents included ensuring confidentiality and information security for customers as well as ethicality and transparency in business. Promoting occupational safety and the well-being of the personnel as well as improving energy efficiency and reducing emissions from transport operations and properties were also rated as important issues for Posti's image as a responsible company.

Measuring the customer experience

Recognizing that the customer experience is key, we constantly request feedback from our customers in order to further improve our operations. We conduct customer satisfaction studies both on a project and incident-specific basis and with more comprehensive customer satisfaction surveys that are conducted regularly once or twice a year. In Finland, we conducted one extensive consumer and business customer survey in 2015.

The consumers' overall rating of Posti as a whole declined from the previous year. The overall assessment represents more than the sum of customer experiences, as it is related to a broader view of Posti's position in society. Customer ratings related to parcel delivery, however, improved substantially from the previous year and remained at a high level. This was particularly attributable to a high level of satisfaction with regard to home-delivered parcels and Parcel Point services. The overall satisfaction rating for customer service decreased slightly from the previous year, but the ratings for self-services provided at Posti outlets and via the online and mobile channels remained at a good level.

Among business customers, the Net Promoter Score (NPS) increased from the previous year for postal services as well as parcel and logistics services. Customers have been satisfied with Posti's parcel services for several years. Customer satisfaction among freight and supply chain customers in Finland also improved from the previous year.

Engaged multi-skilled employees

Posti is the largest private employer in Finland. We are an equal, international, multicultural, and tolerant workplace community. Our aim is to be the best workplace in the industry by 2020.

During the year, we received 27,504 job applications. In Finland, we entered into 338 new permanent employment contracts. Seasonal changes are significant in our industry, and we hire the highest number of seasonal employees in the summer and around Christmas. We provided summer jobs for approximately 1,900 people across Finland. We prepared for the Christmas season by hiring 3,350 seasonal assistants in different parts of the country. Most of the seasonal assistants worked in mail delivery, sorting, and transportation.

We also participated in the national Responsible Summer Job campaign, alongside many other companies, making a commitment to its principles: a meaningful job and reasonable pay, a good applicant experience, employee orientation and guidance, fair and equal treatment, and a written employment contract and reference.

Multiculturalism is a significant resource for our company. In Finland alone, our employees represent 80 nationalities.

Since 2012, we have been a member of Diversity Charter Finland, which is coordinated by the corporate responsibility network FIBS. We were among the first companies in Finland to sign the charter. Diversity Charter Finland offers its members information on best practices in the management of diversity and support in business development. The dimensions of diversity include age, sex, ethnic origin, sexual orientation, operational capability, and religion, among other aspects.

Me postilaiset wins best personnel magazine award in Finland

Posti's personnel magazine, Me postilaiset, was recognized as the best personnel magazine in Finland in the annual Procom Magazine Review. The jury characterized Me postilaiset by stating that the best personnel magazine of the year is "a modern, clear, high-quality, and professionally produced publication. The Posti Group employees who produce Me postilaiset have understood that a personnel magazine must foster a positive spirit and a sense of togetherness. The jury finds that employees are presented in the magazine as interesting personalities."

Me postilaiset is a magazine for all Posti Group employees in Finland. Its circulation is approximately 19,000 copies and it is delivered to employees' homes. The purpose of the magazine is to communicate to employees the Group's objectives, financial development, and changes in operations.

Focus on well-being at work

Posti's goal is to provide a healthy and safe working environment for its employees. No employees should suffer injuries or illnesses, neither physical nor psychological, at work. This goal can be achieved through proactive measures including the prevention of occupational accidents, good ergonomics, and work design.

Posti is committed to promoting the well-being at work of its personnel and their ability to cope with work to ensure that employees are healthy and motivated in different life situations and through the various stages of their employment relationship. Putting well-being at work into practice is part of the daily work of supervisors. Every Posti employee is also responsible for promoting psychological well-being in the working community.

Posti provides a diverse range of well-being services to its employees, including occupational health care, support for independent physical exercise under a sports program, sport and wellness events via the Foundation for Well-being at Work, as well as support for workplace meals.

Posti employees have access to comprehensive health care and medical services aimed at supporting the employee's well-being at work, work ability, and occupational safety in all career stages.

Since 2006, Posti has had its own Foundation for Well-being at Work tasked with promoting the physical and psychological health of employees. The Foundation's operations are divided into measures improving well-being at work and research activities. Events organized by the Foundation include sports festivals and Kuntoremontti fitness overhauls, for example. The activities are intended for all Group employees in Finland.

Promoting occupational safety is high on the agenda

Reducing our accident frequency is one of our most important areas of development. Altogether 1,739 (2014: 1,971) accidents were recorded at Posti in Finland during 2015. Figures include both accidents that happened at the workplace and during commutes. Posti's LTA1 figure, which reflects the frequency of occupational accidents per one million working hours, was 38.8 (2014: 39.1). The figures do not include OpusCapita.

We continued to conduct safety tours by senior management during the year. In 2015, we focused particularly on increasing safety observations and corrective actions. We achieved a new record in safety observations with 7,786 observations, and we increased their rate of completion from 45% to 78% during the year. We also began to monitor proactive measures on a monthly basis with regard to safety walkabouts and turvavartti safety updates. A total of 1,712 safety walkabouts and 1,515 turvavartti safety updates took place during the year.

We also organized an occupational safety seminar, occupational safety week, and accident awareness day for our personnel. The focus of these events was on proactive occupational safety measures and discussion on occupational safety. We took a pioneering role by joining the Institute of Marketing to launch a Specialist Qualification in Management focused on occupational safety management, with 27 managers and supervisors from production operations participating in the program. We also provided Occupational Safety Card training, with content customized to Posti's operations, to a total of 48 participants (46 early-morning delivery supervisors and two experts).

Responsible employer

Posti conducts a personnel survey annually. The Voice survey assesses the extent to which employees are dedicated to their work and their employer, and the extent to which the employer is successful in facilitating good performance. The survey is divided into eight themes: employee commitment, facilitating performance, teamwork and cooperation, future and leadership, performance management, well-being, strategy, and cultural change.

The survey was conducted in September in Finland, Sweden, Estonia, Latvia, Lithuania, and Russia. More than 11,000 Posti employees completed the survey, which represents 62% (2014: 59%) of all personnel.

Based on the results, the employee dedication index was 47% (2014: 48%). This means that slightly under half of employees expressed a positive attitude towards the four aspects measuring dedication. When compared to the norm in the postal and logistics industry on a global scale, the result can be considered low. Posti is undergoing a major transformation, which may be reflected in the results of the personnel survey. Linking one's own role and activities to the strategy is a key factor in assessing dedication. The results also revealed clear differences between different units and employee groups. The results indicate that the implementation of strategy has reached the management, supervisor and expert levels of the organization to a good extent.

At 58% (2014: 58%), the performance facilitation index was higher than the employee dedication index. It measures the extent of an organization's commitment to producing excellent customer service and high-quality products or services and to basing its operations on the practices of continuous improvement. Cooperation with one's closest colleagues, in particular, was rated at a good level.

Uusi polku program helps employees get a new start

Posti's business is undergoing a major transformation and, in recent years, we have had to carry out several cooperation negotiations with personnel representatives based on production-related and financial reasons. In these difficult situations, it is important for Posti to operate responsibly and seek solutions related to personnel impacts in cooperation with personnel organizations.

As a responsible employer, we have invested in helping our personnel to cope with the changes in the industry. In 2014, we launched the Uusi polku (New Path) support program for our personnel. The support program offers personal counseling and services to those who are interested in a new career, retraining or starting a business. In addition to the services, Posti offers a monetary lump sum in compensation, proportional to the duration of the employment relationship, for those who volunteer for the program.

As of December 31, 2015, a total of 1,327 employees have applied for the program, and 925 have been accepted. We are actively monitoring the impacts of the program on its participants. Based on a survey of past participants, a significant proportion of the respondents (80%) have been successful in realizing the plans they had when leaving the company. They have either found a new job, found a place of study, started a business, or retired. The remaining 20% of the respondents indicated that they were out of work at the time of the survey. A total of 29 respondents indicated that they have started a business during the time the program has been in effect.

In 2015, personnel reductions amounted to a total of 423 person-years. Out of this total, 328 person-years were related to production and finance and 42 person-years were reduced through voluntary resignation and pension plans. In addition, 53 person-years were related to acquisitions.

People responsibility indicators

At the end of the year, we employed a total of 21,598 people. Our average number of personnel was 22,219. A total of 17,360 people on average were employed in Finland.

Women made up 39% and men 61% of our employees in the Group. Our Supervisory Board has 12 members and our Board of Directors has eight members. The Executive Board is composed of eight members, and the Management Board is composed of 13 members. Our Board of Directors has an equal number of men and women as members, while men constitute the majority on the Supervisory Board, Executive Board and Management Board.

Of our total personnel, 80% are covered by collective labor agreements. In Finland, 99% of our employees are covered by collective labor agreements. The Baltic countries, Poland, and Russia do not have binding collective labor agreements. The employees represented by the labor protection committee make up 78% of our total personnel. In Finland, the ratio between the basic salaries of women and men was 97%.

The share of the personnel within the scope of regular personal development discussions and performance reviews is approximately 2,175 people. The discussions are held at least twice a year. With the people working in production in Finland, the accomplishments of the previous year as well as the objectives and targets for the coming year are discussed with the working group once a year. In addition, a personal discussion is held in relation to personal development and well-being at work.

Personnel per country on December 31, 2015

Finland	16,874
Russia	2,809
Poland	568
Sweden	260
Estonia	419
Norway	157
Latvia	164
Lithuania	259
Germany	88
	21,598

Number of operating locations

	2015	2014
Finland	596	662
Russia	21	21
Other countries	30	30
Total	**647**	**713**

Accidents and sickness related absences*

	2015	2014	2013	2012	2011
Sickness related absences (%)	6.2	6.2	5.7	5.9	6.0
Lost time accidents (number)	931	1,027	1,306	1,329	1,318
Accident frequency**	38.8	39.1	46.7	48.7	45.1
Disability pensions	68	78	76	84	89
Part-time disability pensions	80	62	74	103	76
Total disability pensions	148	140	150	187	165
Average age for retiring on disability pension	56	56.3	56.7	56.5	56.1
Average retirement age	62.5	62.5	60.9	60.7	60.4
Retired	320	301	342	315	400

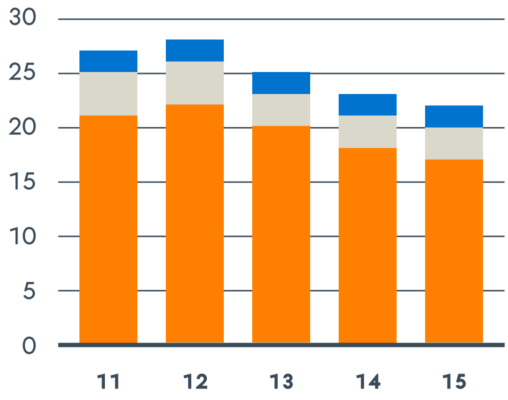
**Group level, Finland*
***Excluding OpusCapita*

Employee leaving rate in Finland

Leaving rate, Finland	Leaving rate
Females	**9.7%**
under 25 years	26.1%
25–34 years	8.5%
35–44 years	5.9%
45–54 years	4.8%
55 years or older	22.4%
Males	**9.0%**
under 25 years	20.9%
25–34 years	10.6%
35–44 years	6.5%
45–54 years	3.8%
55 years or older	14.0%

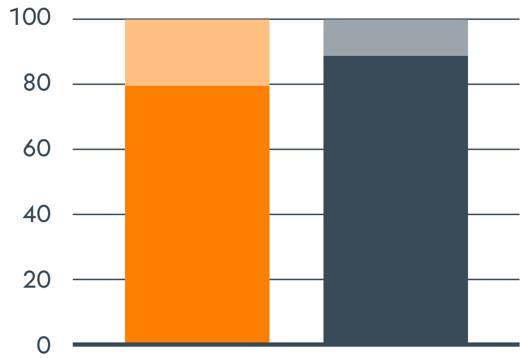
Total leaving rate 9.3% without seasonal employees

Development in the number of personnel 1,000 persons



Finland
Russia
Other countries

Breakdown of employment contracts in 2015 %



Full-time employees 17,007 (79%)
Part-time employees 4,591 (21%)
Permanent employees 18,940 (88%)
Fixed-term employees 2,658 (12%)

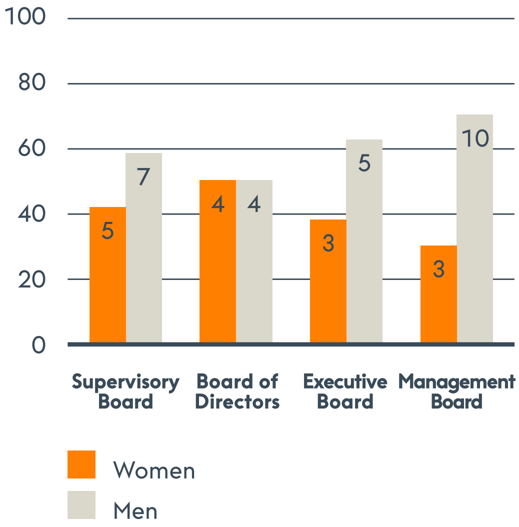
Length of employees' career in 2015 %

Less than 1 year 13%
1–5 years 23%
6–10 years 19%
11–15 years 10%
16–20 years 7%
more than 20 years 28%

Age distribution of personnel %

under 25 9%
25–34 23%
35–44 21%
45–54 27%
55 or older 20%

Number of women and men in leadership roles
%



Reducing environmental impacts

Posti's environmental management is based on environmental management standards, particularly ISO 14001, as well as legal and official requirements, and the UN Global Compact principles. Our quality and environmental policy covers all of our countries of operation.

The targets for our environmental work are determined by our corporate responsibility steering group. Our business groups determine more detailed operating programs as part of their management model. Environmental issues are discussed by our Management Board and the Audit Committee at least once a year as part of more extensive corporate responsibility reporting.

Our environmental program aims to reduce our carbon-dioxide emissions by 30% by 2020, in relation to net sales (compared to 2007). In addition, we are party to a freight traffic energy efficiency agreement in Finland and have made a commitment to improve our energy efficiency in our transport by 20% by 2016 (compared to 2008).

Transport and emissions from vehicles represent approximately 85% of our carbon-dioxide emissions in Finland. As the largest transport and delivery company in the country, we play an important role in the development of environmentally friendly and energy-efficient transport operations. We improve the environmental efficiency of transport operations primarily by planning routes efficiently, ensuring a high utilization rate, combining deliveries, and driving in an environmentally responsible manner.

As part of our ISO 14001 management system, we increase our employees' environmental awareness through training and employee orientation. Environmental issues are also regularly discussed in our internal communication channels. At the end of 2015, our certified environmental management systems covered 88% (2014: 88%) of the Group's employees. We have an ISO 14001 compliant environmental management system also in our warehouses in Russia.

Continuous improvement in energy efficiency

Between 2007 and 2015, Posti's carbon dioxide emissions relative to net sales have decreased by 16%. Absolute carbon dioxide emissions decreased by over 30,000 metric tons of carbon dioxide, or by 20%, during the period. In 2007, the International Post Corporation (IPC) set a common goal for its members to reduce the carbon dioxide emissions of the postal industry by 20% by 2020. In 2015, IPC members achieved their collective 20% emission reduction target six years ahead of schedule.

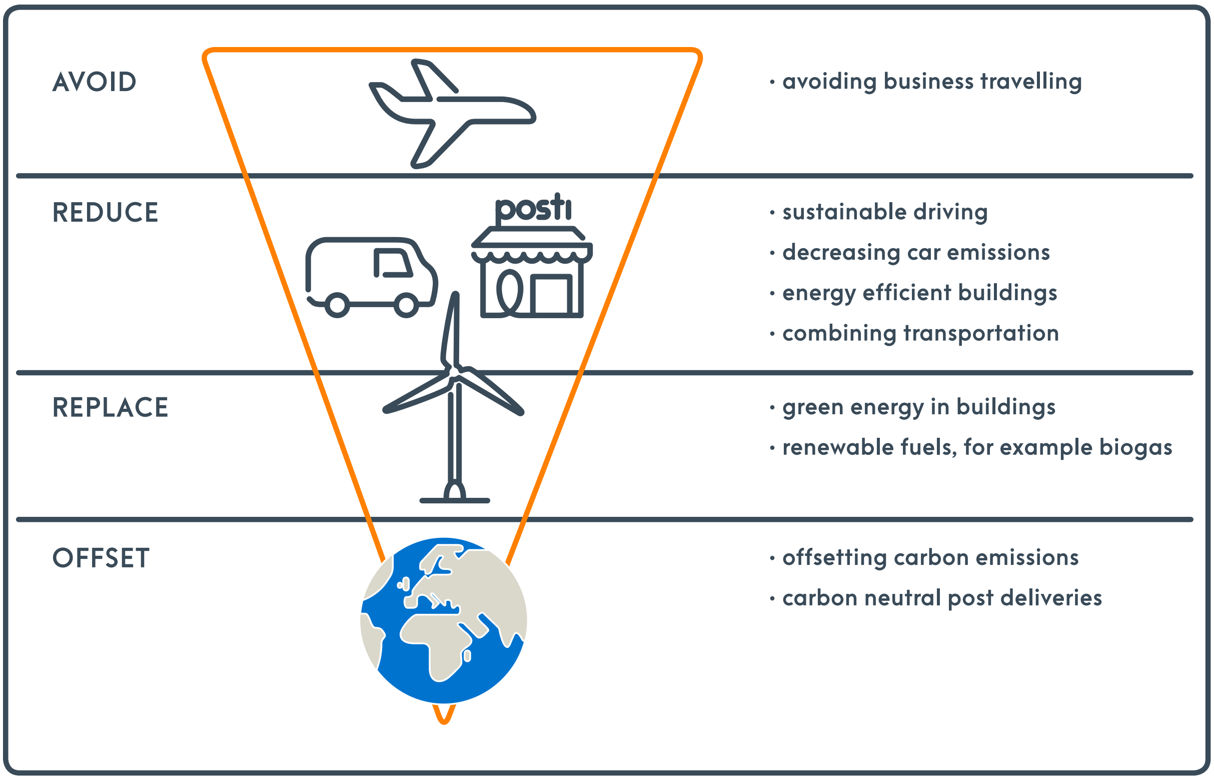
In addition to vehicles, Posti has also focused on buildings in its systematic efforts to improve energy efficiency. In Finland, electricity consumption fell by 3% and heating by 17%. Temperature-adjusted heat consumption decreased by 9%. Posti's Finnish properties use electricity generated 100% by renewable hydroelectric power.

During the year, Posti conducted an energy audit at its properties pursuant to the requirements of the Finnish Energy Efficiency Act. An energy audit involves assessing the energy consumption profile of all the operating locations of a company or Group and identifying opportunities for energy savings.

We have centralized our waste management services to a single operator in Finland, which helps us ensure energy efficiency and cost-effectiveness. The aim of waste management is to minimize landfill waste and increase recoverable waste. With our waste management partner, we have set a target of improving our recovery rate by 1% per year. In 2015, our recovery rate was 98% (2014: 95%) and recycling rate 67%. Each of our ISO 14001 certified operating locations has a documented waste management plan that includes a list of what waste fractions the property collects, related operating models, as well as illustrations of the placement of waste containers at the property.

With regard to the continuous improvement of energy efficiency and environmental efficiency, Posti is committed to:

- complying with all applicable environmental laws and standards, including ISO 14001
- reducing the fuel consumption of our vehicles
- reducing the energy consumption of our facilities
- improving recycling and reducing landfill waste
- considering environmental aspects in sourcing, subcontracting, and investment decisions
- engaging in open discussion with our stakeholders in order to minimize our environmental impact
- ensuring sufficient resources for maintaining and continually improving our environmental operations
- reporting our environmental impact annually and providing our employees with information and opportunities in order to operate in an environmentally efficient manner.



Convenient repairs and recycling for pallets

In order to increase our recycling rate and reduce waste volume, we collect surplus and decommissioned pallets at our warehouses, postal centers, and terminals. The pallets are handed over to Lassila & Tikanoja, where they are sorted. Mendable pallets are repaired and delivered for further reuse for customers. Pallets that are beyond repair are chipped and recycled as fuel for energy production.

Posti receives compensation for the pallets, and at the same time, the amount of wood waste is reduced. The properties gain a cost benefit through lower property maintenance costs charged by Posti Kiinteistöt. The service is part of Posti's waste reporting system. By monitoring the reports, we can verify the savings we have achieved.

A pioneer of green logistics

All of Posti's delivery, transport, freight, and warehousing services in Finland are carbon neutral Posti Green services that involve no additional cost to customers. By using Posti Green products, our customers can reduce CO_2 emissions in their supply chain processes.

Posti Green services are part of Posti's environmental program, which is aimed at decreasing carbon dioxide emissions by 30% by 2020. As part of Posti's environmental program, the carbon dioxide emissions arising from operations are actively reduced by route optimization, the efficient combination of deliveries, and using an ecological driving style.

The remaining emissions are neutralized through participation in climate projects. In practice, if transporting a letter produces 20 grams of carbon dioxide, or transporting a parcel produces approximately 900 grams, we use certified climate projects to ensure that an equal amount of emissions is reduced somewhere else.

Our fleet of approximately 4,000 commercial vehicles in Finland recorded a total of 108 million kilometers last year. Posti plays a significant role in developing environmentally friendly delivery and transport. We have taken a pioneering role in this area by actively participating in the testing of alternative fuels. In 2006, we were the first company in Finland to roll out natural gas vehicles in delivery operations.

Our fleet currently includes approximately 40 biogas vehicles that run on 100% renewable Finnish Gasum biogas. Biogas produces no harmful particles and practically no greenhouse gas emissions during its life cycle. We are also participating in the Dual Fuel research project by VTT Technical Research Centre of Finland to investigate the combined use of biodiesel and biogas in heavy vehicles.

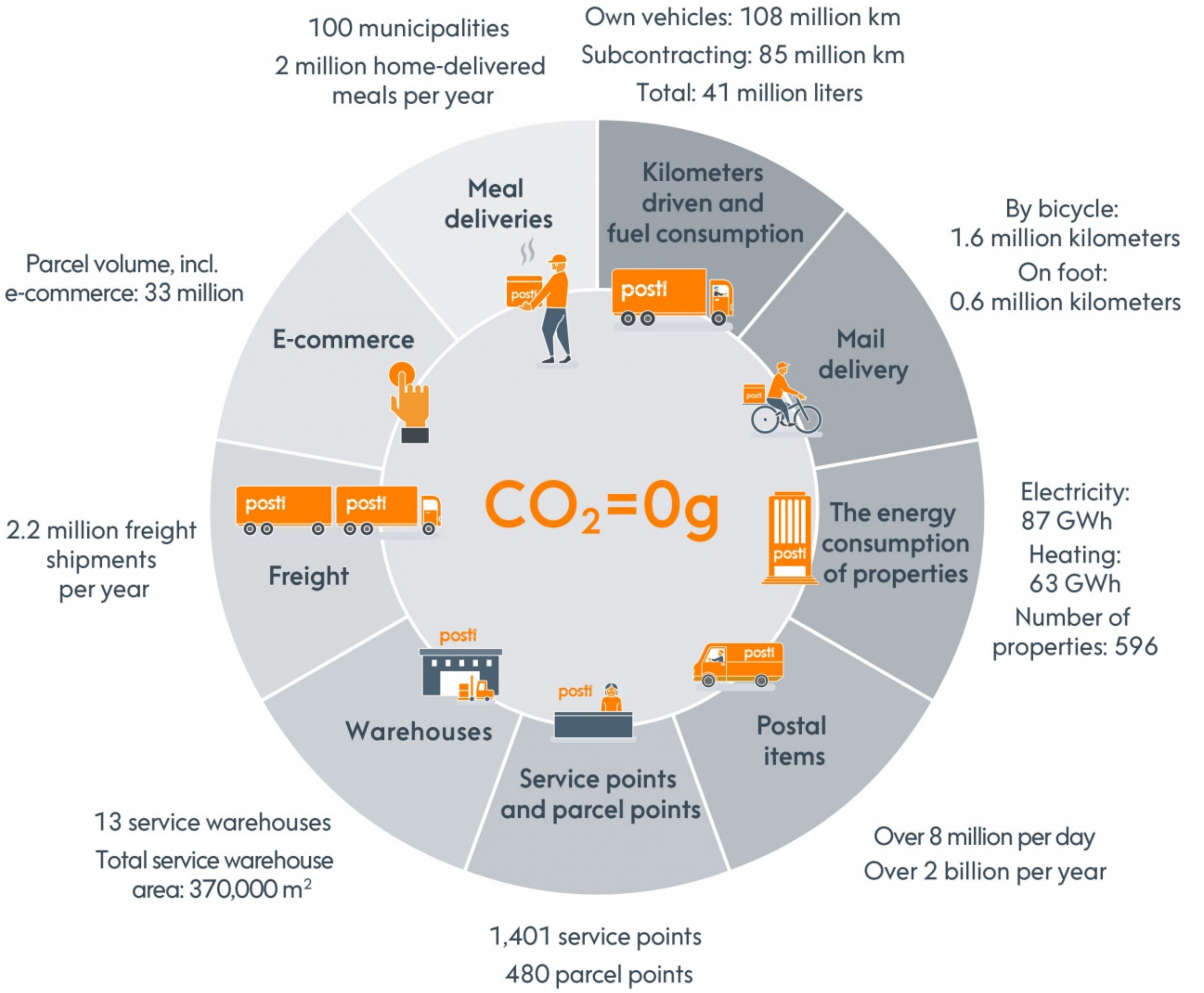
In 2014, we equipped all of Posti's delivery and transport vehicles with driving habit monitoring devices. The devices are a daily tool used in production activities, including supervisory work, planning, and operations management. Some 10,000 drivers have received training on the use of the monitoring device, which provides them with reports on their driving economy, safety as well as improvement targets on their driving habit.

The driving habit monitoring devices help reduce fuel consumption and carbon dioxide emissions. They also make it possible to set and monitor area-specific targets for both consumption and emissions. During the year, the monitoring devices and the improved utilization rate of our vehicles allowed us to reduce the number of traffic accidents as well as our maintenance costs. The average fuel consumption of vehicles used in mail delivery operations increased by 0.8% from the previous year. There were significant changes during the review period with regard to the operating model and the use of vehicles. The same vehicles were used to carry mail, parcels, and freight. The fill rate of vehicles improved substantially, which led to an increase in the average consumption in spite of an improvement in the driving habit index.

We also deliver mail by foot and by bicycle. A total of 1,900 delivery routes are handled by bicycle and foot every day which is 36% of all the routes. We also use environmentally friendly electric carts, 1,200 electric bicycles, and electric cars. Increasing the number of electric cars in delivery operations has thus far been challenging, as electric cars suitable for winter conditions in Finland are not available. About half of the mopeds we use are electric.

Posti Green service model

All of our services in Finland are carbon neutral Posti Green services which cause zero emissions for our customers.



Environmental responsibility indicators

EN3 Energy consumption within the organization

Terajoules (TJ)	2015	2014	2013	2012	2011
DIRECT ENERGY CONSUMPTION					
Renewable					
Biogas	1	4	2	1	0
Non-renewable – facilities and own vehicles					
Natural gas	158	267	165	188	197
Fuel oil	0	1	1	5	6
Traffic fuel	730	778	879	672	620
INDIRECT ENERGY CONSUMPTION					
Renewable					
Electricity, Finland	313	337	265	271	212
Non-renewable					
Electricity, other countries	204	207	303	280	335
District heating	278	324	352	346	337
Traffic fuel – outsourced, Finland	547	612	664	572	507

EN15–EN17 The Group's CO_2 emissions

Tons	2015	2014	2013	2012	2011
Fuel use in buildings – energy generation, Scope 1	8,900	15,020	9,268	10,724	11,254
Fuel use in transport – Posti's vehicles, Scope 1	50,014	53,396	60,406	46,169	46,005
Electricity and heat use in buildings, Scope 2	40,266	44,199	38,272	46,496	49,604
Subcontracted transport by vehicles* and air, Scope 3	65,298	70,801	73,490	59,287	50,818
Business travel flights, Scope 3	1,512	2,139	2,190	2,260	2,221
Total	**165,991**	**185,555**	**183,625**	**164,936**	**159,902**

**Includes subcontracted transport in Finland*

EN21 Emissions to air – own vehicles

Tons/year	2015 Finland	2014 Finland	2013 Finland	2012 Finland	2011 Finland
CO	54	59	60	56	54
HC	16	16	16	14	13
NOx	137	130	166	97	84
Particles	5.4	5.8	5.9	4.7	4.5
SO_2	0.3	0.3	0.3	0.2	0.2

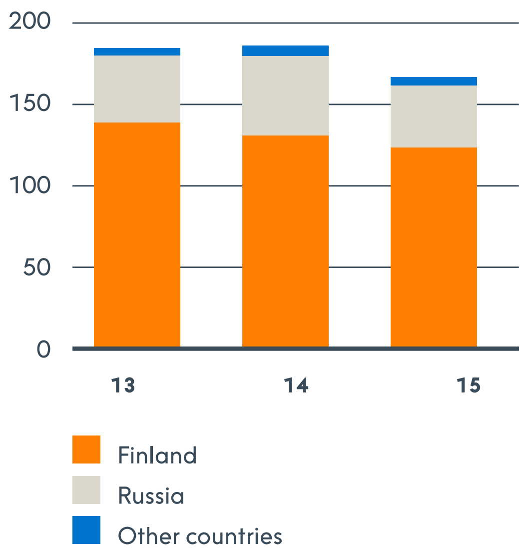
Source of information: VTT/LIPASTO emissions of traffic, fuel consumption and kilometers driven of own vehicles.

EN23 Waste management in Finland

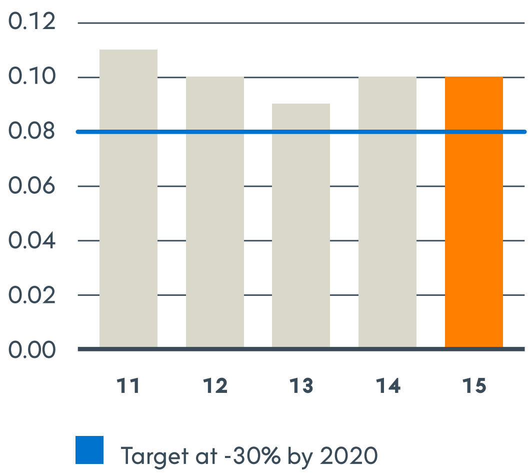
Properties included in waste management agreement, tons*	2015 Finland	2014 Finland
Recycle and reuse	8,862	6,706
Other recover	3,247	3,010
Inceneration	357	813
Final disposal	241	463
Hazardous waste**	468	89
Total	**13,175**	**11,081**
Recovery rate, %	98%	95%

**Excluding properties where waste management is included in the rent. The figures have been revised since 2014.*
***of which 434 tons is refrigeration devices and Waste Electrical and Electronic Equipment (WEEE).*

Carbon dioxide emissions
1,000 tn

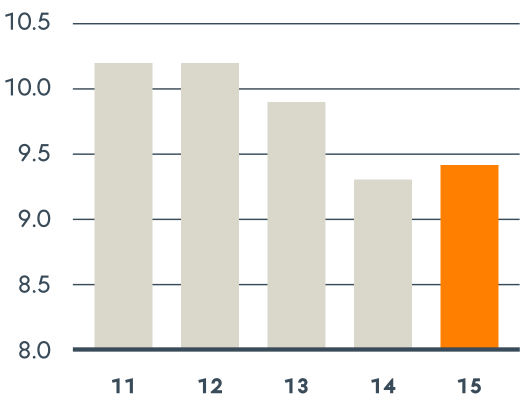


Carbon dioxide emissions relative to net sales in Finland*
kg/EUR

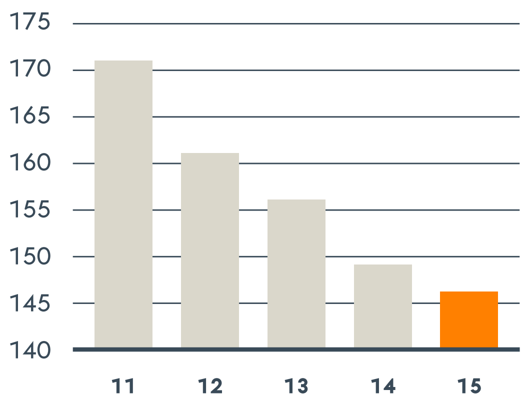


* The carbon dioxide emissions in relation to net sales were approximately at the same level as in the previous year. Absolute CO_2 emissions have decreased by over 30,000 carbon dioxide tons (20%) from year 2007 to 2015.

Fuel consumption in postal delivery
l/100 km



Electricity consumption in sorting centers
kWh/sq.m.



Responsible supply chain

Posti has a Group-wide uniform sourcing policy that determines how the sourcing function and supplier cooperation is managed. The sourcing policy supports Posti's strategy and environmental program, as well as the company's social responsibility and ethical principles. It outlines decision-making responsibilities and responsibility boundaries, and it specifies the minimum requirements for suppliers and the sourcing organization.

As part of our approach to responsible sourcing, we have defined a Supplier Code of Conduct and require all of our service providers and suppliers to adhere to it. In addition to legality, the Supplier Code of Conduct includes principles related to corruption, human rights, child labor, discrimination, working conditions, and environmental concerns. Each approved supplier must have an agreement saved in Posti's agreement archive and must have conducted a self-assessment.

In 2015, we harmonized our sourcing processes and systems in Finland and the Baltic countries, which supports the achievement of cost savings and facilitates the monitoring of compliance with the sourcing policy. We also launched a Compliance project in sourcing in late spring 2015 with the aim of ensuring that everyone in Posti Group complies with the common practices.

During the year, more than 90% of Posti's sourcing in Finland originated from domestic suppliers. We also favored local suppliers in our other countries of operation. Of the suppliers approved during the year, 86% were within the scope of self-assessment, representing a combined purchasing volume of nearly EUR 470 million.

Sedex and EcoVadis – responsible sourcing networks

Posti belongs to the Supplier Ethical Data Exchange (Sedex) network as a service provider. We hold B membership of the network. With more than 30,000 members, Sedex is the largest collaborative platform for managing and sharing ethical supply chain data.

In addition to Sedex, we have joined in the EcoVadis system in the Supplier role. Through EcoVadis, we can provide our current or potential customers who have joined the system with information about responsibility and ethical issues related to our operations. As for our customers, they can use the EcoVadis system to assess our corporate responsibility and to manage responsibility information.

Posti was awarded gold-level recognition by EcoVadis for its CSR performance in 2015. With our score of 65 out of 100, we ranked among the top 5% of companies in all industries worldwide. EcoVadis assesses the overall CSR performance of suppliers annually in the areas of environmental responsibility, social responsibility, business ethics and sustainable procurement.

Business activities and human rights

Published in 2011, the UN principles concerning business activities and human rights have become a global standard that guides corporate responsibility in relation to human rights. The principles require companies to respect human rights in everything they do. Companies are obligated to assess the human rights impacts and risks of their operations, create systems to prevent risks, and develop processes for corrective action.

In spring 2016, Posti will participate in a series of training events organized by the Finnish corporate responsibility network FIBS, aimed at reviewing the practical implementation of the UN's guiding principles in business operations.

GRI reporting

Our sustainability reporting is based on the GRI G4 guidelines (the Global Reporting Initiative). In addition, we comply with the reporting requirements of our owner, the Finnish State. In accordance with the guidelines, we focus on factors that are key to our operations and essential to our stakeholders. This report complies with the GRI G4 guidelines and covers the key areas of economic, social, and environmental responsibility.

Posti has self-declared its sustainability reporting to be in accordance with the Core level of GRI's G4 guidelines. Accordingly, Posti reports material sustainability details and indicators related to its operations so that the report provides a sufficient and balanced view of sustainability and its impacts. The comparison of the report content with the GRI G4 guidelines is presented in the GRI index.

The report has not been the subject of external assurance. The accuracy of the information presented has been verified internally. An external party has assessed the compliance of the materiality assessment process with the GRI G4 guidelines.

Reporting description and boundary

The data is reported on an annual basis, and the reporting period runs from January 1 to December 31. We report the key indicators of the sustainability areas to the Board of Directors at least once a year.

Unless otherwise mentioned, the reporting covers all operations of our parent company and subsidiaries. It also covers all Group functions in all countries of operation. The reporting does not, as a rule, include the operations of subcontractors or affiliated companies. The coverage of the indicators is reported in conjunction with the indicators.

The information on personnel is primarily included in GRI reporting in Finland. With regard to personnel, we have calculated the key indicators in accordance with the Accounting Standards Board's general guidelines on annual reports.

Since 2009, our environmental reporting has covered all of our countries of operation. The indicators for environmental responsibility cover our operations with the greatest environmental impact in all of our countries of operation. In Finland, the environmental calculations also include the environmental impact of subcontracted transport.

The calculation of carbon dioxide emissions covers all of Posti's business operations. The key standards applied in our environmental calculations are:

- The WBCSD (World Business Council for Sustainable Development) Greenhouse Gas Protocol, and
- The GHG Inventory Standard for the Postal Sector, which includes more detailed instructions for the postal industry.

The data and indicators for financial responsibility are obtained from the Consolidated Financial Statements, prepared in accordance with the IFRS standards approved by the European Union. The notes to the Consolidated Financial Statements are prepared in compliance with Finnish accounting and corporate legislation.

As an issuer of two publicly listed bonds, we are obliged to disclose periodic information to a limited extent. Our duty of disclosure is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd. A more detailed description of our financial communications policy is available on our website at www.posti.com/financials. In connection with our Financial Statements, we also publish our Corporate Governance Statement, referred to in Recommendation 54 of the Finnish Corporate Governance Code of the Securities Market Association.

Contact information

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GRI content index

Code	GRI Standard Disclosures	Reference page	Remarks
	Strategy and Analysis		
G4-1	CEO's statement	President and CEO's review	
G4-2	Key impacts, risks, and opportunities	Group strategy Board of Directors' report 2015	
	Organizational Profile		
G4-3	Name of the organization		Posti Group Corporation
G4-4	Primary brands, products, and services	Posti Group in brief	
G4-5	Location of the organization's headquarters		Posti Group's headquarters is based in Helsinki.
G4-6	Number of countries and names of countries with major operations or that are relevant to sustainability issues	Posti Group in brief	
G4-7	Nature of ownership and legal form	Share capital and shareholding	
G4-8	Markets served		
G4-9	Scale of the reporting organization	Key figures	
G4-10	Total workforce by employment type, employment contract, region and gender	Indicators for people responsibility	
G4-11	Percentage of total employees covered by collective bargaining agreements	Indicators for people responsibility	
G4-12	Organization's supply chain	Responsible supply chain	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		No significant changes during the reporting period.
G4-14	Whether and how the precautionary approach or principle is addressed by the organization		The precautionary approach and principle has been taken into account in accordance with statutory requirements.
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Sustainability at Posti	
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Cooperation with stakeholders	

	Identified Material Aspects and Boundaries		
G4-17	List of stakeholder groups engaged by the organization	Posti Group in brief Group companies	
G4-18	Process for defining report content and aspect boundaries	Sustainability at Posti GRI reporting	
G4-19	Material aspects	Sustainability at Posti Cooperation with stakeholders	
G4-20	Aspect boundary for each material aspect within the organization	GRI reporting	
G4-21	Aspect boundary for each material aspect outside the organization	GRI reporting	
G4-22	Restatements of information provided in previous reports		No significant changes during the reporting period.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries		No significant changes during the reporting period.
	Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organization	Cooperation with stakeholders	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Cooperation with stakeholders	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Cooperation with stakeholders	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Cooperation with stakeholders	
	Report Profile		
G4-28	Reporting period	GRI reporting	
G4-29	Date of most recent previous report		March 19, 2015
G4-30	Reporting cycle		Annually
G4-31	Contact point for questions regarding the report or its contents	GRI reporting	
G4-32	GRI content index		Self-assessment has been made, no external assurance.
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	GRI reporting	
	Governance		
G4-34	Governance structure of the organisation and committees	Governance	

G4-35	Delegating authority	Governance
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Sustainability at Posti
G4-37	Consultation with stakeholders	Cooperation with stakeholders
G4-42	Board of Directors' role in setting purpose, values and strategy	Corporate Governance Statement
G4-45	Board of Directors' role in the identification and management of risks	Corporate Governance Statement
G4-46	Reviewing the effectiveness of risk management	Corporate Governance Statement
G4-47	Frequency of risk reviews	Corporate Governance Statement
G4-48	Formal approval of the organisation's sustainability report	GRI reporting
G4-49	Communicating critical concerns	GRI reporting
G4-51	Remuneration policies for the Board and senior executives	Remuneration Statement
G4-56	Organization's values, principles, standards and codes	Sustainability at Posti Values Responsible supply chain
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	Sustainability at Posti
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Sustainability at Posti

Code	Indicators	Reference page	Remarks
	Generic Disclosures on Management Approach		
	Category: Economic		
G4-EC1	Direct economic value generated and distributed	Posti in society Tax footprint 2015	
G4-EC4	Financial assistance received from government	Other operating income	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Responsible suplly chain	

	Category: Environmental		
G4-EN3	Energy consumption within the organization	Indicators for environmental responsibility	
G4-EN5	Energy intensity	Indicators for environmental responsibility	
G4-EN6	Reduction of energy consumption	Reducing environmental impacts	
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Indicators for environmental responsibility	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Indicators for environmental responsibility	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Indicators for environmental responsibility	
G4-EN18	Greenhouse gas (GHG) emissions intensity	Indicators for environmental responsibility	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Reducing environmental impacts Forerunner of green logistics	
G4-EN21	NOx, SOx, and other significant air emissions	Indicators for environmental responsibility	
G4-EN23	Total weight of waste by type and disposal method	Indicators for environmental responsibility	
G4-EN24	Total number and volume of significant spills		An accident occurred at a Posti freight terminal in June involving the release of hazardous resin-based fluid onto the terminal floor and its subsequent vaporization. The personnel were evacuated from the terminal, with 12 people sent to the hospital to be checked for respiratory exposure. Serious injuries were avoided and the accident did not have any negative impact outside of the terminal area.

G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Forerunner of green logistics	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No significant fines or sanctions during the reporting period.
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Reducing environmental impacts Forerunner of green logistics Indicators for environmental responsibility	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Responsible supply chain	
	Category: People		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Engaged multitalents Indicators for people responsibility	Covers mainly operations in Finland. More information is available on Indicators for people responsibility.
G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements	Responsible employer Indicators for people responsibility	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Engaged multitalents Indicators for people responsibility	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Indicators for people responsibility	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Indicators for people responsibility	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Responsible supply chain	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		There were five grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms during the reporting period. After addressing the matters no reason for action was found.

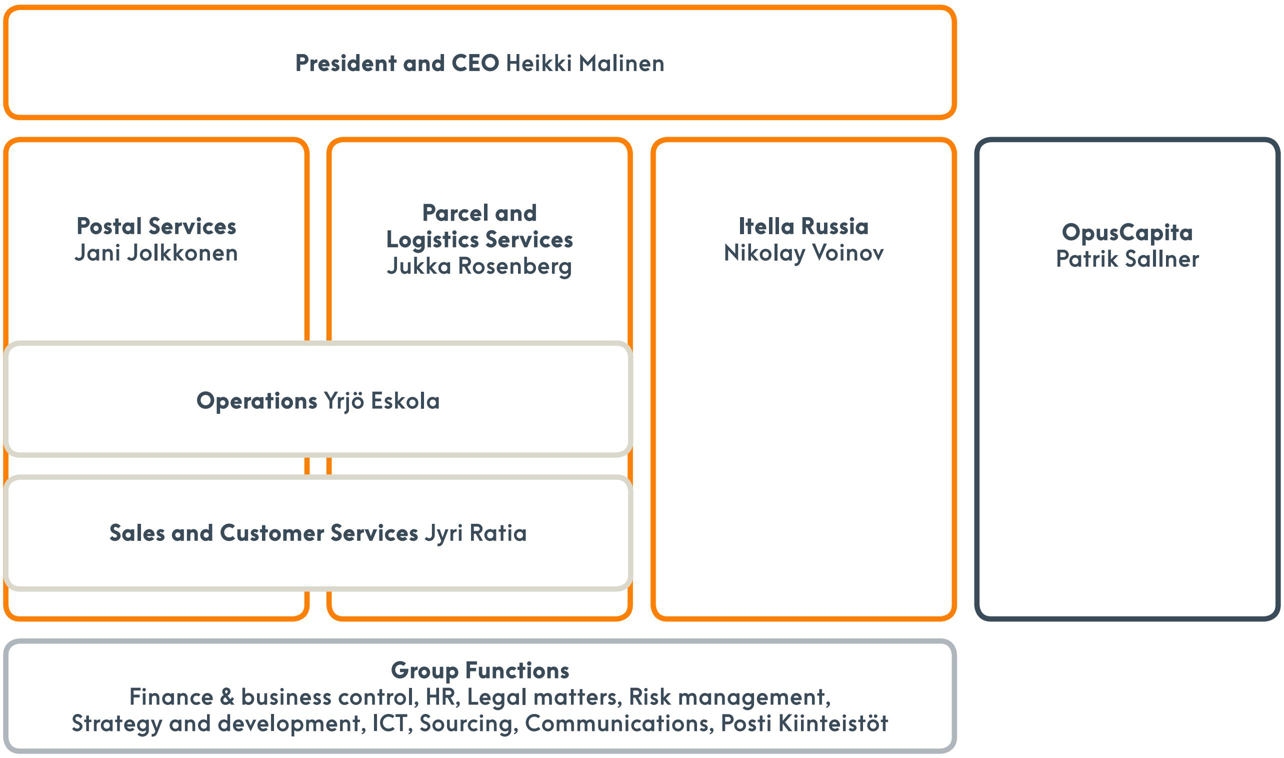
G4-HR3	Total number of incidents of discrimination and corrective actions taken		One reported discrimination incident that was resolved in settlement.
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Responsible supply chain	
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		There were no grievances about human rights impacts filed through formal grievance mechanisms during the reporting period.
	Category: Society		
G4-SO4	Communication and training on anti-corruption policies and procedures		Training of the Employee Code of Conduct is compulsory for all employees of the Group. In 2015, the completion rate for the training was 63%.
G4-SO5	Confirmed incidents of corruption and actions taken		No incidents of corruption during the period under review.
G4-SO6	Total value of political contributions by country and recipient/beneficiary		Posti Group does not support any political parties or institutions.
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		No legal actions for anti-competitive behaviour or significant fines or other sanctions for non-compliance with laws and regulations.
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Legal proceedings	No significant fines or sanctions during the reporting period.
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Responsible supply chain	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		None during the period under review.
G4-PR5	Results of surveys measuring customer satisfaction	Cooperation with stakeholders	

G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		None during the period under review.
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Sustainability at Posti Posti in society	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Legal proceedings	No significant fines or sanctions during the reporting period.

GOVERNANCE

Corporate Governance model

The Group consists of the parent company, Posti Group Corporation, and its subsidiaries. The company is domiciled in Helsinki. Its business operations have been divided into four business groups: Postal Services, Parcel and Logistics Services, Itella Russia, and OpusCapita.



The highest decision-making body of Posti Group Corporation is the Annual General Meeting, which elects the Supervisory Board, Board of Directors, and auditor. The Group is managed by the Board of Directors and the President and CEO.

More information on the governing bodies is available at www.posti.com/corporategovernance.

Corporate governance statement 2015

Posti Group's Corporate Governance Statement was drawn up according to Recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association on June 15, 2010. During 2016, Posti Group will adopt a new Corporate Governance Code that entered into force on January 1, 2016.

The Corporate Governance Statement was reviewed by the Audit Committee of Posti Group Corporation's Board of Directors on February 10, 2016. The Corporate Governance Statement is published as a separate, unaudited report released in connection with the Financial Statements.

The duties and responsibilities of Posti's executive bodies are determined according to Finnish law. Posti's decision-making and administration comply with the Finnish Limited Liability Companies Act, Posti Group Corporation's Articles of Association, and the Finnish Corporate Governance Code (www.cgfinland.fi) for listed companies issued by the Securities Market Association.

1 Annual General Meeting

Posti Group deviates from the Corporate Governance Code in that it does not publish on its website

- the notice of the General Meeting and the appendices thereto (recommendation 1),
- the date by which a shareholder must present to the Board of Directors a matter that he insists be discussed in the Annual General Meeting (recommendation 2),
- the archive of the documents of the Annual General Meeting (recommendation 4).

Compliance with the recommendations is not relevant, because the state-owned company only has one shareholder.

The Chairman of the Board of Directors, CEO, and auditor are present in the Annual General Meeting.

2 Supervisory Board

The Supervisory Board's duties include the following:

- ensuring that the company is managed according to sound business practices and on a profitable basis,
- providing guidance to the Board of Directors on issues with broad implications or those deemed important in principle,
- providing the Annual General Meeting (AGM) with an opinion on the company's financial statements and the auditors' report,
- monitoring the functionality of postal services and the consideration of proposals for changes in the services.

The Supervisory Board has adopted written rules and procedures which lay out the Board's key responsibilities and working principles.

Posti Group Corporation's AGM elects the members of the Supervisory Board and appoints the Board's Chairman and Vice Chairman. The Supervisory Board has six to twelve members. Persons aged 68 and above are not eligible for membership of the Board. The term of office for the members is one year and it ends at the close of the AGM that follows their election.

Posti's Supervisory Board 2015

Member	Born	Education	Occupation	Attendance at meetings
Mauri Pekkarinen (Chairman) *)	1947	M.Soc.Sc.	Member of Parliament	3/4
Satu Haapanen (Vice-Chairman) *)	1969	M.Sc.(Econ.)	School teacher, Member of Parliament	4/4
Ritva Elomaa *)	1955	Matriculation examination, Radiographer	Member of Parliament	4/4
Lars-Erik Gästgivars *)	1946		Member of Parliament	2/4
Outi Mäkelä *)	1974	M.Sc.(Econ.)	Member of Parliament	3/4
Reijo Ojennus *)	1947	Trade Technician	Entrepreneur, Managing Director	4/4
Raimo Piirainen *)	1952		Member of Parliament	3/4
Tuomo Puumala *)	1982	M.Soc.Sc.	Member of Parliament	3/4
Teuvo V. Riikonen *)	1960	MA (Theology)	Executive Manager	4/4
Kimmo Sasi *)	1952	Master of Laws, B.Sc.(Econ.)	Member of Parliament	4/4

Markku Rossi (Chairman) **)	1956	Editor-in-Chief	Member of Parliament	1/5
Jani Toivola Vice-Chairman **)	1977	Actor, Entrepreneur	Member of Parliament	1/5
Maria Guzenina	1969	Matriculation examination	Reporter, Member of Parliament	5/5
Marisanna Jarva **)	1981	Master of Administrative Sciences	Member of Parliament	1/5
Rami Lehto	1973	Electric Power Technology Technician	Member of Parliament	1/5
Eeva-Maria Maijala **)	1967	Master of Laws with court training	Member of Parliament	1/5
Sari Moisanen	1980	BEng	Acting Managing Director	5/5
Mats Nylund **)	1964	Farmer	Member of Parliament	0/5
Sari Raassina	1963	Licentiate in Medicine	Member of Parliament	1/5
Lulu Ranne **)	1971	M.Sc.(Tech.)	Project and Environmental Expert	1/5
Satu Taavitsainen **)	1977	Bachelor of Social Services	Member of Parliament	1/5
Kari Tolvanen **)	1961	Senior Detective Inspector	Member of Parliament	1/5

*) until November 12, 2015
**) as of November 12, 2015

3 Board of Directors

The duties of Posti Group Corporation's Board of Directors are specified in the Limited Liability Companies Act, the Articles of Association, and the Decision-Making Guidelines approved by the Board of Directors. Accordingly, the Board is responsible for:

- controlling and supervising executive management,
- appointing and, if necessary, dismissing the President and CEO,
- approving the company's strategic goals and risk management principles, and
- ensuring the functioning of the company's management system.

The Board has adopted written rules and procedures which lay out the Board's key responsibilities and working principles.

Posti Group Corporation's AGM elects the members of Posti Group Corporation's Board of Directors and appoints the Board's Chairman and Vice Chairman. The Board of Directors has between five and nine members. Persons aged 68 and above are not eligible for membership of the Board. The members are elected for a one-year term at a time and their terms of office end at the close of the AGM following their election.

The Board of Directors evaluates its performance and working methods on an annual basis. It also assesses the performance and working methods of the President and CEO.

Posti's Board of Directors 2015

Member	Born	Education	Occupation	Attendance at meetings
Arto Hiltunen, Chairman	1958	M.Sc.(Econ.)	Professional Board member	16/16
Päivi Pesola, Vice Chairman	1956	M.Sc.(Econ.)	Director of Finance	16/16
Petri Järvinen	1964	M.Sc.(Tech.)	Global Supply Chain Planning Director	15/16
Petri Kokko	1966	M.Sc.(Econ.)	Director	14/16
Jussi Kuutsa	1964	M.SC.(Econ.)	Country Director	16/16
Marja Pokela	1955	BBA	Government Ownership Steering Department, Senior Financial Specialist	16/16

Riitta Savonlahti *)	1964	M.Sc.(Econ.)	Executive Vice President, HR	3/16
Kirsi Nuotto **)	1959	MA	Executive Vice President, HR	13/16
Suvi-Anne Siimes	1963	Licentiate of Social Sciences	President and CEO	16/16

*) until March 18, 2015
**) as of March 18, 2015

All Board members other than Marja Pokela, who is in an employment relationship with the Ownership Steering Department of the Prime Minister's Office, are independent of the shareholder.

4 Committees

4.1 Audit Committee

The Board of Directors elects a maximum of four of its members to the Audit Committee, the duties of which include:

- preparation, control, review, and assessment of risk management policies, internal control systems and internal audit reports, organizing financial reporting and auditing,
- examining Financial Statements with the auditors before submitting them for review by the Board of Directors,
- submitting a proposal concerning the appointment of the auditor,
- assessing the independence of the auditor and the additional services offered by the auditor,
- steering and monitoring the activities of the Compliance Officer.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

In its meeting of March 27, 2015, the Board of Directors decided that the members of the Audit Committee are Päivi Pesola (Chairman), Jussi Kuutsa, Marja Pokela, and Suvi-Anne Siimes.

4.2 Remuneration and Nomination Committee

The Board of Directors elects a maximum of four of its members to the Remuneration and Nomination Committee, the duties of which include:

- preparation of decisions concerning the appointments and remuneration of Executive Management,
- preparation of the outlines for the remuneration, bonus, and incentive schemes and ensuring that they are fair and competitive.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

In its meeting of March 27, 2015, the Board of Directors decided that the members of the Remuneration and Nomination Committee are Arto Hiltunen (Chairman), Petri Järvinen, Petri Kokko, and Kirsi Nuotto.

5 President and CEO and other management

The President and CEO is responsible for the Group's operative management in accordance with the Limited Liability Companies Act and the instructions and directions issued by the Board of Directors. The President and CEO is appointed and, if necessary, dismissed by the Board of Directors, which also determines the terms and conditions of the President and CEO's employment relationship.

Heikki Malinen, M.Sc.(Econ.), MBA, has served as President and CEO of Posti Group Corporation since December 11, 2012.

Posti Group Executive Board assists the President and CEO in business control and development and coordinates Group management. It also handles and prepares matters to be discussed in the Board of Directors. The most important matters discussed in the Executive Board are the Group's strategy and annual planning, financial and sales planning and follow-up, business combinations, and other business-related investments. Executive Board is not a decision-making body but the matters handled and recommended by it are discussed in Posti Group Corporation's Board of Directors or implemented with CEO authorization.

The duties of the Management Board are connected with the management, development and follow-up of Group-wide functions, and internal services. The Management Board is not a decision-making body but the matters handled and recommended by it are discussed in Posti Group Corporation's Board of Directors or implemented with CEO authorization.

The management's résumés are available at www.posti.com/management.

6 Remuneration

The Annual General Meeting annually decides on the compensations to be paid for work in the Board of Directors and committees and their determination criteria. The Board of Directors is responsible for rewarding the President and CEO and for other remunerations to be paid to him.

The CEO's financial benefits are described on Posti's website at www.posti.com/corporategovernance.

The remuneration statement and other information related to the Corporate Governance Code are available at www.posti.com/corporategovernance.

7 Other Corporate Governance

7.1 Internal control

Internal control is part of Posti's management system and supports the implementation of the Group's strategy and regulatory compliance. It is part of the corporate culture, covering all levels and processes of the organization.

Overall responsibility for arranging internal control lies with the Board of Directors of Posti Group Corporation. The CEO is responsible for creating the control environment and for internal control follow-up. The management of the Group's companies and units is responsible for the implementation of the principles and policies of internal control and for utilizing information from the control system in its organizations. The Business Audit unit is responsible for internal audit and the auditor appointed by the Annual General Meeting for the statutory audit.

At the Group level, internal control relies on Posti's values and ethical guidelines, the Group's Code of Conduct and operating principles, and the functional organization, which also allow efficient monitoring in different parts of the Group. The management of the Group companies and units is responsible for defining control measures and assigning responsibilities.

The follow-up of financial targets and financial supervision are based on monthly reporting, which in addition to actuals includes updated forecasts for the whole financial year and for the next 12 rolling months.

7.2 Risk management

The Group's risk management, based on the principles of Enterprise Risk Management (ERM), covers all Group operations and forms an integral element of Posti's management and strategy processes. Its aim is to secure and improve business profitability and the achievement of strategic goals by reducing the likelihood of risk occurrence and the impact thereof, and by supporting the exploitation of business opportunities. Risk is the possibility that an event will occur in Posti and adversely affect the achievement of objectives. A business opportunity, in turn, is defined as an event whose effective utilization will positively affect the achievement of objectives.

Risk identification, analysis, and the planning of risk management measures is carried out once a year as part of the Group's strategy process. The status of the risk profile and management measures is updated regularly once a year and whenever significant risks are identified or the profiles of major risks undergo material changes. The Group's risk portfolio is compared against the risk-bearing capacity based on a financial model developed within the Group.

Risk management's responsibilities

Posti's Board of Directors approves the Group's risk management policy and principles. The Group's Management Board approves risk management guidelines. The CEO and the CFO are responsible for the planning and efficient implementation of overall risk management processes. The Group's Management Board and the Board of Directors' Audit Committee regularly monitor the development and functionality of risk management processes and the whole made up of the most important risks with regard to the Group's risk-bearing capacity. The Audit Committee assesses the coverage and functionality of risk management.

The Business Audit unit assesses the coverage and functionality of the Group's risk management and provides support in risk identification.

Risk owners

Risks are managed where they are created. The management of the Group's business groups and units and of Group functions defined as critical is responsible for risk management as part of strategic and operative management in its operations as well as in outsourced functions for which it is responsible. The management is also responsible for ensuring that the whole made up of the most important risks remains within the risk-bearing capacity. A Risk Champion has been appointed in all business groups, their business units and the most important Group functions. In addition, every employee at Posti is responsible for taking risks into consideration in his/her work and for reporting detected risks to his/her supervisor.

Risk management support

Group Finance administers currency and other financial risks in a centralized manner based on financing guidelines confirmed by the Board of Directors and secures the availability of equity financing and debt financing under competitive terms. It supports the business groups in financing-related arrangements and takes care of external funding in a centralized manner. It is also responsible for financial assets management and hedging measures.

The Group's Chief Risk and Security Officer supports risk management policy implementation, coordinates key risk consolidation, and develops risk management tools and operating methods. He reports to the General Counsel, who reports to the CFO.

The risk management unit supports Group units in the management of operational risks related to corporate security.

Posti Group's comprehensive risk management policy is available at www.posti.com/riskmanagement.

7.3 Internal audit

The Group's internal audit produces independent assessment, securing and consultation services required by Corporate Governance, which are used to analyze the Group's business functions and their processes and the efficiency of management, risk management, supervision, reporting and administration. Its goal is to help identify development targets through which the efficiency, predictability, productivity, and compliance of business can be improved.

Internal audit supports the Board of Directors and Group management, which are responsible for organizing internal control, in their supervisory duty. It also assists the management and organization in the planning and development of internal control.

The Business Audit unit, which is responsible for internal audit, reports administratively to the CFO, and with regard to audit operations to the CEO and the Audit Committee. Planning, co-ordination, reporting, and follow-up are all carried out using the unit's own resources. The unit's own resources and external resources are used in the realization of the audit.

7.4 Insiders

Posti has neither a public register of insiders nor any persons subject to the disclosure obligation because the company's shares are not publicly listed. Posti's company-specific insider register contains information on persons who by virtue of their position or tasks have regular access to insider information. Insider information means information that can have a material effect on the value of Posti's bond and that consequently must be published in a stock exchange release.

Remuneration Statement

The aim of the Group's reward policy is to motivate competent personnel at all organizational levels and increase their commitment to the company, as well as to reward them for results and successful outcomes.

The company's Board of Directors determines the principles according to which Executive Management and key personnel are remunerated and receive bonuses annually, on the recommendation of the Remuneration and Nomination Committee.

Posti complies with the state-ownership guidelines concerning the remuneration and pension benefits of Executive Management.

The Cabinet Committee on Economic Policy, representing the Government Ownership Steering Department, issued a new statement on the remuneration and pension benefits of management in companies with State ownership on August 13, 2012. All reward schemes that begin after the issuance of the statement are in compliance with the guidelines contained therein.

All previous reward schemes are in compliance with the Cabinet Committee on Economic Policy's previous statement from 2009.

The Remuneration Statement is available in full at www.posti.com/corporategovernance.

Risk management

The main objective of Enterprise Risk Management (ERM) is to safeguard the achievement of Posti's strategic and key targets from unexpected risks and to enhance Posti's business opportunities and corporate image.

Posti's senior management is strongly committed to the enhancement of ERM. The risk management policy is approved and owned by the Board of Directors of Posti Group Corporation.

ERM at Posti is developed in line with the methodology and best practices of COSO (The Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management - Integrated Framework. In addition to COSO ERM, A Risk Management Standard published by FERMA (Federation of European Risk Management Associations) is acknowledged in Posti's ERM development.

Risk management objectives

ERM is a part of Posti's management system. It is directly related to and linked with the Posti strategy creation process, where its main objective is to provide assurance on how the enterprise's business strategy will perform under different scenarios and events. Thus, ERM directly supports continuity of Posti's business operations.

ERM is designed to identify events that could affect the company and its strategic performance. These events can be either positive or negative in impact. Opportunity is the possibility that an event will occur and positively affect the achievement of objectives. Risk is the possibility that an event will occur and adversely affect the achievement of objectives.

The fundamental goal of ERM is to provide reasonable assurance that the enterprise achieves its key objectives and strategy and is capable of optimizing its opportunities. The achievement of key objectives should not be done at any cost; the enterprise must compare its risk portfolio with its risk appetite and risk capacity on a regular basis to ensure that the portfolio is in balance. Risk appetite is the quantum of risk that the Group is willing to accept given its capabilities and the expectations of its stakeholders. Risk capacity is the maximum risk that the Group can bear in a fiscal year.

As ERM is aimed at supporting the achievement of an enterprise-wide view on opportunities and risks, it must also be comprehensive and holistically cover all types of risks across the enterprise and be embedded with all important business processes, all business areas and all levels in the organization. ERM's ultimate goal is to optimize risk, return, growth and capital for the enterprise as a whole.

Roles and responsibilities

The Posti Group Corporation Board of Directors owns and approves Posti Enterprise Risk Management Policy. The Audit Committee oversees that ERM is implemented and works efficiently. The Audit Committee also reviews the Group-level risk portfolio twice a year. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are responsible for organizing the design and efficient implementation of ERM processes. Posti's Management Board approves Posti's ERM approach and regularly reviews the implementation of ERM process as well as the Group-level risk portfolio.

ERM is an integral part of Posti's management processes. Hence core implementation activities are taken care of by the line management of Business Groups, Business Groups/Units and country organizations. The line management is responsible for embedding ERM into strategic management, daily operations and business processes, including respective services operated by third parties. For example, Business Groups are responsible for defining what kinds of risks and changes in risk valuation are to be reported within line management and/or in the matrix from Business Units/Lines, country entities and third parties providing services for them.

Each Business Group, Business Unit/Line, country organization and named critical Group Function has a nominated Risk Champion who facilitates and drives the risk management activities in the organization. Business Units in this context also include independent units.

Critical Group Functions in this context include Group Finance, Group Treasury, ICT, Communications, Legal Affairs, Posti Kiinteistöt Ltd, HR, Sourcing and Corporate Risk Management. The criticality of Group Functions from the ERM perspective is evaluated on a regular basis by the Management Board and organizational coverage is adjusted accordingly.

Every Posti employee is responsible for managing risks related to their own work and for communicating identified key risks to the line management.

The Chief Risk and Security Officer (CRO) of Posti Group is in charge of supporting the implementation of the risk management policy, coordinating Group-level risk consolidation and developing ERM methodologies. The CRO reports to the General Counsel, who reports to the CFO. The Business Audit function assesses the coverage of risk management and provides support in risk identification.

Risk management process

The figure below illustrates the risk management process and the objectives of each process phase.

· Sets the scene by defining the focus for the ERM process: achievement of strategic / key objectives.	· Identifies risks that threaten the achievement of strategic objectives and the business opportunities that support their achievement. · All risk categories are covered: strategic, operational, financial, and hazard risks.	· Thoroughly analyzes the nature of identified risks including the risk category in question, the risk owner, and the major contributing factors and interdependencies (external and internal factors influencing the risk event).	· Thoroughly evaluates the risk in relation to its probability of occurrence and its impact. The impact is evaluated both without the effect of existing controls and with their effect (= residual risk), and it is primarily estimated in euros. · Following the evaluation the risks can be prioritized according to their severity.	· Plans the response to prioritized risks and implements the plans. · Risk management measures include: · Risk avoidance, · Reducing the probability/impact of the risk, · Risk sharing/ financing, · Risk acceptance.	· Risks are reported in the organization on a regular basis. · Major new risks are being reported without delay. · Risks are consolidated and the adequacy of corrective measures is ensured, and the cumulative impact of the risk at different organizational levels is assessed.	· Risks are monitored on a regular basis to ensure understanding of the enterprise's risk portfolio and to ensure that the risk portfolio is up-to-date in its relation to the enterprise's risk bearing capacity.

In addition to the corporate strategy process, the illustrated risk management procedures must also be applied to the following business decision processes: M&A including the outsourcing of activities, the development of new business operations, products and services, large capital investments, major changes in operations or the mode of operation, and other major programs and projects.

ERM as part of the corporate strategy process

The timing of key ERM activities is closely connected to other strategic and business planning actions as defined in Posti's corporate strategy process.

ERM should be present as one of the first steps of the corporate strategy process, when the learning from the previous year is extracted and business environment trends and phenomena including strategic risks and opportunities are identified and analyzed systematically to understand the key drivers of the strategic environment.

On the Business Group level, as part of strategy formulation a more detailed risk management process is carried out as described above. Holistic risk analyses and communications, especially between Business Groups and Group Functions, must be carried out to ensure an adequate understanding regarding risks and corrective responses by risk owners.

ERM is also required to support the efficient implementation of strategy. For this reason, as instructed within the Group Strategy Process, Business Units/Lines, country organizations and Group Functions are required to formulate their own strategies and/or annual plans including the identification, analysis, and response to opportunities and risks. The organizations are expected to use the Group and Business Group Strategies as inputs for their own planning. In this process, the Group and Business Group level strategic objectives and risks are integrated in the annual action planning and target setting for the coming year.

Risks and controls are monitored and reported on a regular basis on all corporate levels.

Supervisory Board

Chairman **Markku Rossi**, MP, Centre Party
Since 2015

Vice Chairman **Jani Toivola**, MP, The Greens of Finland
Since 2015

Maria Guzenina, MP, Social Democratic Party
Since 2013

Marisanna Jarva, MP, Centre Party
Since 2015

Rami Lehto, MP, True Finns Party
Since 2015

Eeva-Maria Maijala, MP, Centre Party
Since 2015

Sari Moisanen, Managing Director (interim), Sea-Lapland development centre, Left Alliance
Since 2011

Mats Nylund, MP, Swedish People's Party of Finland
Since 2015

Sari Raassina, MP, National Coalition Party
Since 2015

Lulu Ranne, Master of Science (Tech.), True Finns Party
Since 2015

Satu Taavitsainen, MP, Social Democratic Party
Since 2015

Kari Tolvanen, MP, National Coalition Party
Since 2015

Board of Directors

Arto Hiltunen

Chairman
b. 1958, M.Sc. (Econ.)

Member of the Board since 2010.
Chairman of the Remuneration and Nomination Committee.

Employment history:

- S Group (1980–2009), most recently as CEO and Chairman of the Board of Directors
- Previously held several positions in the S Group, including Managing Director of HOK-Elanto, Ässä Partners and Alepa

Member of the Board:

- HSE Foundation
- Jenny and Antti Wihuri Foundation
- Foundation for Economic Education
- Metsäliitto Group
- Metsä Tissue Corporation
- Talent Partners Ltd
- SRV Group Plc
- Veho Group Oy Ab

Päivi Pesola

Vice Chairman
VP, Business Control, Heat Division,
Fortum Power and Heat Ltd
b. 1956, M.Sc.(Econ.)

Member of the Board since 2009.
Chairman of the Audit Committee.

Employment history:

- Fortum, Heat, Electricity sales and solutions division (2015–), Senior Advisor
- Fortum Power and Heat Oy (2001–2015), Vice President, Finance, Fortum Service Business Unit; Vice President, Business Control, Fortum Heat Business Unit; Vice President, Business Control, Fortum Heat Division
- Fortum Corporation (1999–2001), Vice President of Internal Auditing and Risk Management
- Fortum Oil and Gas Oy (1978–1999), Vice President of Internal Auditing and Financial Management

Petri Järvinen

Director, Supply Chain, Logistics and Quality
Coop Sverige
b. 1964, M.Sc.(Tech.)

Member of the Board since 2014.
Member of the Remuneration and Nomination Committee.

Employment history:

- Coop Sverige (since 2016), Director, Supply Chain, Logistics and Quality
- Mölnlycke Health Care (2013–2016), Global Supply Chain Planning Director
- Nokia (2007–2013), Global Supply Chain Development Director roles
- Unilever (1996–2006), several Director roles in European Supply Chain
- Unilever Finland (1993–1995), Logistics Manager
- Kymmene Corporation (1990–1993), Logistics Development Manager

Petri Kokko

Director, Retail
Google Germany GmbH
b. 1966, M.Sc.(Econ.)

Member of the Board since 2014.
Member of the Remuneration and Nomination Committee.

Employment history:

- Google Germany GmbH (since 2011–), Director, Retail
- Google Inc. (2009–2011), Global Director, Sales Learning and Development
- Google Finland Oy (2006–2009), Country Manager, Finland and Sweden
- Stream Helsinki Oy (2005–2006), Managing Director
- Nike Finland Oy (2003–2005), General Manager, Sales and Finance
- The Finnish Sport Television Oy (Suomen Urheilutelevisio Oy) (2001–2003), Head of Program

Jussi Kuutsa

Country Director
SRV Group Plc
b. 1964, M.Sc.(Econ.)

Member of the Board since 2011.
Member of the Audit Committee.

Employment history:

- SRV Group (since 2010), Country Director of Russia
- Stockmann Group (2000–2010), managerial positions in international operations

Kirsi Nuotto

Senior Vice President, Human Resources
Outotec Corporation
b. 1959, MA (French, Communications)

Member of the Board since 2015.
Member of the Remuneration and Nomination Committee.

Employment history:

- Outotec Corporation (2013–), Senior Vice President, Human Resources
- Cargotec Corporation (2012–2013), Executive Vice President, Human Resources
- Cargotec Corporation (2009–2011), Executive Vice President, Human Resources and Communications
- Cargotec Corporation (2006–2009), Senior Vice President, Human Resources
- GlaxoSmithKline (2001–2006), Human Resources and Communications Director - Finland
- Datex Ohmeda - Instrumentarium Corporation (1998–2001), Director, Global Education, Datex Ohmeda
- Datex Ohmeda - Instrumentatium Corporation (1988–1998), various training positions

Marja Pokela

Senior Financial Specialist
Goverment Ownership Steering Department
b. 1955, BBA, M.Sc.(Adm.)

Member of the Board since 2014.
Member of the Audit Committee.

Employment history:

- Prime Minister's Office, Goverment Ownership Steering Department (since 2007), Senior Financial Specialist
- Ministry of Transport and Communications (2006–2007), Senior Administrative Officer
- Tax Office for Major Corporations (2001–2006), Tax Inspector
- Hackman Oyj / Designor Oy Ab (1999–2001), Financial Manager
- Marimekko Oyj (1997–1999), Chief Financial Officer
- Valtameri Osakeyhtiö (1988–1997), Financial Manager

Board memberships:

- Vice Chairman of the Board: Meritaito Oy
- Member of the Board: Leijona Catering Oy, VTT Expert Services Oy

Suvi-Anne Siimes

Managing Director
Finnish Pension Alliance TELA
b. 1963, Licentiate of Political Science

Member of the Board since 2013.
Member of the Audit Committee.

Employment history:

- Finnish Pension Alliance TELA (since 2011), Managing Director
- Pharma Industry Finland (2007–2011), Managing Director
- Finnish Co-operative for Pharmaceutical Injury Indemnities (2010–2011), Managing Director
- Several positions in European organizations in the pharmaceutical sector (2007–2011)
- Member of Parliament (1998–2007)
- Left Alliance (1998–2006), Chairman

Board memberships:

- Board Chairman: Veikkaus Oy
- Member of the Board: Yrjö Jahnsson Foundation
- Delegation member: Institutum Romanum Finlandiae Foundation

Executive Board and Management Board

Heikki Malinen

President and CEO

b. 1962, M.Sc.(Econ.), MBA (Harvard)
Joined Posti in 2012

Employment history:

- Posti Group Corporation (since 2012), President and CEO
- Pöyry Plc (2008–2012), President and CEO
- UPM-Kymmene Corporation, Helsinki, Finland (2006–2008), Executive Vice President, Strategy; Member of the UPM Executive Team
- UPM North America, Chicago, USA (2004–2005), President
- UPM North America, Chicago, USA (2002–2003), President of Sales
- Jaakko Pöyry Consulting, New York, USA (2000–2001), Managing Partner
- McKinsey & Co, Atlanta, USA (1997–1999), Engagement Manager
- UPM Paper Divisions, Helsinki, Finland (1994–1996), Director of Business Development

Board memberships:

- Board Chairman: OpusCapita
- Member of the Board: EastOffice, Ilmarinen Mutual Pension Insurance Company, Outokumpu Plc, Service Sector Employers Palta
- Supervisory Member of the Board: Finnish Fair Corporation
- Audit Committee member: Outokumpu Plc

Sanna Ahonen

SVP, Corporate Strategy and Development

b. 1969, M.Sc.(Econ.) (International Relations, Politics)
Joined Posti in 2014

Employment history:

- Posti Group Corporation (since 2014), Senior Vice President, Corporate Strategy and Development, ICT, M&A, and Business Insight
- Finnair (2011–2013), Vice President, Corporate Development
- Nokia Siemens Networks (2010–2011), Head of BSO BE
- Nokia Siemens Networks (2007–2009), Head of Strategic Change Projects
- Basware Inc (2006–2007), Vice President, Global Consulting
- Nokia, Vodafone CBT (2005–2006), Director, Customer Projects & Quality
- Nokia (2001–2005), Business Development Manager, Business Development Unit
- Nokia (1999–2000), Executive Leadership Training

Board memberships:

- Board Member: OpusCapita, Samlink

Yrjö Eskola

SVP, Operations

b. 1972, M.Sc.(IEM)
Joined Posti in 2013

Employment history:

- Posti Group Corporation (since 2015), Vice President, Operations
- Itella Corporation (2014), Vice President, Logistics Development (Itella Logistics)
- Itella Corporation (2013–2014), Director, Strategic Development Programs
- Nokia Corporation (2008–2012), General Manager, Nokia Komárom Ltd. Hungary
- Nokia Corporation (2007–2008), Director, Supply Management
- Nokia Corporation (2004–2007), Director, Logistics EMEA
- Nokia Corporation (1997–2004), various management positions in EMEA Logistics and Sourcing&Procurement organizations

Sari Helander

CFO

b. 1967, M.Sc.(Econ.)
Joined Posti in 2011

Employment history:

- Posti Group Corporation (since 2011), CFO
- Nokia Corporation (2001–2011), Vice President, Business Reporting & Control; various control and financial management positions
- Nokia Networks (1994–2001)
- Helsingin Tilikartta, Interbank, Union Bank of Finland (1986–1992)

Board memberships:

- Board Vice Chairman: OpusCapita
- Audit Committee Chairman: OpusCapita
- Board Member: Patria

Jaana Jokinen

SVP, Human Resources

b. 1957, M.Sc. (Econ.)
Joined Posti in 2009

Employment history:

- Posti Group Corporation (since 2009), Senior Vice President, Human Resources
- Nokia Corporation (2004–2009), HR Director for Demand Supply Network Management
- Nokia Networks (2001–2003), global managerial positions in HR
- Nokia Networks (1995–2001), managerial positions in customer training in Finland and China
- Learning Systems Ltd (1990–1995), Consultant for HR Development
- ICL (1986–1989), Training Manager

Jani Jolkkonen

SVP, Postal Services

b. 1973, M.Sc.(Tech.), EMBA
Joined Posti in 2002

Employment history:

- Posti Group Corporation (since 2015), Senior Vice President, Postal Services
- Itella Corporation (2013–2014), Senior Vice President, Itella Logistics
- Itella Corporation (2004–2013), managerial positions in Delivery and Marketing Services and Operations at Itella Mail Communications
- Itella Corporation (2002–2004), Business Controller
- Telia Mobile (2001–2002), Business Controller
- Digiscope (2000–2001), Business Consultant
- Cap Gemini Ernst & Young (1998–2000), Consultant

Jukka Rosenberg

SVP, Parcel and Logistics Services

b. 1962, M.Sc.(Econ.)
Joined Posti in 2011

Employment history:

- Posti Group Corporation (since 2015), Senior Vice President, Parcel and Logistics Services
- Itella Corporation (2011–2014), Senior Vice President, Itella Mail Communications
- IBM Global Services (2006–2011), Executive, Strategic Outsourcing
- Tieto Corporation (1997–2006), Senior Vice President, Financial Services Sector
- Fujitsu Services Oy (1985–1997), managerial positions in international sales and marketing

Nikolay Voinov

President, Itella Russia

b. 1973, M.Sc.(Tech.), M.Sc.(Econ.)
Joined Posti in 2013

Employment history:

- Posti Group Corporation (since 2013), President, Itella Russia
- DPD Russia (2008–2013), Country Manager
- DPD Russia (2007–2008), First Deputy of Country General Manager
- TNT Express Worldwide (2006–2007), Country Operations Manager, Russia (Deputy CEO)
- TNT Express Worldwide (2005–2006), St. Petersburg Branch Manager
- TNT Express Worldwide (2002–2005), Moscow Branch Manager
- TNT Express Worldwide (1999–2002), Sales and Marketing Manager

Timo Anttila

VP, Stakeholder Relations and Communications

b. 1962, MA (Political History)
Joined Posti in 2013

Employment history:

- Posti Group Corporation (since 2013), Vice President, Stakeholder Relations and Communications
- Danske Bank (2008–2013), Head of Communications
- Sampo Bank (2007–2008), Communications Manager
- Ilta-Sanomat (2003–2007), Head of Political Desk and Financial Editor
- Iltalehti (2002–2003), Financial Editor
- Iltalehti (1989–2002), Head of Political Desk, Political Editor

Markku Gerdt

VP, Sourcing

b. 1970, BEng, Master of Business Administration
Joined Posti in 2012

Employment history:

- Posti Group Corporation (since 2014), Vice President, Sourcing
- Itella Corporation (2012–2014), various management roles in Itella Mail Communications's and Itella Group's Sourcing
- Nokia Spain SAU (2010–2012), Senior Sourcing Manager
- Nokia Corporation (2006–2010), Group Manager for Finland and Eurasia Sourcing and various other positions in sourcing organization
- Elisa Networks (1998–2006), various management roles

Antero Palmolahti

Strategic Chief Shop Steward

b. 1952
Joined Posti in 1971

Employment history:

- Posti Group Corporation (since 1971), postal worker, various positions as safety representative and chief shop steward

Board memberships:

- Board Chairman: Posti Personnel Fund, Hotel and Training Center Heimari Ltd

Esa Viitamäki

CIO

b. 1958, B.Sc.
Joined Posti in 2013

Employment history:

- Posti Group Corporation (since 2013), CIO
- LocalTapiola (2009–2013), CIO
- Tieto Corporation (2004–2009), Vice President, Common Processes; Vice President, Financial Services
- Primasoft Ltd (2002–2004), Senior Vice President
- Tieto Corporation (2001), General Manager
- Pohjolan ATK-palvelu Oy (1998–2001), Managing Director

Jarkko Ämtö

CEO, Posti Kiinteistöt

b. 1972, M.Sc.(Tech.)
Joined Posti in 2015

Employment history:

- Posti Kiinteistöt Ltd (since 2015), CEO
- Sanoma Corporation (2012–2015), Head of Real Estate Management
- Sanoma Corporation (2007–2012), Real Estate Manager
- SanomaWSOY Corporation (2005–2007), Project Manager
- SanomaWSOY Corporation (2003–2005), Sales Manager
- Rautakirja Ltd (2001–2003), Retail Store Sites Manager
- Kesko Corporation (1998–2001), Consultant on Store Sites

BOARD OF DIRECTORS' REPORT 2015

Operating environment 2015

The economic climate was challenging in 2015. The trend appeared positive until June 2015, with growth in the national economy. However, the situation took a turn for the worse in June and deteriorated further toward the end of the year. Consumer demand remained weak.

Posti's parcel services volume grew by 2% (2%) year-on-year, and market share increased slightly. Posti delivered more than 33 million parcels during the year. The number of parcels going through Posti's parcel points grew by 42% year-on-year. Parcel volumes grew until June. In Posti's parcel volume, the turn for the worse occurred in the fall, trailing the negative turn in the overall market by one quarter.

In postal services, the decline in volume was steeper in the final quarter. The volume of addressed letters decreased by -10% in October–December, and the rate of decline for the full year was -8% (-10%). The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -27% (-13%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by -9% (-10%).

Industrial action late in the year had a negative impact particularly on parcel services, as customers sought alternative delivery channels in the busy Christmas season.

The situation in the Russian market deteriorated substantially toward the end of the year. The ruble exchange rate fluctuated significantly throughout the year, and the closing rate was down 12% year-on-year. The general economic climate is weak. Warehouse processing volumes fell and the demand for air and sea freight declined. The final quarter of 2015 was substantially weaker than the previous year. The warehouse fill rate remained at a good level, but processing volumes fell substantially.

The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. OpusCapita transmitted a total of 540 million transactions during the year. The total transaction volume includes printed letters, mailed paper letters, and electronic transactions. The electronic transaction volume was 205 million transactions, which represents 38% of OpusCapita's total transaction volume. Growth was the fastest in the volumes of electronic invoices with a cumulative growth rate of 6%.

Performance improvement program

The Group has a performance improvement program for 2015–2016 underway, aiming at EUR 75 million in cost savings. Some 90% of the savings target was achieved by the end of the year. Savings have been achieved by increasing the efficiency of production and Posti's retail network, as well as the purchasing operations of ICT and sourcing, among other things.

In addition to the performance improvement program, the Group implemented a 'Way of Working' program to achieve savings by reducing training, recreation and travel expenses.

Posti's warehousing services commenced cooperation negotiations on March 3, 2015, concerning 59 people in total. The negotiations led to the dismissal of 10 employees. Cooperation negotiations concerning the personnel of the Group's own retail outlets in relation to the renewal of the retail network commenced on April 28, 2015. The negotiations were completed on June 16, 2015, and the need for personnel reductions was determined to be 319 employees. Cooperation negotiations commenced in Posti's Operations on June 3, 2015, concerning the freight terminal network. The negotiations were completed on August 3, 2015, and the need for personnel reductions was 10 permanent employees.

Cooperation negotiations commenced on January 26, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit led to the dismissal of nine employees in total. Cooperation negotiations commenced by OpusCapita on May 21, 2015, regarding the restructuring of the Finnish digitizing production unit of Customer Service & Operations were concluded on June 16, 2015. The outcome of the negotiations was that the need for personnel reductions is 15 permanent employees. Cooperation negotiations commenced on August 13, 2015 in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit and were completed on September 23, 2015. The outcome of the negotiations was that the need for personnel reductions on financial and production-related grounds was 11 permanent employees.

Net sales and operating result in 2015

The Group's net sales in 2015 were EUR 1,650.3 (1,858.7) million. Net sales decreased by 11.2%. The decline in net sales was due to the divestment of the Scandinavian freight business, the weak market situation and exchange rate development in Russia, as well as the decrease in domestic delivery and freight volumes in Finland. In local currencies, the decline in net sales was 8.8%. Comparable net sales, excluding the international freight business, decreased by 6.1%.

Net sales decreased in all business groups. Net sales declined by 5.2% in Finland and by 32.4% in other countries. The decrease in net sales was particularly attributable to the divestment of international freight operations and the substantial depreciation of the ruble. International operations accounted for 16.8% (22.0%) of net sales.

The operating result before non-recurring items was EUR 48.7 (50.8) million, or 2.9% (2.7%) of net sales.

Non-recurring items totaled EUR 7.2 (-45.0) million in 2015. Posti Group sold several properties during the financial year, recording a total sales gain of EUR 44.2 million. The most significant of these transactions took place on April 22, 2015, when Posti Group sold and leased back its postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula. The transaction price was EUR 120 million. The selling of warehouses in Scandinavia was related to the divestment of Scandinavian freight operations. The non-recurring items also include EUR 8.4 million in personnel restructuring costs and EUR 28.6 million in impairment, provisions, and other items. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result was EUR 55.9 (5.8) million, or 3.4% (0.3%) of net sales.

The Group's net financing costs amounted to EUR 12.5 (10.4) million.

The Group's result for the period was EUR 36.0 (-4.4) million.

Return on equity stood at 6.1 percent (-0.7 per cent).

As of the beginning of 2015, services that fall under the universal service obligation exist both in Postal Services and Parcel and Logistics Services. Operations under the universal service obligation amounted to EUR 154.8 (147.1) million in 2015, which was 9.4% of the entire Group's net sales.

Key figures of Posti Group

	2015	2014	2013
Net sales, MEUR	1,650.3	1,858.7	1,976.8
Operating result (non-IFRS), MEUR *)	48.7	50.8	50.5
Operating result (non-IFRS), % *)	2.9	2.7	2.6
Operating result (EBIT), MEUR	55.9	5.8	9.9
Operating result (EBIT), %	3.4	0.3	0.5
Result before taxes, MEUR	43.3	-4.6	-2.4
Result for the period, MEUR	36.0	-4.4	7.7
Return on equity, % (12 months)	6.1	-0.7	1.1
Return on invested capital (12 months), %	6.3	1.0	1.3
Equity ratio, %	47.8	45.9	47.5
Gearing, %	-10.5	17.2	21.1
Gross capital expenditure, MEUR	60.6	57.5	61.1
Employees on average	22,219	24,617	27,253
Dividends, MEUR	18,0 **)	-	-

*) Non-IFRS = excluding non-recurring items
**) Board of Directors' proposal to the Annual General Meeting

Postal Services

The Postal Services business group's net sales decreased by 3.5% to EUR 742.3 (769.0) million. The decrease in net sales was attributable to a decline in domestic delivery product volumes. The volumes of addressed letters, newspapers and magazines decreased significantly compared to the previous year. The volumes of electronic letters and unaddressed deliveries grew. Posti has found new business by delivering items shipped to Russia by Chinese online stores.

The volumes of unaddressed deliveries increased as a result of Postinen, which was launched in March. Since the beginning of March 2015, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week. The aim of Postinen is to improve the competitiveness of paper communications and the profitability of delivery. Postinen makes the sorting more efficient and saves working hours when the bunching is done by machines. Postinen also acts as a new kind of marketing tool for the advertisers.

The business group's operating result before non-recurring items declined and amounted to EUR 56.4 (66.0) million. Non-recurring items recognized during the period totaled EUR 0.9 (0.1) million. The strong result early in the year was supported by improvements in operational efficiency and the increases in postage fees that took effect at the beginning of 2015. Cost adaptation measures implemented during the year did not fully compensate for the decline in the volume of domestic delivery products. The decline in the volume of addressed domestic letters accelerated in the fourth quarter.

The operating result was EUR 57.3 (66.1) million.

The year-on-year development of mail delivery volumes was as follows:

- Addressed letters, -8% (-10%)
- Unaddressed direct marketing, +5% (-33%)
- Newspapers, -27% (-13%)
- Magazines, -9% (-10%)
- Electronic letters, +4% (+7%)

The volume of addressed letters declined by -8% (-10%). The volume of unaddressed deliveries increased as a result of Postinen, which was launched in March. Newspaper delivery volumes declined by -27% (-13%), largely due to the expiration of early-morning delivery agreements in 2014. Magazine delivery volumes declined by -9% (-10%).

The number of Netposti users increased by 8% year-on-year and stood at 636,000 at the end of the year. Netposti is an electronic mailbox provided by Posti.

Parcel and Logistics Services

The Parcel and Logistics Services business group's operating result before non-recurring items turned to profit in spite of a decrease in net sales. Net sales decreased by 17.4% to EUR 596.7 (722.7) million. Comparable net sales, excluding the international freight business, decreased by 3.8%. Net sales declined in the freight and warehousing businesses.

Net sales grew in parcel services. Posti delivered more than 33 million parcels in Finland during the year. Posti's parcel services volume in Finland grew by 2.3% year-on-year (2.0%). The use of parcel points increased, with the number of parcels growing by 42% year-on-year.

The business group's operating result before non-recurring items improved to EUR 0.6 (-21.7) million. The improved operating result was particularly attributable to the divestment of international freight operations, higher demand for parcel services, and measures implemented by the Group to increase the efficiency of production operations.

The operating result was affected by non-recurring expenses of EUR -13.2 (-12.5) million, arising from the restructuring of Posti's retail network and the sale of international freight operations.

The business group's operating result improved to EUR -12.6 (-34.2) million.

On April 15, 2015, Posti Group Corporation signed an agreement to sell its road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland, to the Danish company NTG Nordic Transport Group.

On April 23, 2015, Posti announced it will renew its service network. As part of the renewal, Posti will expand its network by approximately 100 new service points and transfer services at 77 of its own postal outlets to be managed by partners. Going forward, Posti will operate 21 postal outlets of its own.

Posti had 1,401 service points at the end of the year. After 21 new parcel points were taken into use during the year, their number totaled 480 at the end of December.

Itella Russia

Measured in local currency, Itella Russia's net sales decreased by 7.7%. The decrease in net sales was due to the weak economic climate, the significant decline in Russia's GDP, and weaker international trade. The current expectation is that volumes will remain low in 2016.

By December 31, 2015, the closing rate of the Russian ruble had declined by 12%. The ruble exchange rate was highly volatile during the year. Euro-denominated net sales decreased by 30.9% to EUR 118.9 (172.0) million.

The business group's operating result before non-recurring items was EUR -5.1 (2.5) million. The weaker operating result was attributable to lower volumes as well as the development of the ruble exchange rate and currency-linked lease expenses.

The average warehouse fill rate during the year was 84% in Moscow and 86% in other areas. The operating result also decreased, and totaled EUR -25.0 (2.4) million. The operating result includes EUR 7.6 million in impairment losses, the majority of which were allocated to customer relationships capitalized in conjunction with the acquisition of Itella Russia in 2008. The result includes a provision of EUR 11.7 million for loss-making agreements related to the loss of a customer and currency depreciation.

Itella Russia's investments amounted to EUR 2.9 (2.6) million.

OpusCapita

OpusCapita's net sales decreased by 1.2% to EUR 256.7 (259.6) million. Some 59% of the net sales are from Finland, while the remaining 41% is from other countries. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications was reflected in OpusCapita's operations, particularly in the volumes of iPost products. The volumes of iPost products decreased by 12% from the previous year.

Continuous service business operations made up 94% of OpusCapita's net sales. This includes multi-channel invoicing and invoice management solutions for paper and electronic invoices, as well as software maintenance and SaaS fees, and regularly invoiced outsourcing services.

OpusCapita transmitted a total of 540 million transactions during the year. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 205 million transactions, which represents 38% of OpusCapita's total transaction volume. Growth was fastest in the volumes of electronic invoices with a cumulative growth rate of 6%.

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

The Financial Accounting Outsourcing unit recorded a weak result. In response to this, a performance improvement program was initiated in the unit in the fall.

Non-recurring items recognized during the period totaled EUR -1.2 (-7.3) million. The operating result before non-recurring items declined to EUR 14.5 (20.0) million.

The operating result improved to EUR 13.3 (12.7) million.

On April 30, 2015, OpusCapita acquired the Swedish companies Kredithanterarna and Svenska Fakturaköp. The acquisitions see OpusCapita further strengthen its offering in Order-to-Cash management. The acquired companies bring strong industry expertise from the Swedish market to OpusCapita, and the Order-to-Cash solutions were also launched in Finland.

Patrik Sallner was appointed as OpusCapita's CEO effective from October 5, 2015.

OpusCapita ceased its operations in Slovakia on September 30, 2015.

On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states to BaltCap. The transaction included OpusCapita AS, which operates in Estonia and Latvia, as well as UAB OpusCapita, which operates in Lithuania. The transaction allows OpusCapita to focus on its strategic business areas in Europe.

OpusCapita's investments amounted to EUR 9.6 (5.8) million. The investments were related to development projects, both for customers and the company's own processes, as well as licenses.

Key Figures of Business Groups

Key Figures of Business Groups

EUR million	2015	2014	Change
Net sales			
Postal Services	742.3	769.0	-3.5%
Parcel and Logistics Services	596.7	722.7	-17.4%
Itella Russia	118.9	172.0	-30.9%
OpusCapita	256.7	259.6	-1.2%
Other operations	8.7	48.6	-82.0%
Intra-Group sales	-73.0	-113.3	
Group total	**1,650.3**	**1,858.7**	**-11.2%**
Operating result (non-IFRS) *)			
Postal Services	56.4	66.0	-14.5%
Parcel and Logistics Services	0.6	-21.7	-
Itella Russia	-5.1	2.5	-
OpusCapita	14.5	20.0	-27.2%
Other operations	-17.7	-16.0	-
Group total	**48.7**	**50.8**	**-4.2%**
Operating result (EBIT)			
Postal Services	57.3	66.1	-13.3%
Parcel and Logistics Services	-12.6	-34.2	-
Itella Russia	-25.0	2.4	-
OpusCapita	13.3	12.7	5.1%
Other operations	22.8	-41.2	-
Group total	**55.9**	**5.8**	**867.5%**
Operating result (non-IFRS), % *)			
Postal Services	7.6%	8.6%	
Parcel and Logistics Services	0.1%	-3.0%	
Itella Russia	-4.3%	1.5%	
OpusCapita	5.7%	7.7%	
Group total	**2.9%**	**2.7%**	
Operating result (EBIT), %			
Postal Services	7.7%	8.6%	
Parcel and Logistics Services	-2.1%	-4.7%	
Itella Russia	-21.0%	1.4%	
OpusCapita	5.2%	4.9%	
Group total	**3.4%**	**0.3%**	

*) Non-IFRS = excluding non-recurring items

Cash flow and capital expenditure

The consolidated cash flow from operating activities before capital expenditure was EUR 81.9 (93.2) million.

Capital expenditure amounted to EUR 55.9 (46.6) million. The Group invested in vehicles, production projects, and parcel points during the year. Investments were also made in terminal improvement projects and the transport fleet.

Proceeds from divestments totaled EUR 136.4 (2.6) million. The most significant divestment was a real estate sale on April 22, 2015, where Posti Group sold and leased back its postal centers in Tampere, Kuopio, and Oulu, as well as its warehouse in Tuusula and the freight terminal in Pirkkala that is estimated to be completed in late 2016.

At the end of the year, liquid assets totaled EUR 257.0 (186.7) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 290.3 (295.5) million. The equity ratio was 47.8% (45.9%), and gearing was -10.5% (17.2%).

Research and Development

Research and development expenditure in 2015 was EUR 12.9 (11.2) million, or 0.8% (0.6%) of the Group's total operating expenses.

The development of new electronic services continued in Postal Services. Posti's new home services were also researched, developed and piloted during the year. A new product was launched for unaddressed advertising. Since the beginning of March 2015, households have been delivered advertisements and other unaddressed items in a separate wrapped bundle twice a week.

In Parcel and Logistics Services, the focus was on comprehensive supply chain solutions and logistics solutions for multi-channel commerce. A fast hybrid warehouse for e-commerce was commissioned in Voutila. The warehouse is directly integrated with parcel sorting, which enables services such as same-day deliveries. The new logistics center Posti Group opened in Lieto late in the year is a hub for e-commerce. The logistics center in Vantaa, the robot-assisted hybrid warehouse and the Lieto logistics center offer e-commerce operators as many as two or three additional days of sales during peak seasons.

The company successfully piloted its new warehouse management system. In freight operations, the focus was on improving profitability as well as services required by the common carrier segment. Posti Group's new cloud service GLUE (Generic Layer for Universal E-commerce) provides e-commerce with opportunities for growth. GLUE brings customers, online stores, and suppliers under the same network.

Posti Group has introduced new functions to its digital channels, including a delivery time forecast. These services are aimed at providing customers with even better opportunities for self-service, also via mobile. The product portfolio and contract structures have been clarified and simplified. The development efforts will continue in the new financial year.

Itella Russia developed warehouse management systems and carried out an extensive e-commerce project in partnership with a customer. The use of the voice-controlled goods picking system, introduced at warehouses in the previous year, was expanded, with more than 50% of the processing volume now based on this technology. The warehouses also worked on other developments, such as a goods scanning system.

OpusCapita launched a new bank-independent supply chain financing solution. Its other new products included automation services related to software robotics as well as the collection of sales receivables. OpusCapita also 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 emission target concerns only Finland, but the reporting system supporting the target covers all business operations and countries of operation.

Posti's carbon neutral Posti Green concept was expanded early in the year to cover all of Posti's services in Finland: postal services, parcel, transport and freight services, as well as warehousing services. With its 100% carbon neutral services, Posti is a pioneer in green logistics in Finland.

In March, Posti will publish a corporate responsibility report for 2015 that includes more detailed information on environmental responsibility.

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

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 18, 2015. The meeting adopted the 2014 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

The Annual General Meeting also decided that the Board of Directors be composed of eight members.

The following continued as members of the Board of Directors:

- Arto Hiltunen, M.Sc. (Econ.)
- Petri Järvinen, Global Supply Chain Planning Director, Mölnlycke Health Care, Sweden
- Petri Kokko, Director, Google Deutschland GmbH
- Jussi Kuutsa, Country Director, SRV, Russia
- Päivi Pesola, CFO, Fortum Power and Heat Oy
- Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance (TELA)

Kirsi Nuotto, Senior Vice President, Human Resources, Outotec Oyj, was elected to join the Board as a new member.

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

The Supervisory Board consists of twelve members.

The following continued as members of the Supervisory Board:

- Ritva Elomaa, MP, True Finns Party
- Lars-Erik Gästgivars, MP, Swedish People's Party of Finland
- Maria Guzenina, MP, Social Democratic Party
- Satu Haapanen, MP, The Greens of Finland
- Sari Moisanen, temporary Managing Director, Left Alliance
- Outi Mäkelä, MP, National Coalition Party
- Reijo Ojennus, entrepreneur, True Finns Party
- Mauri Pekkarinen, MP, Centre Party
- Raimo Piirainen, MP, Social Democratic Party
- Tuomo Puumala, MP, Centre Party
- Teuvo V. Riikonen, Chief Executive Officer, Christian Democrats
- Kimmo Sasi, MP, National Coalition Party

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

The Annual General Meeting approved the Board of Directors' proposal to not distribute a dividend and to transfer the profit for the period to 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.

Extraordinary General Meeting

Posti Group Corporation's Extraordinary General Meeting was held in Helsinki on November 12, 2015. The Extraordinary General Meeting elected members of the Supervisory Board and appointed the Supervisory Board's Chairman and Vice Chairman for a term ending at the close of the next Annual General Meeting.

The following were elected as new members of the Supervisory Board:

- Rami Lehto, MP, True Finns Party
- Eeva-Maria Maijala, MP, Centre Party
- Marisanna Jarva, MP, Centre Party
- Mats Nylund, MP, Swedish People's Party of Finland
- Sari Raassina, MP, National Coalition Party
- Lulu Ranne, M.Sc. (Tech.), True Finns Party
- Markku Rossi, MP, Centre Party
- Satu Taavitsainen, MP, Social Democratic Party
- Jani Toivola, MP, The Greens of Finland
- Kari Tolvanen, MP, National Coalition Party

Maria Guzenina, MP, Social Democratic Party, and Sari Moisanen, temporary Managing Director, Left Alliance, continued as members.

Markku Rossi, MP, was elected Chairman of the Supervisory Board and Jani Toivola, MP, was elected Vice Chairman of the Supervisory Board.

Employees

At the end of the year, the Group employed 21,598 (23,289) people. The Group's average number of personnel was 22,219 (24,617). At the end of the year, a total of 4,724 (5,264) employees worked outside Finland. The number of employees working in Finland was 16,874 (18,025).

Personnel distribution was as follows:

Postal Services	69 (106)
Parcel and Logistics Services	1,478 (1,902)
Itella Russia	2,646 (2,920)
OpusCapita	2,178 (2,292)
Other functions (Operations and Group Functions)	15,227 (16,069)

Other functions includes both Group Functions and employees in Operations. Employees in Operations were transferred to other functions effective on January 1, 2015.

The Group's personnel expenses decreased by EUR 91.3 million, or by 10.8% year-on-year. Personnel expenses included EUR 8.4 (25.8) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 9% year-on-year.

Salaries and wages paid by the Group decreased by EUR 77.8 million from the previous year.

Based on the result for the financial year, no bonus will be paid to the personnel fund.

Group personnel	2015	2014	2013
Salaries and wages, EUR million	606.9	684.7	713.4
Employees on December 31	21,598	23,289	25,877
Average number of employees	22,219	24,617	27,253

The company entered into 338 new permanent employment contracts in Finland in 2015. Personnel reductions amounted to 423 person-years. Out of this total, 328 person-years were related to production and finance and 42 person-years were reduced through voluntary resignation and pension plans. In addition, 53 person-years were related to acquisitions.

In January 2014, 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 2015, a total of 1,327 employees had applied for the program and 925 had been approved.

Changes in corporate structure

On April 30, 2015, Posti Group Corporation sold KH Fur Oy as part of selling its international freight business to the Danish company NTG Nordic Transport Group.

On April 30, 2015, OpusCapita Group Ltd acquired Kredithanterarna i Stockholm AB and Svenska Fakturaköp AB.

The holdings of the Group’s Russian business companies were transferred from Cyprus to Finland in May. Following this transaction, the Group’s Cyprus-based companies no longer own any shares in operative companies.

Posti Group sold the Norwegian real estate company Snipetjernveien 2 AS on July 1, 2015, and the Swedish real estate company Fastighets AB Vindtunneln on September 1, 2015.

OpusCapita Regnskap AS sold the Swedish company Redovia Group AB on September 1, 2015.

Itella Logistics A/S (Denmark), OpusCapita s.r.o. (Czech Republic) and Itella Information S.R.L. (Romania) were merged into the parent company Posti Group Corporation in November 2015, while Itella Information Kft (Hungary) was merged into the parent company in December 2015.

Events after the financial period

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

On January 26, 2016, Posti Group announced it will commence cooperation negotiations, the sphere of which covers a total of 7,600 employees. The negotiations concern Operations' administration and basic delivery, the entire Sales and Customer Services unit, and certain Group Functions. The preliminary estimated reduction need is 860 people.

OpusCapita announced on February 8, 2016 a new planned organization and operating model in order to implement its new strategy and to improve profitability. As part of the change, OpusCapita will start cooperation negotiations to reduce approximately 80 positions, of which a maximum of 50 in Finland and in total some 30 in other countries. The aim is to gain annual savings of at least 10 million euros.

Business risks

The risk management process in 2015 took into consideration the changes to the organizational structure implemented at the start of the year. As a result of the Operations organization being established to assume responsibility for production operations to a large extent, the business groups and units now have a stronger focus on the management of strategic risks, while Operations focuses on operational risks and damage risks related to postal operations and freight.

The Group's insurance cover was developed systematically, and tenders were invited for the Group's statutory accident insurance in Finland.

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. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

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

The Finnish Government is preparing a Postal Act reform, which will remove the requirement of licences from Postal operators, currently granted by the Government. In Posti´s view, the new reform will provide to Posti´s competitors a distinct competitive advantage. If the reforms will not apply to regulation of universal service, respectively, Posti´s ability to produce universal service profitably will weaken. It will increase the efficiency measures as well.

Strategic risks

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

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

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

In logistics, unanticipated regulatory changes related to domestic transport and increasing international competition are also seen as risks.

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct financial losses and pose a strategic risk that limits business development. Our goal is to ensure successful integration through careful planning and monitoring.

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

In accordance with the Group's financial policy, equity investments in subsidiaries are not hedged. Ruble hedging costs remain high, and the Group has discontinued the hedging of both the parent company's ruble-denominated receivables and local transaction risk in Russia for the time being.

Risks in Russia are managed by continuously monitoring business development, increasing the monitoring of critical processes and by establishing a solid foothold in the Russian market through our own companies, employees, and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment, and regular compliance training for employees.

In OpusCapita, with the volume of paper-based transactions decreasing, and that of electronic transactions increasing rapidly, along with competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

Financial management software is being increasingly offered as cloud services. This involves the risk of whether OpusCapita is able to develop its operations and service offering quickly enough. OpusCapita's capacity to develop the outsourcing of financial processes 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.

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

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

Other risks

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

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

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

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

Legal proceedings

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

Outlook for 2016

The Group’s business is characterized by seasonality. Net sales and operating profit in the business groups are not accrued evenly over the year. In postal services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker.

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 2016 are expected to decrease compared to 2015. The Group’s operating result before non-recurring items is expected to improve from 2015. There is significant uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant non-recurring items. Changes in the exchange rates, particularly ruble, can affect the Group’s net sales, operating result and balance sheet.

Capital expenditure is expected to increase remarkably from 2015.

Board of Directors’ proposal for the distribution of profits

In the financial statements, the parent company’s distributable funds total EUR 710,146,335.35, of which the profit for the 2015 financial year is EUR 1,365,597.50.

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 a dividend of EUR 18.0 million be distributed.

Helsinki, February 11, 2016

Posti Group Corporation
Board of Directors

Calculation of key figures (IFRS)

Return on equity, % $100 \times \dfrac{\text{result for the period - income taxes}}{\text{total equity (average)}}$

Return on invested capital, % $100 \times \dfrac{\text{result before income tax + interest and other financial expenses}}{\text{total equity + interest-bearing liabilities (average)}}$

Equity ratio, % $100 \times \dfrac{\text{total equity}}{\text{total assets - advances received}}$

Gearing, % $100 \times \dfrac{\text{interest-bearing liabilities - cash and cash equivalents - current interest-bearing receivables}}{\text{total equity}}$

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

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

EUR million	Note	2015	2014
Net sales	1 3	**1,650.3**	**1,858.7**
Other operating income	4	57.4	12.6
Share of associated companies' results	16	0.1	0.0
Materials and services	5	437.6	526.7
Employee benefits	7	756.5	847.8
Depreciation and amortization	9	80.5	86.0
Impairment losses	9	11.9	4.4
Other operating expenses	10	365.4	400.5
Operating profit (EBIT)		**55.9**	**5.8**
Financial income	11	13.9	26.6
Financial expenses	11	-26.4	-36.9
Result before income tax		**43.3**	**-4.6**
Income tax	12	-7.4	0.2
Result for the financial period		**36.0**	**-4.4**

Consolidated statement of comprehensive income

Result for the financial period	36.0	-4.4
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets	-0.1	0.3
Translation differences	-9.0	-73.3
Tax effect	0.0	-0.1
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains and losses	4.6	-5.4
Tax effect	-0.9	1.1
Comprehensive income for the financial period	**30.5**	**-81.9**

Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2015	31 Dec 2014
Non-current assets			
Goodwill	13	186.0	183.1
Other intangible assets	13	50.7	59.4
Investment property	14	10.3	11.0
Property, plant and equipment	15	406.0	516.4
Investments in associated companies	16	0.1	0.0
Other non-current investments	17	6.2	5.9
Non-current receivables	19	1.5	10.5
Deferred tax assets	20	18.0	16.0
Total non-current assets		**678.9**	**802.2**
Current assets			
Inventories	21	4.7	5.1
Trade and other receivables	22	262.5	268.5
Income tax receivables		1.0	1.7
Financial assets available-for-sale	23	0.2	0.3
Financial assets held to maturity	23	95.0	12.0
Financial assets at fair value through profit or loss	24	128.9	88.0
Cash and cash equivalents	25	130.1	98.7
Total current assets		**622.4**	**474.3**
Non-current assets classified as held for sale	26	**3.6**	**14.7**
Total assets		**1,304.8**	**1,291.3**

EUR million	Note	31 Dec 2015	31 Dec 2014
Equity			
Share capital	27	70.0	70.0
Contingency reserve	27	142.7	142.7
Fair value reserve	27	0.1	0.2
Translation differences	27	-103.6	-94.6
Retained earnings		495.2	455.6
Total equity		**604.4**	**573.8**
Non-current liabilities			
Deferred tax liabilities	20	23.1	31.6
Non-current interest-bearing loans	30	126.7	283.5
Other non-current liabilities	31	10.3	11.4
Non-current provisions	29	17.0	12.6
Defined benefit pension plan obligations	28	11.6	16.3
Total non-current liabilities		**188.6**	**355.4**
Current liabilities			
Current interest-bearing loans	30	163.6	12.0
Trade payables and other liabilities	31	322.1	343.9
Income tax payables		14.9	0.3
Current provisions	29	10.2	6.0
Total current liabilities		**510.8**	**362.1**
Liabilities associated with non-current assets classified as held for sale	26	**1.0**	**-**
Total liabilities		**700.4**	**717.5**
Total equity and liabilities		**1,304.8**	**1,291.3**

Consolidated Statement of Cash Flows

EUR million	Note	2015	2014
Result for the financial period		**36.0**	**-4.4**
Adjustments:			
Depreciation and amortization	9	80.5	86.0
Impairment losses	9	11.9	4.4
Gains on sale of intangible and tangible assets	4	-46.4	-1.9
Losses on sale of intangible and tangible assets	10	1.5	1.0
Financial income	11	-13.9	-26.6
Financial expense	11	25.7	33.1
Income tax	12	7.4	-0.2
Other adjustments		8.1	-4.1
Cash flow before change in net working capital		**110.7**	**87.3**
Change in trade and other receivables		2.5	24.5
Change in inventories		0.2	2.3
Change in trade payables and other liabilities		-21.0	-5.4
Change in net working capital		**-18.2**	**21.3**
Cash flow before financial items and income tax		**92.4**	**108.6**
Interests paid		-15.6	-21.2
Interests received		7.0	7.6
Other financial items		1.0	3.1
Income tax paid		-3.0	-4.9
Cash flow from financial items and income tax		**-10.6**	**-15.4**

Cash flow from operating activities		**81.9**	**93.2**
Purchase of intangible assets		-17.7	-11.4
Purchase of property, plant and equipment		-34.7	-31.5
Proceeds from sale of intangible and tangible assets		122.2	1.9
Business acquisitions	2	-3.5	-3.6
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	2	14.2	0.7
Financial assets at fair value through profit or loss		-42.0	0.2
Financial assets held to maturity		-83.0	-12.0
Cash flow from other investments		4.0	9.5
Cash flow from investing activities		**-40.4**	**-46.3**
Increases in current loans	30	4.3	-
Repayment of current loans	30	-	-12.5
Increases in non-current loans	30	-	0.2
Repayment of finance lease liabilities	30	-12.2	-10.9
Cash flow from financing activities		**-8.0**	**-23.2**
Change in cash and cash equivalents		**33.4**	**23.7**
Cash and cash equivalents at the beginning of the period	25	**98.7**	**81.0**
Effect of changes in exchange rates		-0.3	-5.9
Cash and cash equivalents included in assets held for sale		-1.8	-
Cash and cash equivalents at the end of the period	25	**130.1**	**98.7**

Consolidated Statement of Changes in Equity

EUR million	Share capital	Contin-gency reserve	Fair value reserve	Trans-lation diffe-rences	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**

EUR million	Share capital	Contin-gency reserve	Fair value reserve	Trans-lation diffe-rences	Retained earnings	Total equity
Equity 1 Jan 2015	**70.0**	**142.7**	**0.2**	**-94.6**	**455.6**	**573.8**
Result for the financial period					36.0	36.0
Other items of comprehensive income:						
Change in fair value reserve			-0.1			-0.1
Change in translation differences				-9.0		-9.0
Actuarial gains and losses					3.7	3.7
Comprehensive income for the financial period			**-0.1**	**-9.0**	**39.6**	**30.5**
Equity 31 Dec 2015	**70.0**	**142.7**	**0.1**	**-103.6**	**495.2**	**604.4**

Notes to the Consolidated Financial Statements

Company information

Posti Group provides postal and logistics services, e-commerce services and financial management outsourcing services and operates in 9 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, 2015, 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.

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 consolidated income statement.

Mutual property companies

Posti Group has holdings in property companies which are measured at the lower of cost or fair value. The holdings are presented in accordance with the assets and liabilities of the property companies, mainly in buildings and land areas in the statement of financial position. This presentation best reflects the nature of these assets and 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.

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 net investments.

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 minus indirect taxes related to sales, discounts and foreign exchange differences.

Postal Services

Postal Services provides delivery services for letters, advertisements and publications and marketing services.

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. Revenue on sale of goods is recognized when goods are transferred to the customer.

Parcel and Logistics Services

Parcel and Logistics Services offers comprehensive supply chain solutions, parcel and e-commerce services, freight and transportation services and warehousing services.

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.

Revenue on freight and transportation services is recognized when the 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 in the period to which they relate. 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 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, administration and IT expenses are included in other operating expenses.

Operating profit

The Group applies the following definition for operating profit: 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 companies' 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.

Non-recurring items

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 recognized in income statement are defined as non-recurring items. Non-recurring items related to personnel restructuring are included in employee benefits expense.

Borrowing costs

Borrowing costs are expensed as incurred. Direct borrowing costs incurred by the acquisition, construction or manufacture of an asset that necessarily takes a substantial period of time to get ready for its intended use 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 income statement 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 intention and 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

Finance leases, for which the Group acts as a lessor are 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 as 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 of 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. If the conditions for hedge accounting are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to income statement during maturity of the derivative. The Group has applied 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 until hedge accounting is ceased are presented in financial items. Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued as of 1 July, 2015. Since that date the amount recognized against the hedged liability is accrued to 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 trough 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. In addition, hedge accounting for interest rate swaps was discontinued as of 1 July, 2015. 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 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 are either directly or indirectly observable for the asset 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 at a minimum 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. 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 to 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.

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

Application of new or amended IFRS standards

The amendments to IFRS standards effective as of 1 January 2015 had no impact on Group's financial statements.

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

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 2018. The standard has not yet been endorsed to be applied within the EU.

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 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 and it is not applied prospectively.

IAS 1 Presentation of financial statements (amendment). The amendment clarify a number of issues on disclosures. The amendment will be applicable to financial periods beginning on or after 1 January 2016.

Annual Improvements 2012-2014. Amendments to two standards are applicable to Group. Amendments on **IFRS 7 Financial Instruments: Disclosures** specify guidance on derecognition of financial assets and related disclosures. Amendment on **IAS 34 Interim financial reporting** adds a requirement to cross-reference information located outside the interim report. The amendments will be applicable to financial periods beginning on or after 1 January 2016.

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: Postal Services, Parcel and Logistics Services, 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 operations, 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.

Postal Services

Postal Services is in charge of mail, press and marketing services. Mail Services is in charge of mail services offered to companies and consumers, stamps, mail redirection services, Netposti and international postal cooperation. Press Services provides newspaper, magazine and free distribution paper delivery services to business customers. Marketing Services provides addressed and unaddressed direct marketing services for companies as well as value-added services, such as register services, target groups, the Contact service, and printed products that can be ordered online.

Parcel and Logistics Services

The Parcel and Logistics Services business group is in charge of comprehensive supply chain solutions, parcel and e-commerce services, transport services for companies, as well as warehousing and supplementary services.

Itella Russia

Itella Russia offers comprehensive logistics services to both Russian and international companies. Itella is the market leader in warehousing in Russia. In addition, Itella offers road, air, sea and rail freight services, customs clearance services and logistics services for online retailers.

OpusCapita

OpusCapita offers the full range of financial processes, from single processes to comprehensive outsourcing. The company develops Purchase-to-Pay and Order-to-Cash processes, in which software, subcontracting and services are combined in the market-leading delivery model. OpusCapita helps customers improve the efficiency and quality of their business operations so that they can focus on their core operations.

OpusCapita has more than 11,000 corporate customers and software users in approximately 50 countries.

2015

EUR million	Postal Services	Parcel and Logistics Services	Itella Russia	Opus-Capita	Seg-ments total	Other opera-tions and un-allocated	Elimi-nations	Group total
External sales	689.9	596.4	118.8	245.2	1,650.3	0.0		1,650.3
Inter-segment sales	52.4	0.3	0.0	11.5	64.2	8.8	-73.0	
Net sales	742.3	596.7	118.9	256.7	1,714.5	8.7	-73.0	1,650.3
Operating result	57.3	-12.6	-25.0	13.3	33.1	22.8		55.9
Financial income and expense						-12.5		-12.5
Profit/loss for the period before taxes								43.3
Assets	262.1	288.5	126.1	172.7	849.4	456.9	-5.1	1,301.2
Non-current assets classified as held for sale						3.6		3.6
Liabilities	163.5	119.2	27.0	36.1	345.8	358.8	-5.1	699.5
Liabilities associated with non-current assets classified as held for sale						1.0		1.0
Capital expenditure	0.4	6.9	2.5	9.6	19.3	41.3		60.6
Depreciation and amortization	0.0	8.2	9.2	7.1	24.5	56.0		80.5
Impairment losses	-	1.1	7.5	1.1	9.6	2.3		11.9
Personnel at period-end	69	1,478	2,646	2,178	6,371	15,227 *)		21,598

*) Other operations include both group functions and employees in operations.

2014

EUR million	Postal Services	Parcel and Logistics Services	Itella Russia	Opus-Capita	Seg-ments total	Other opera-tions and un-allocated	Elimi-nations	Group total
External sales	717.7	721.8	171.7	246.8	1,858.0	0.7		1,858.7
Inter-segment sales	51.3	0.9	0.4	12.8	65.4	47.9	-113.3	
Net sales	769.0	722.7	172.0	259.6	1,923.4	48.6	-113.3	1,858.7
Operating result	66.1	-34.2	2.4	12.7	47.0	-41.2		5.8
Financial income and expense						-10.4		-10.4
Profit/loss for the period before taxes								-4.6
Assets	390.8	321.4	149.4	171.5	1,033.1	248.2	-4.7	1,276.6
Non-current assets classified as held for sale						14.7		14.7
Liabilities	165.4	143.7	22.2	42.1	373.4	348.7	-4.7	717.5
Capital expenditure	0.2	10.9	2.6	5.8	19.5	38.0		57.5
Depreciation and amortization	0.0	9.1	13.8	6.6	29.5	56.5		86.0
Impairment losses		3.7		0.7	4.4			4.4
Personnel at period-end	106	1,902	2,920	2,292	7,220	16,069		23,289

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.

2015

EUR million	Finland	Scan-dinavia	Russia	Other count-ries	Total
Net sales	1,265.3	140.4	118.5	126.1	1,650.3
Non-current assets	362.4	5.3	90.8	15.0	473.5

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

2. Acquired businesses and business divestments

Acquired businesses 2015

Posti Group's subsidiary, OpusCapita Group Oy, acquired Swedish companies Kredithanterarna and Svenska Fakturaköp on April 30, 2015. The acquisitions enable OpusCapita to further broaden its offer of Order-to-Cash products by cash management solutions. The companies add OpusCapita thorough knowledge of the Swedish market in their business segment.

The acquisition cost was EUR 5.8 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.4 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses.

Goodwill arising from the acquisition, totaling EUR 3.6 million, is generated by the substantial synergies in Order-to-Cash services and the possibilities to enter other Nordic markets. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2015, the Group's net sales in 2015 would have been EUR 1.0 million higher and its results would have increased by EUR 0.2 million.

Analysis of net assets acquired

Effect on assets

EUR million	Fair value
Intangible assets	2.5
Property, plant and equipment	0.0
Receivables	1.0
Cash and cash equivalents	0.4
Effect on assets	**4.0**

Effect on liabilities

EUR million	
Deferred tax liability	0.5
Non-current liabilities	0.4
Trade payables and other liabilities	0.8
Effect on liabilities	**1.7**
Net assets acquired	**2.2**

Components of acquisition cost

EUR million	
Purchase price	4.4
Earn-out consideration (estimated)	1.4
Total cost of acquisition	**5.8**
Fair value of net assets acquired	2.2
Goodwill	**3.6**

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	4.4
Cash and cash equivalents of the acquired subsidiary	0.4
Cash flow	**-4.0**

Business divestments in 2015

Posti Group divested its road freight business in Sweden, Norway and Denmark as well as its international freight operations in Finland to Danish Nordic Transport Group (NTG) on April 30, 2015. Also the shares of a subsidiary KH Fur Oy were sold. The divestment had one-off negative impact on Group's result and cash flows.

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.

3. Net sales

EUR million	2015	2014
Sales of services	1,626.6	1,831.9
Sales of goods	13.5	16.4
Sales of licenses	10.2	10.5
Total	**1,650.3**	**1,858.7**

4. Other operating income

EUR million	2015	2014
Gains on sale of property, plant and equipment	42.8	1.1
Rental income	5.7	6.4
Rents from investment property	1.7	1.8
Gains on sale of subsidiaries and businesses	3.6	1.3
Other operating income	3.6	2.0
Total	**57.4**	**12.6**

Gains on disposal of property, plant and equipment consists mainly of sales gains on buildings and land. It also includes the sales of real estate shares and other items of property, plant and equipment. Rental income consists mainly of rents for the Group’s buildings and apartments.

5. Materials and services

EUR million	2015	2014
Purchases	21.1	20.8
External services	416.5	505.9
Total	**437.6**	**526.7**

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

6. Non-recurring items

EUR million	2015	2014
Personnel restructuring	8.4	25.8
Impairment of purchase price allocations	7.6	0.0
Restructuring and asset impairments	3.9	13.4
Change in purchase consideration for an acquisition	-1.3	-
Gains on disposals of subsidiaries and businesses	-37.3	-1.3
Provision for onerous contracts	11.7	0.0
Other	-0.2	7.0
Total	**-7.2**	**45.0**

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 recognized in income statement are defined as non-recurring items. Non-recurring items related to personnel restructuring are included in employee benefits expense.

7. Employee benefits

EUR million	**2015**	**2014**
Wages and salaries	606.9	684.7
Pensions (defined contribution plans)	98.4	103.3
Pensions (defined benefit plans)	0.4	0.6
Other social expenses	50.9	59.3
Total	**756.5**	**847.8**

Employee benefits

More detailed information on defined benefit pension plans can be found in Note 28.
Employee benefit expense includes EUR 8.4 (25.8) 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 2015 is EUR 0.0 (1.0) 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	2015	2014
R&D costs charged to expenses	8.3	7.6
Amortization on development costs and internally generated intangible rights	4.6	3.6
Total	**12.9**	**11.2**

9. Depreciation, amortization and impairment losses

EUR million	2015	2014
Amortization on intangible assets		
Development costs	0.9	0.5
Intangible rights	15.2	17.1
Total	**16.1**	**17.7**
Impairment losses on intangible assets		
Impairment losses on intangible rights	8.6	2.1
Total	**8.6**	**2.1**
Depreciation on tangible assets		
Buildings and structures	17.3	22.4
Investment properties	0.2	0.7
Machinery and equipment	33.6	33.7
Assets leased under finance lease	12.4	10.6
Other tangible assets	0.8	1.0
Total	**64.4**	**68.4**
Impairment losses on tangible assets		
Impairment losses on land and water	0.3	-
Impairment losses on buildings	2.9	2.4
Total	**3.2**	**2.4**
Total depreciation, amortization and impairment losses	**92.4**	**90.4**

Impairment losses include a EUR 7.6 million impairment loss on assets included in Itella Russia segment. The most substantial impaired assets were the customer relationships, which were booked to zero. The forecasted cash flows from these customer relationships decreased below their book value. The fair value was determined based on data that is not based on verifiable market data (level 3).

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	2015	2014
Rental expenses	128.4	119.3
Voluntary employee expenses	17.1	20.2
Losses on disposal of property, plant and equipment	1.5	1.0
IT operating costs	64.2	85.4
Facility maintenance expenses	42.4	45.4
Other operating expenses	111.8	129.3
Total	**365.4**	**400.5**

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

Auditors' remuneration		
Audit	0.6	0.5
Tax advisory	0.0	0.0
Other services	0.1	0.1
Total	**0.7**	**0.6**

11. Financial income and expenses

Financial income

EUR million	2015	2014
Dividend income	0.1	0.1
Interest income		
Financial assets at fair value through profit or loss	5.8	5.7
Loans and receivables	1.3	1.7
Assets held to maturity	0.6	0.0
Financial assets available-for-sale	0.0	0.0
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	1.2	2.0
Currency derivatives, non-hedge accounting	3.6	15.5
Change in fair value of the hedged loan	1.3	1.0
Total	**13.9**	**26.6**

Financial expense

EUR million	2015	2014
Interest expense		
Financial liabilities at amortized cost	12.8	12.9
Financial liabilities at fair value through profit or loss	1.3	3.4
Other financial expenses on financial liabilities at amortized cost	0.8	0.8
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	0.9	-
Interest rate derivatives, non-hedge accounting	1.0	-
Interest rate derivatives, hedge accounting	0.9	0.9
Exchange rate losses		
Interest-bearing receivables and liabilities	2.9	13.3
Currency derivatives, non-hedge accounting	2.8	5.2
Impairment on loans and receivables	3.0	-
Total	**26.4**	**36.9**

12. Income tax expense

EUR million	2015	2014
Current tax	18.3	1.6
Tax for previous years	-0.1	1.0
Deferred tax	-10.8	-2.8
Total	**7.4**	**-0.2**
Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax and associates' results	43.3	-4.6
Income tax at parent company's tax rate	8.7	-0.9
Effect of foreign subsidiaries' tax rates	0.1	-1.8
Non-deductible expenses and other differences	1.0	0.9
Tax-exempt income	-4.7	-2.4
Tax from previous years	1.0	1.0
Effect of changes of tax rates on deferred tax	0.0	-2.6
Unrecognized deferred tax asset on losses for the financial period	4.4	5.6
Changes in deferred tax assets for previous years' losses	-3.1	-
Tax charge in the consolidated income statement	**7.4**	**-0.2**
Effective tax rate	17.1%	3.4%

13. Intangible assets

2015

EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total
Cost on 1 Jan	246.2	218.9	29.1	9.2	503.5
Translation differences and other adjustments	-0.2	-4.9			-5.1
Acquired businesses	3.1	2.6			5.6
Sale of businesses					0.0
Additions		8.4	0.1	8.1	16.6
Disposals		-6.7			-6.7
Transfers between items		1.0	1.1	-2.1	0.0
Cost on 31 Dec	**249.1**	**219.4**	**30.3**	**15.2**	**513.9**
Accumulated amortization and impairment losses 1 Jan	-63.1	-168.9	-25.6	-3.4	-261.0
Translation differences and other adjustments		1.9			1.9
Sale of businesses					0.0
Amortization for the financial period		-15.2	-0.9		-16.1
Impairments		-7.6	-1.054		-8.6
Accumulated amortization on disposals and transfers		6.6			6.6
Accumulated amortization and impairment losses 31 Dec	**-63.1**	**-183.3**	**-27.5**	**-3.4**	**-277.3**
Carrying amount on 1 Jan	**183.1**	**50.0**	**3.5**	**5.9**	**242.4**
Carrying amount on 31 Dec	**186.0**	**36.1**	**2.7**	**11.9**	**236.7**

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**

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	2015	2014 *)
Postal Services	44.1	44.1
OpusCapita	107.1	104.1
Parcel and Transportation Services	21.8	22.0
Supply Chain Solutions	12.9	12.9
Total	**186.0**	**183.1**

*) Restated to correspond the revised CGU-structure

The result of the goodwill impairment testing in 2015

In the third quarter of 2015, 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 five-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 five years of cash-generating units is based on a moderate growth rate expectation of 1.0% (+0% – +2.0%) with the exception of Postal Services where the estimated terminal growth rate is -5% due to expected decline in paper delivery volumes.

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, %
Postal Services	460 (229)	8,6 (8,3)	-5,0 (-5,0)	6,8 (6,9)	7,0 (5,0)
OpusCapita	172 (359)	6,4 (9,8)	1,0 (2,0)	8,2 (7,6)	8,2 (10,5)
Parcel and Transportation Services	296 (109)	1,1 (-2,2)	1,0 (2,0)	7,2 (6,8)	2,6 (3,0)
Supply Chain Solutions	92 (29)	10,3 (7,7)	1,0 (2,0)	6,9 (7,0)	11,9 (7,8)

*) Comparative data restated to correspond the revised CGU-structure

Preparation of a sensitivity analysis was not considered necessary with regard to Postal Services and Parcel and Transportation Services, since the recoverable amounts clearly exceeded the carrying amount of the tested assets.

A sensitivity analysis was performed for other cash-generating units by determining which key parameter values would produce a carrying amount that would equal the value-in-use. The parameters used in the analysis were terminal year growth rate, discount rate and EBIT margin during the forecast period and terminal year. 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.

	Terminal growth rate, %	Discount rate, %	EBIT margin, %
Supply Chain Solutions	-9.0	12.7	5.3
OpusCapita	-13.5	15.6	3.3

14. Investment property

EUR million	2015	2014
Cost 1 Jan	16.1	17.3
Disposals	-	-1.2
Transfers between items	-	0.0
Cost on 31 Dec	**16.1**	**16.1**
Accumulated depreciation and impairment losses 1 Jan	-5.1	-4.9
Depreciation for the financial period	-0.6	-0.7
Accumulated depreciation on disposals	-	0.5
Accumulated depreciation and impairment losses 31 Dec	**-5.7**	**-5.1**
Carrying amount on 1 Jan	**11.0**	**12.4**
Carrying amount on 31 Dec	**10.3**	**11.0**

On December 31, 2015, the fair value of investment property totaled EUR 17.9 (17.9) million. Fair values are based on an external real estate agent's appraisal. In 2015 rental income from investment property totaled EUR 1.7 (1.8) million and maintenance charges amounted to EUR 0.5 (0.4) million.

15. Property, plant and equipment

2015

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	66.8	547.1	419.9	12.5	10.5	1,056.9
Translation differences and other adjustments	-2.4	-9.4	-4.5		-0.2	-16.5
Additions		0.7	16.0	2.1	24.3	43.2
Disposals	-10.4	-115.1	-16.2	-1.5		-143.2
Transfers between items	1.8		12.3	0.5	-14.6	0.0
Cost on 31 Dec	**55.8**	**423.4**	**427.5**	**13.6**	**20.1**	**940.4**
Accumulated depreciation and impairment losses 1 Jan	-0.2	-264.5	-266.4	-9.4		-540.5
Translation differences and other adjustments	0.1	4.4	4.3			8.7
Depreciation for the financial period		-17.3	-46.0	-0.8		-64.2
Impairment	-0.3	-2.9				-3.2
Accumulated depreciation on disposals and transfers		48.6	15.2	1.0		64.8
Accumulated depreciation and impairment losses 31 Dec	**-0.4**	**-231.7**	**-292.9**	**-9.2**		**-534.3**
Carrying amount on 1 Jan	**66.6**	**282.6**	**153.6**	**3.2**	**10.5**	**516.4**
Carrying amount on 31 Dec	**55.4**	**191.6**	**134.6**	**4.4**	**20.1**	**406.0**

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 amortization 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
Amortization for the financial period		-20.8	-42.9	-1.0		-64.7
Impairment		-2.3				-2.3
Accumulated amortization on disposals and transfers		-1.9	42.3			40.4
Accumulated amortization 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**

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

2015

EUR million	Machinery and equipment
Cost on 31 Dec	83.9
Accumulated depreciation 31 Dec	-45.7
Carrying amount on 31 Dec	**38.2**

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**

In 2015, additions to assets leased under finance leases totaled EUR 10.0 (14.4) million.

16. Associated companies

EUR million	2015	2014
Carrying amount on 1 Jan	0.0	0.4
Translation differences	0.0	0.0
Disposals	-	-0.3
Share of associated companies' results	0.1	0.0
Investments in associated companies on 31 Dec	**0.1**	**0.0**

The associated companies’ carrying value does not include goodwill.

2015

EUR million	Assets	Liabilities	Net sales	Profit	Group's Holding %
BPO4U AB	0.7	0.6	2.3	0.1	50.0
Total	**0.7**	**0.6**	**2.3**	**0.1**	

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**	

17. Financial assets and liabilities

2015

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Assets held to maturity	Financial assets available-for-sale	Financial liabilities at amortized cost	Carrying value	Fair value
Non-current financial assets							
Other non-current investments				6.2		6.2	6.2
Non-current receivables		0.9				0.9	0.9
Current financial assets							
Trade and other receivables		194.1				194.1	194.1
Financial assets available-for-sale				0.2		0.2	0.2
Financial assets at fair value through profit or loss	128.9					128.9	128.9
Financial assets held to maturity			95.0			95.0	95.0
Cash and cash equivalents	42.0	88.1				130.1	130.1
Total	**170.9**	**283.0**	**95.0**	**6.4**		**555.3**	**555.3**
Non-current financial liabilities							
Interest-bearing liabilities					126.7	126.7	131.0
Current financial liabilities							
Interest-bearing liabilities					163.6	163.6	167.2
Trade payables and other liabilities	0.9				54.8	55.7	55.7
Total	**0.9**				**345.1**	**346.0**	**353.9**

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							
Other non-current investments				**5.9**		**5.9**	**5.9**
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**	**6.2**		**411.2**	**411.2**
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**

18. Fair value hierarchy of financial assets and liabilities at fair value

2015

Financial assets at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-current receivables				
Other non-current investments	6.2			6.2
Financial assets at fair value through profit or loss				
Money market investments	123.4		123.4	
Bonds	45.5	35.8	9.7	
Derivative contracts				
Interest derivatives, non-hedge accounting	1.9		1.9	
Currency derivatives, non-hedge accounting	0.1		0.1	
Financial assets available-for-sale				
Equity fund investments	0.2			0.2
Total	**177.3**	**35.8**	**135.1**	**6.4**

Financial liabilities at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Electricity derivatives, non-hedge accounting	0.9	0.9		
Total	**0.9**	**0.9**	**0.0**	

No transfers between fair value hierarchy levels 1 and 2 were made during 2015 or 2014. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

2014

Financial assets at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-current receivables				
Other non-current investments	5.9			5.9
Derivative contracts				
Interest rate derivatives, 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	
Derivative contracts				
Currency derivatives, non-hedge accounting	2.2		2.2	
Electricity derivatives, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Equity fund investments	0.3			0.3
Total	**158.2**	**32.0**	**120.1**	**6.2**

Financial liabilities at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables				
Derivative contracts				
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**	

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

2015

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	6.2
Profits and losses:	
In income statement	0.0
In other comprehensive income	-0.1
Additions	0.4
Exercises	0.0
Carrying amount 31 Jan	**6.4**
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

2014

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	6.6
Profits and losses:	0.0
In income statement	-0.2
In other comprehensive income	0.3
Exercises	-0.5
Carrying amount 31 Jan	**6.2**
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

19. Non-current receivables

EUR million	2015	2014
Derivatives, hedge accounting	-	3.9
Loan receivables	1.0	3.9
Finance lease receivables	0.1	0.2
Other receivables	0.5	2.5
Total	**1.5**	**10.5**

Other receivables consist mainly of regular sales accruals and prepayments.

Finance lease receivables: minimum lease income

EUR million	2015	2014
Less than 1 year	0.1	0.1
1–5 years	0.1	0.2
Minimum lease income	0.2	0.3
Future interest income	-0.0	-0.0
Total	**0.2**	**0.2**

Maturity of finance lease receivables

EUR million	2015	2014
Less than 1 year	0.1	0.1
1–5 years	0.1	0.2
Total	**0.2**	**0.2**

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

20. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2015

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other comprehensive income	Other changes	31.12.
Pension obligations	**3.2**	0.0		0.0	-0.9		**2.4**
Unused tax losses	**5.9**	0.2	-0.4	3.5			**9.1**
Impairment on real estate shares	**2.6**						**2.6**
Restructuring provision	**2.6**	0.0		0.2		0.5	**3.3**
Other temporary differences	**1.7**	-0.1		-0.4		-0.5	**0.7**
Total	**16.0**	**0.1**	**-0.4**	**3.3**	**-0.9**	**0.0**	**18.1**

Deferred tax liabilities 2015

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded through profit or loss	Other changes	31.12.
Fair value measurement of intangible and tangible assets in acquisition	**15.4**	-0.9	0.2	-4.7		**10.1**
Accumulated depreciation in excess of plan	**10.9**			-3.4		**7.5**
Other temporary differences	**5.2**	0.0	-0.1	0.5	-0.2	**5.4**
Total	**31.6**	**-0.9**	**0.1**	**-7.5**	**-0.2**	**23.1**

Deferred tax assets 2014

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other comprehensive income	Other changes	31.12.
Pension obligations	**2.3**	0.0	0.0	-0.1	1.1		**3.2**
Unused tax losses	**11.2**	-3.5		-1.8			**5.9**
Impairment on real estate shares	**2.6**						**2.6**
Restructuring provision	**2.9**	-0.2		-0.1			**2.6**
Other temporary differences	**1.6**	-0.1		-0.1		0.3	**1.7**
Total	**20.5**	**-3.8**	**0.0**	**-2.2**	**1.1**	**0.3**	**16.0**

Deferred tax liabilities 2014

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded through 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**

On December 31, 2015, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 95.3 (93.7) million, mainly arising from businesses in Scandinavia. Previously unrecognized deferred tax assets on unused tax losses recognized in 2015 amounted to EUR 9.2 (0.0) million. Deferred tax assets of EUR 6.1 million recognized during previous years were recognized as tax expense for the financial year.

21. Inventories

EUR million	2015	2014
Materials and supplies	0.6	0.7
Goods	3.1	3.8
Advance payments for inventories	1.0	0.6
Total	**4.7**	**5.1**

22. Trade receivables and other current receivables

EUR million	2015	2014
Finance lease receivables	0.1	0.1
Loan receivables	0.1	0.1
Trade receivables	190.8	195.3
Trade receivables from associated companies	0.6	0.6
Accrued income and prepayments	68.4	70.0
Other receivables	2.5	2.4
Total	**262.5**	**268.5**

More information on trade receivables is provided in note 34 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 29.3 (28.4) million accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

23. Financial assets available-for-sale and financial assets held to maturity

Financial assets available-for-sale

EUR million	2015	2014
Equity fund investments	0.2	0.3

Financial assets held to maturity

EUR million	2015	2014
Debt certificates	95.0	12.0

24. Financial assets at fair value through profit or loss

EUR million	2015	2014
Interest rate derivatives, non-hedge accounting	1.9	-
Currency derivatives, non-hedge accounting	0.1	2.2
Money market investments	81.4	44.1
Bonds	45.5	41.7
Total	**128.9**	**88.0**

25. Cash and cash equivalents

EUR million	2015	2014
Money market investments	42.0	60.2
Cash and bank	88.1	38.6
Total	**130.1**	**98.7**

Assets classified as held for sale contain cash and bank EUR 1.8 (0.0) million.

26. Non-current assets classified as held for sale and associated liabilities

Non-current assets classified as held for sale

EUR million	2015	2014
Property, plant and equipment	0.2	14.7
Other non-current assets	0.1	-
Trade and other receivables	1.5	-
Cash and cash equivalents	1.8	-
Total	**3.6**	**14.7**
Liabilities associated with non-current assets classified as held for sale		
Trade payables and other liabilities	1.0	-
Total	**1.0**	**-**

On November 11, 2015, OpusCapita signed an agreement to sell all of its business operations serving the local markets in the Baltic states. The operating companies in question are classified as held for sale.

Real estates used in warehouse business in Scandinavia classified as held for sale 2014 were sold during 2015.

27. Equity

Shares and shareholders

EUR million	2015	2014
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.

28. 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 mainly 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	2015	2014
Present value of funded obligation	77.0	92.3
Fair value of plan assets	-65.4	-76.1
Deficit/Surplus	**11.6**	**16.3**

Defined benefit pension expenses in the income statement

Income statement

EUR million	2015	2014
Current service cost	0.1	0.3
Interest expense	0.3	0.3
Total	**0.4**	**0.6**

Statement of comprehensive income

EUR million	2015	2014
Actuarial gains (-) and losses (+)	-4.6	5.4

Changes in the present value of the pension obligation

EUR million	2015	2014
Obligation at the beginning of the period	92.3	80.6
Current service cost	0.1	0.3
Interest expense	1.6	0.5
Paid benefits	-5.7	-5.8
Acquired in business combinations	-	0.3
Actuarial gains (-) and losses (+) on changes in actuarial assumptions	-7.4	13.3
Actuarial gains (-) and losses (+) on changes in demographic assumptions	-2.7	-
Experience-based gains (-) and losses (+)	-1.0	3.2
Obligation at the end of the period	**77.0**	**92.3**

Changes in the fair value of the plan assets

EUR million	2015	2014
Fair value of the plan assets at the beginning of the period	76.1	69.4
Interest income	1.3	0.1
Paid benefits	-5.7	-5.8
Employer contributions	0.3	1.3
Actual return on plan assets less interest income	-6.6	11.0
Fair value of the plan assets at the end of the period	**65.4**	**76.1**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.2 million.
The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years.

Key actuarial assumptions and sensitivity analysis

	2015	2014
Discount rate	2.25	1.75
Future salary increase assumption	0-2	0-2
Future pension increase expectation	1.7	2.1

		Change in defined benefit liability			
EUR million	**Change in assumption**	**Increase in assumption**		**Decrease in assumption**	
Discount rate	0.25%	-0.3	-1.77%	0.3	1.85%
Salary increase rate	0.25%	0.0	0.19%	0.0	-0.19%
Pension increase rate	0.25%	1.9	11.83%	-1.8	-11.53%

EUR million	**Increase by one year**		**Decrease by one year**	
Life expectancy at birth	0.5	4.48%	-0.5	-4.28%

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

29. Provisions

2015

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	13.7	1.6	0.0	3.3	18.6
Translation difference					0.0
Increase in provisions	7.3		9.8	0.6	17.7
Used provisions	-1.1	-1.6		-1.3	-4.0
Unused amounts reversed	-5.1				-5.1
Carrying amount on 31 Dec	**14.8**	**0.0**	**9.8**	**2.6**	**27.3**

2014

EUR million	Restructuring provision	Provision for damage	Onerous contracts	Other	Total
Carrying amount on 1 Jan	12.6	14.4	0.0	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**	**0.0**	**3.3**	**18.6**

EUR million	2015	2014
Long-term provisions	17.0	12.6
Short-term provisions	10.2	6.0
Total	**27.3**	**18.6**

Restructuring provisions are primarily related to the statutory labor negotiations conducted during 2009–2011 and 2013–2015. 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. Provisions for onerous contracts relate to Russian real-estate leases and customer agreements.

30. Interest-bearing loans

EUR million	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
Non-current				
Bonds	99.8	104.1	251.3	263.6
Finance lease liabilities	26.4	26.4	32.1	32.1
Other	0.5	0.5	0.1	0.1
Total	**126.7**	**131.0**	**283.5**	**295.9**
Current				
Loans from financial institutions	150.4	154.0	0.0	0.0
Finance lease liabilities	13.2	13.2	11.8	11.8
Other	0.0	0.0	0.2	0.2
Total	**163.6**	**167.2**	**12.0**	**12.0**

Finance lease liabilities: minimum lease payments

EUR million	2015	2014
Less than 1 year	14.2	13.1
1–5 years	27.1	33.3
More than 5 years	0.2	0.7
Minimum lease payments total	41.6	47.1
Future interest expenses	-2.1	-3.2
Total	**39.5**	**43.9**

Present value of minimum lease payments:

EUR million	2015	2014
Less than 1 year	13.2	11.8
1–5 years	26.4	32.1
More than 5 years	-	0.0
Total	**39.6**	**43.9**

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

31. Trade payables and other non-interest-bearing liabilities

Other non-current liabilities

EUR million	2015	2014
Other liabilities	6.2	6.5
Other accrued expenses	4.1	4.9
Total	**10.3**	**11.4**

Trade payables and other current liabilities

EUR million	2015	2014
Financial liabilities measured at fair value:		
Derivative contracts, non-hedge accounting	0.9	0.9
Financial liabilities at amortized cost:		
Trade payables	59.5	51.0
Advances received	40.1	40.1
Accrued personnel expenses	125.0	148.0
Other accrued expenses and deferred income	47.9	47.7
Other liabilities	48.7	56.3
Current non-interest-bearing liabilities	**322.1**	**343.9**

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 23.9 (10.0) million. The remaining items comprise ordinary accruals of expenses.

32. Operating leases

Maturity of minimum lease payments:

EUR million	2015	2014
Less than 1 year	71.5	78.5
1–5 years	154.7	145.5
More than 5 years	79.5	39.9
Total	**305.7**	**263.8**

The income statement includes EUR 128.4 (119.3) 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 12 years.

Maturity of minimum lease payment receivables:

EUR million	2015	2014
Less than 1 year	2.0	1.4
1–5 years	0.6	0.3
More than 5 years	0.0	2.0
Total	**2.6**	**3.7**

The Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months, few leases have a notice period from 1 to 4 years. The lease of As Oy Kirjekyyhky's site will expire in 2050.

33. Pledges, commitments and other liabilities

EUR million	2015	2014
Pledges given on own behalf:		
Bank guarantee	6.0	7.5
Guarantee	3.9	4.0
Pledges	0.9	0.8
Total	**10.9**	**12.2**

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

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

34. 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. Posti Kiinteistöt 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 8.6 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. Due to high hedging costs the Group has for the time being quit hedging of the ruble-denominated receivables of the parent company and the local operative transaction risks.

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

2015 EUR million	EUR-companies RUB	SEK	NOK	PLN	USD	RUB-companies USD
Trade receivables and payables	0.1	-2.7	-0.3	0.0	3.0	0.2
Loans and bank accounts *)	14.8	-2.6	0.8	1.6	0.4	0.0
Derivatives **)		2.6	-1.2	-1.5		
Open position	14.8	-2.7	-0.7	0.1	3.4	0.2

2014 EUR million	EUR-companies RUB	SEK	NOK	PLN	USD	RUB-companies USD
Trade receivables and payables	-0.2	0.2	-0.2	0.0	0.4	0.5
Loans and bank accounts *)	11.8	3.1	0.3	1.6	0.4	0.0
Derivatives **)	-11.8	-3.0	-0.3	-1.5		
Open position	-0.2	0.2	-0.2	0.1	0.8	0.5

*) 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 -1.7 (-0.7) 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 0.0 (0.1) million on the Group's profit before tax.

Major translation risk positions on the balance sheet date

2015 EUR million	RUB	SEK	NOK	PLN
Net investment	83.0	18.4	5.6	6.9
Hedging	-	-	-	-
Open position	83.0	18.4	5.6	6.9

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

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 290.3 (295.5) million and interest-bearing receivables to EUR 353.8 (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 has applied fair value hedge accounting to the interest-rate swap hedging the loan until 30 June, 2015, after which hedge accounting ceased to meet effectiveness criteria. Consequently, group discontinued hedge accounting as of July 1, 2015.

Interest-bearing receivables and debt according to interest rate fixing

2015

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	-319.3	-33.0	-1.5	-353.8
Bond	150.4	99.8		250.2
Finance lease liabilities	13.2	26.3		39.5
Other liabilities	0.0	0.5		0.6
Net debt	-155.7	93.6	-1.5	-63.6
Impact of interest-rate swaps	0.0			0.0
Total	**-155.7**	**93.6**	**-1.5**	**-63.6**

2014

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
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**

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 -0.1 (-0.3) 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 0.2 (0.3) million on the Group's profit before taxes.

Derivative contracts

2015

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	8.6	0.0	0.1	0.0
Interest rate derivatives:				
Interest rate swaps, non-hedge accounting	70.0	1.9	1.9	
Electricity derivatives:				
Electricity forwards, non-hedge accounting	2.5	-0.9		-0.9

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 derivatives, non-hedge accounting	4.1	-0.6	0.0	-0.6

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	2015	2014
Derivative assets, reported as gross amount	2.0	6.0
Related derivative liabilities subject to master netting agreements	0.0	0.2
Net amount	**1.9**	**5.8**

Derivative liabilities	2015	2014
Derivative liabilities, reported as gross amount	0.9	0.9
Related derivative liabilities subject to master netting agreements	0.0	0.2
Net amount	**0.9**	**0.6**

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 150.0 million, maturing in 2019, and a non-binding commercial paper program of EUR 200.0 million.

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 408.8 (334.5) 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 200.0 (200.0) million.

Contractual cash flows from financial liabilities, including interests

2015

EUR million	2016	2017	2018	2019	2020–	Total
Bonds	161.2	104.6				**265.8**
Finance lease liabilities	14.2	27.1	0.1	0.0	0.2	**41.6**
Other liabilities	0.0	0.5				**0.6**
Trade payables	54.8					**54.8**
Derivatives:						
Interest rate derivatives, cash flows payable	0.9					**0.9**
Interest rate derivatives, cash flows receivable	-3.1					**-3.1**
Currency derivatives, cash flows payable	0.0					**0.0**
Currency derivatives, cash flows receivable	-0.1					**-0.1**
Electricity derivatives, cash flows payable	1.7	0.8				**2.5**
Total	**229.7**	**132.9**	**0.1**	**0.0**	**0.2**	**363.0**

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**

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

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 2015 were EUR 0.8 (1.7) million.

Aging of trade receivables:

EUR million	2015	2014
Not yet due	164.8	174.8
1–30 days overdue	21.4	15.9
31–60 days overdue	3.0	3.0
61–90 days overdue	1.6	0.8
91–180 days overdue	0.0	0.6
181–365 days overdue	0.0	0.1
Total	**190.8**	**195.3**

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 2015 and 2014. 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	2015	2014
Interest-bearing liabilities	290.3	295.5
./. Interest-bearing receivables	353.8	196.5
= Interest-bearing net liabilities	-63.6	98.9
Total equity	604.4	573.8
Equity ratio, %	47.8	45.9
Gearing, %	-10.5	17.2

35. 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 Executive Board and the next of kin of the aforementioned. In addition, the related party includes the joint ventures, accociates, mutual real estate companies, and the State of Finland, which owns 100% of Posti Group Corporation's shares.

The upper management consists of the members of the Board of Directors, President & CEO and members of the Executive Board. 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	2015	2014
Net sales	2.5	2.8
Trade receivables and other receivables	0.6	0.6

Management remuneration

EUR million	2015	2014
Wages and salaries and other employee benefits	2.7	2.1
Pensions-Defined contribution plans	0.2	0.1
Pensions-Defined benefit plans	0.0	0.3

Salaries and fees of the management

EUR million	2015	2014
President & CEO	0.6	0.6
Executive Board (excl. CEO)	2.1	1.5
Board of Directors	0.3	0.3
Supervisory Board	0.0	0.0
Total	**3.0**	**2.4**

The management's pension commitments

Persons appointed to the Executive Board after 2012 are not within any supplementary pension plans. Persons who have been appointed earlier than this are within a defined contribution pension scheme, and their retirement age is in accordance with the Employees Pensions Act (TyEL).

The Board of Directors' salaries and fees

EUR thousand	2015	2014
Arto Hiltunen (chairman)	52.8	55.8
Päivi Pesola (vice chairman)	36.6	39.6
Petri Järvinen *)	33.6	28.4
Petri Kokko *)	33.0	29.0
Jussi Kuutsa *)	33.6	36.6
Timo Löyttyniemi **)	0.0	7.7
Kirsi Nuotto ***)	26.4	-
Ilpo Nuutinen **)	-	8.3
Marja Pokela **)	33.6	29.0
Maarit Toivanen-Koivisto **)	0.0	8.3
Riitta Savonlahti ****)	7.8	36.0
Suvi-Anne Siimes	33.6	36.0
Total	**291.0**	**314.6**

*) Board member from 25th March 2014
**) Board member until 25th March 2014
***) Board member from 18th March 2015
****) Board member until 18th March 2015

36. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries 31 Dec 2015	Group's holding %	Country	Business group
Global Mail FP Oy	100	Finland	Itella Russia
GSB Logistics Ltd	100	Cyprus	Itella Russia
Itella Logistics AB	100	Sweden	Parcel and Logistics Services
Itella Logistics AS	100	Norway	Parcel and Logistics Services
Itella Logistics OÜ	100	Estonia	Parcel and Logistics Services
Itella Logistics SIA	100	Latvia	Parcel and Logistics Services
Itella Logistics UAB	100	Lithuania	Parcel and Logistics Services
Itella SmartPOST OÜ	100	Estonia	Parcel and Logistics Services
NLC International Corporation Ltd	100	Cyprus	Itella Russia
Norian Redovisining AB	100	Sweden	OpusCapita
OOO Itella	100	Russia	Itella Russia
OOO Itella Connexions	100	Russia	Itella Russia
OOO Itella Express	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 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 Accounting UAB	100	Lithuania	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 Inkasso AS	100	Norway	OpusCapita
OpusCapita IT Solution AS	100	Norway	OpusCapita
OpusCapita Regnskap AS	100	Norway	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
Posti Kiinteistöt Oy	100	Finland	Other
Posti Oy	100	Finland	Postal Services and Parcel and Logistics Services

Associated companies 31 Dec 2015	Group's holding %	Country	Business group
BPO4U AB	50	Sweden	OpusCapita

37. Events after the reporting period

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

On January 26, 2016, Posti Group announced it will commence cooperation negotiations, the sphere of which covers a total of 7,600 employees. The negotiations concern Production administration and basic delivery, the entire Sales and Customer Service unit, and certain Group functions. The preliminary estimated reduction need is 860 people.

OpusCapita announced on February 8, 2016 a new planned organization and operating model in order to implement its new strategy and to improve profitability. As part of the change, OpusCapita will start cooperation negotiations to reduce approximately 80 positions, of which a maximum of 50 in Finland and in total some 30 in other countries.

Parent Company's Financial Statements, FAS

Income Statement of the Parent Company

EUR	Note	2015	2014
Net sales	1	**14,183,630.38**	**84,408,809.48**
Other operating income	2	1,078,437.18	2,545,474.06
Materials and services	3	-9,643.17	-65,257.21
Personnel expenses	4	-8,496,775.34	-34,352,484.07
Depreciation, amortization and impairment losses	5	-2,793,007.63	-5,939,228.17
Other operating expenses	6	-39,681,163.03	-138,081,154.48
Operating profit/loss		**-35,718,521.61**	**-91,483,840.39**
Financial income and expenses	8	-68,001,943.10	176,764,176.95
Profit/loss before extraordinary items		**-103,720,464.71**	**85,280,336.56**
Extraordinary items	9	111,700,000.00	53,900,000.00
Profit/loss before appropriations and income tax		**7,979,535.29**	**139,180,336.56**
Income tax	10	-6,613,937.79	-76,844.43
Profit/loss for the financial period		**1,365,597.50**	**139,103,492.13**

Balance Sheet of the Parent Company

EUR	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Intangible assets	11	2,416,664.45	7,447,179.36
Tangible assets	12	2,019,640.42	5,464,942.12
Investments	13	756,634,325.94	830,871,345.81
Total non-current assets		**761,070,630.81**	**843,783,467.29**
Current assets			
Non-current receivables	14	72,520,046.60	86,386,564.29
Current receivables	15	168,557,335.76	104,471,593.63
Current investments		264,085,421.32	158,282,359.79
Cash and bank		528,684.91	12,951.60
Total current assets		**505,691,488.59**	**349,153,469.31**
Total assets		**1,266,762,119.40**	**1,192,936,936.60**
EQUITY AND LIABILITIES			
Equity	17		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		68,325.12	166,467.98
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		566,076,975.92	426,973,483.79
Profit/loss for the financial period		1,365,597.50	139,103,492.13
Total equity		**780,214,660.47**	**778,947,205.83**
Provisions	18	**1,451,920.13**	**1,287,274.11**
Liabilities			
Non-current	18	103,885,279.00	255,883,456.02
Current	21	381,210,259.80	156,819,000.64
Total liabilities		**485,095,538.80**	**412,702,456.66**
Total equity and liabilities		**1,266,762,119.40**	**1,192,936,936.60**

Cash Flow Statement of the Parent Company

EUR	2015	2014
Cash flow from operations		
Result before extraordinary items	-103,720,464.71	85,280,336.56
Adjustments:		
Depreciation and amortization	2,793,007.63	5,939,228.17
Gains or losses on disposal of fixed assets	-775,543.66	34,231.16
Financial income (-) and expense (+)	-28,093,805.06	-143,381,759.98
Impairment losses on non-current investments	96,095,748.16	-33,382,416.97
Loss on merger	23,275,219.49	53,140,506.53
Other adjustments	-335,207.50	342,394.76
Cash flow before change in working capital	**-10,761,045.65**	**-32,027,479.77**
Interest-free current receivables, increase (-), decrease (+)	-2,722,692.20	26,127,300.83
Interest-free non-current receivables, increase (-), decrease (+)	310,980.08	79,876.08
Inventories, increase (-), decrease (+)	-1,536.76	203,288.51
Interest-free current liabilities, increase (+), decrease (-)	-25,468,153.15	2,611,713.64
Interest-free non-current liabilities, increase (+), decrease (-)	-493,491.12	464,047.63
Change in working capital	**-28,374,893.15**	**29,486,226.69**
Cash flow from operating activities before financial items and taxes	**-39,135,938.80**	**-2,541,253.08**
Interests paid	-12,854,661.42	-16,473,017.85
Interests received	8,461,182.39	21,921,048.33
Other financial items	2,294,733.43	5,816,123.73
Income tax paid	-46,130.33	-118,706.03
Cash flow from financial items and taxes	**-2,144,875.93**	**11,145,448.18**
Cash flow from operating activities (A)	**-41,280,814.73**	**8,604,195.10**
Investments in tangible and intangible assets	-585,914.63	-5,059,429.98
Proceeds from sale of tangible and intangible assets	6,268,723.62	2,442,575.07
Other investments	-28,999,783.81	-182,326,692.20
Proceeds from sale of other investments	10,829,350.99	37,895,740.00
Loans granted	-23,072,780.93	-38,876,015.84
Repayments of loan receivables	47,592,248.12	108,176,494.97
Dividends received	25,788,047.50	165,088,047.50
Cash flow from investing activities (B)	**37,819,890.86**	**87,340,719.52**
Increases in current loans	**90,630,776.4**	0.0
Repayment of current loans	0.00	-25,908,856.76
Repayment of non-current loans	0.00	-12,500,000.00
Group contributions received and paid	53,900,000.00	44,600,000.00
Cash flow from financing activities (C)	**144,530,776.38**	**6,191,143.24**

Change in cash and cash equivalents (A+B+C)	**141,069,852.51**	**102,136,057.86**
Change in group cash pool	-31,896,200.73	-64,407,719.01
Cash and cash equivalents received in merger	-2,854,856.94	0.00
Change in cash and cash equivalents	**106,318,794.84**	**37,728,338.85**
Cash and cash equivalents at the beginning of the financial period	**158,295,311.39**	**120,566,972.54**
Cash and cash equivalents at the end of the financial period	**264,614,106.23**	**158,295,311.39**

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, 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 common expected useful lives 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 in use. Capitalized development costs are 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 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 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 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. If the conditions for hedge accounting are no longer met, the amount related to the hedged risk and recognized against the hedged asset or liability is recognized to income statement during maturity of the derivative. The Group has applied 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 until hedge accounting is ceased are presented in financial items. Hedge accounting for interest rate swaps ceased to meet hedge effectiveness criteria and hedge accounting was discontinued as of as of 1 July, 2015. Since that date the amount recognized against the hedged liability is accrued to 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

	2015	2014
Finland	13,542,859.46	81,928,341.40
Scandinavia	0.00	1,032,958.47
Russia	651,897.92	1,009,003.04
Other countries	-11,127.00	438,506.57
Total	**14,183,630.38**	**84,408,809.48**

2. Other operating income

	2015	2014
Gains on sale of intangible and tangible assets	833,701.33	0.00
Rental income	67,043.64	64,143.64
Other operating income	177,692.21	2,481,330.42
Total	**1,078,437.18**	**2,545,474.06**

3. Materials and services

	2015	2014
Purchases during the financial period	1,329.53	1,634.12
External services	8,313.64	63,623.09
Total	**9,643.17**	**65,257.21**

4. Personnel expenses

	2015	2014
Wages and salaries	7,944,462.31	29,316,830.66
Pension expenses	-110,433.70	3,653,265.35
Other social expenses	662,746.73	1,382,388.06
Total	**8,496,775.34**	**34,352,484.07**
Management remuneration		
President and CEO	579,875.74	565,606.00
Executive Board (excl. CEO)	601,688.79	1,263,264.25
Board of Directors	291,067.74	314,603.22
Supervisory Board	27,700.00	21,200.00
Total	**1,500,332.27**	**2,164,673.47**
Average number of personnel during the financial period		
Administrative employees	61	360
Employees	-	1
Total	**61**	**361**

5. Depreciation, amortization and impairment losses

	2015	2014
Intangible rights	2,788,070.30	3,573,533.31
Machinery and equipment	4,937.33	2,365,694.86
Total	**2,793,007.63**	**5,939,228.17**

6. Other operating expenses

	2015	2014
Rents and leases	657,595.85	2,935,057.82
Losses on sale of fixed assets	58,157.67	34,231.16
Personnel related costs	174,889.47	1,617,605.09
Travelling expenses	120,105.09	995,350.96
Marketing expenses	1,710,796.06	8,510,214.52
Entertainment expenses	74,773.44	252,128.64
Facility maintenance expenses	32,484.02	94,465.22
Office and administrative expenses	3,302,100.89	8,916,332.79
IT operating costs	9,142,107.23	57,968,111.52
Loss on merger	23,275,219.49	53,140,506.53
Other operating expenses	1,132,933.82	3,616,364.77
Total	**39,681,163.03**	**138,081,154.48**

7. Auditors' remuneration

	2015	2014
Audit	218,354.84	150,232.00
Tax advisory	0.00	625.00
Other services	73,971.47	69,362.07
Total	**292,326.31**	**220,219.07**

8. Financial income and expenses

Dividends received	2015	2014
From Group companies	25,700,000.00	165,000,000.00
From others	88,047.50	88,047.50
Total	**25,788,047.50**	**165,088,047.50**
Other interest and financial income		
From Group companies	3,844,841.07	2,347,203.68
Gains from currency exchange	4,118,201.36	17,207,842.23
Other interest income from others	6,509,795.97	5,957,951.64
Other financial income from others	1,301,689.18	1,514,006.65
Total	**15,774,527.58**	**27,027,004.20**
Total financial income	**41,562,575.08**	**192,115,051.70**
Interest and other financial expenses		
To Group companies	538,210.78	1,574,955.40
Losses on currency exchange	6,309,931.01	24,341,983.09
Other interest expenses to others	12,537,124.23	14,673,236.59
Other financial expenses to others	3,493,761.31	2,177,978.56
Total	**22,879,027.33**	**42,768,153.64**
Impairment losses on non-current assets		
Impairment losses on group interests/receivables on Group companies	92,736,279.13	26,353,057.69
Impairment losses on group interests/receivables on associated companies	80,000.00	
Impairment losses on other shares and receivables	3,279,469.03	
Impairment loss reversals on group interests/receivables on Group companies	-9,406,548.68	
Impairment loss reversals on other financial securities	-3,708.63	-53,770,336.58
Total	**86,685,490.85**	**-27,417,278.89**
Total financial expenses	**109,564,518.18**	**15,350,874.75**
Total financial income and expenses	**-68,001,943.10**	**176,764,176.95**
Financial income and expenses including gains and losses on currency exchange (net)	**-2,191,729.65**	**-7,134,140.86**

9. Extraordinary items

	2015	2014
Group contributions received	111,700,000.00	66,800,000.00
Group contributions distributed	0.00	-12,900,000.00
Total	**111,700,000.00**	**53,900,000.00**

10. Income tax

	2015	2014
Income tax on extraordinary items	22,340,000.00	10,780,000.00
Income tax on business activities	-8,284,600.39	-10,753,068.38
Income tax from previous years	-15,602.83	7,569.41
Change in deferred tax assets	-7,425,858.99	42,343.40
Total	**6,613,937.79**	**76,844.43**

11. Intangible assets

Intangible rights		
Cost 1 Jan	28,656,231.10	29,047,963.85
Additions	356,711.45	2,066,135.37
Disposals	-3,580,918.71	-2,989,225.67
Transfers between items	331,700.00	531,357.55
Cost 31 Dec	**25,763,723.84**	**28,656,231.10**
Accumulated amortization 1 Jan	23,548,655.05	24,342,429.53
Accumulated amortization on disposals	-1,899,665.96	-2,978,354.53
Amortization for the financial period	1,698,070.30	2,184,580.05
Accumulated amortization 31 Dec	**23,347,059.39**	**23,548,655.05**
Book value 31 Dec	**2,416,664.45**	**5,107,576.05**

Prepayments		
Cost 1 Jan	3,728,556.57	3,193,516.81
Additions	226,754.84	1,383,850.81
Disposals	-1,144,658.15	-317,453.50
Transfers between items	-331,700.00	-531,357.55
Cost 31 Dec	**2,478,953.26**	**3,728,556.57**
Accumulated impairment 1 Jan	1,388,953.26	0.00
Impairment	1,090,000.00	1,388,953.26
Accumulated impairment 31 Dec	**2,478,953.26**	**1,388,953.26**
Book value 31 Dec	**0.00**	**2,339,603.31**
Total intangible assets	**2,416,664.45**	**7,447,179.36**

12. Tangible assets

Land and water	**2015**	**2014**
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	12,584,317.33	24,280,327.53
Additions	2,448.34	1,609,443.80
Disposals	-12,510,111.13	-13,347,124.25
Transfers between items	0.00	41,670.25
Cost 31 Dec	**76,654.54**	**12,584,317.33**
Accumulated depreciation 1 Jan	9,134,374.35	19,390,353.32
Accumulated depreciation on disposals and transfers	-9,067,298.42	-12,621,673.83
Depreciation for the financial period	4,937.33	2,365,694.86
Accumulated depreciation 31 Dec	**72,013.26**	**9,134,374.35**
Book value 31 Dec	**4,641.28**	**3,449,942.98**

Other tangible assets		
Cost 1 Jan	1,189,127.90	1,189,127.90
Disposals	0.00	0.00
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	0.00	42,486.00
Additions	0.00	0.00
Disposals	0.00	-815.75
Transfers between items	0.00	-41,670.25
Cost 31 Dec	**0.00**	**0.00**
Book value 31 Dec	**0.00**	**0.00**
Total tangible assets	**2,019,640.42**	**5,464,942.12**

13. Investments

Shares in Group companies	2015	2014
Cost 1 Jan	1,032,517,581.18	916,298,211.73
Additions	32,079,105.74	160,519,741.66
Disposals	-100,442,495.85	-44,300,372.21
Cost 31 Dec	**964,154,191.07**	**1,032,517,581.18**
Accumulated impairment losses 1 Jan	239,527,042.73	265,268,231.70
Impairment losses	92,736,279.13	18,509,183.03
Reversals of impairments	-90,272,662.32	-44,250,372.00
Book value 31 Dec	**722,163,531.53**	**792,990,538.45**

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
Impairment losses	80,000.00	0.00
Book value 31 Dec	**220,000.00**	**300,000.00**

Other shares and holdings		
Cost 1 Jan	6,660,306.40	6,660,306.40
Additions	28,560.00	0.00
Disposals	-79,103.92	0.00
Cost 31 Dec	**6,609,762.48**	**6,660,306.40**
Accumulated impairment losses 1 Jan	660,676.07	**660,676.07**
Impairment losses	209,292.00	0.00
Book value 31 Dec	**5,739,794.41**	**5,999,630.33**

Receivables from Group companies Capital loan receivables		
Cost 1 Jan	28,511,000.00	93,181,287.06
Repayments	0.00	-64,670,287.06
Cost 31 Dec	**28,511,000.00**	**28,511,000.00**
Accumulated impairment losses 1 Jan	0.00	51,891,600.00
Reversals of impairment losses	0.00	-51,891,600.00
Book value 31 Dec	**28,511,000.00**	**28,511,000.00**

Receivables from others
Capital loan receivables

Cost 1 Jan	3,070,177.03	3,070,177.03
Additions	0.00	0.00
Cost 31 Dec	**3,070,177.03**	**3,070,177.03**
Impairment losses	3,070,177.03	**0.00**
Book value 31 Dec	**0.00**	**3,070,177.03**
Total investments	**756,634,325.94**	**830,871,345.81**

14. Non-current receivables

Receivables from Group companies	2015	2014
Loan receivables	63,288,307.81	80,408,248.39
Total	**63,288,307.81**	**80,408,248.39**
Receivables from others		
Loan receivables	861,122.19	861,122.19
Other receivables	109,154.55	420,134.63
Deferred tax assets	8,261,462.05	835,603.06
Other accrued income and prepayments	0.00	3,861,456.02
Total	**9,231,738.79**	**5,978,315.90**
Total non-current receivables	**72,520,046.60**	**86,386,564.29**

15. Current receivables

Receivables from Group companies	2015	2014
Trade receivables	82,213.75	1,433,274.96
Loan receivables	351,790.61	22,677,938.62
Interest receivables	5,913,140.44	4,954,508.26
Other receivables	41,298,749.45	32,844.89
Prepayments and accrued income	111,700,000.00	66,820,042.91
Total	**159,345,894.25**	**95,918,609.64**
Receivables from others		
Trade receivables	-2,167.80	5,260.40
Other receivables	293,262.97	2,199,212.51
Prepayments and accrued income	8,920,346.34	6,347,688.31
Total	**9,211,441.51**	**8,552,161.22**
Total current receivables	**168,557,335.76**	**104,470,770.86**
Key items in prepayments and accrued income		
Interest receivables	2,339,842.50	1,537,806.25
Other prepayments and accrued income	6,580,503.84	4,809,882.06
Total	**8,920,346.34**	**6,347,688.31**

16. Fair value and change in fair value by financial instrument

	2015	2014
Investments in bonds and notes	45,520,667.51	41,704,990.51
Change in fair value recognized in the income statement	-868,664.50	461,815.16
Investments in commercial papers	123,403,018.75	104,279,619.28
Change in fair value recognized in the income statement	16,714.67	14,743.37
Currency derivatives	28,182.99	1,939,699.18
Change in fair value recognized in the income statement	-1,911,516.19	2,140,675.80
Interest rate derivatives	1,897,236.73	3,861,456.02
Change in fair value recognized in the income statement	-1,964,219.29	-935,757.50
Other investments	161,735.00	297,750.00
Change in fair value recognized in the fair value reserve	-122,678.58	268,509.09
of which deferred tax	24,535.72	-53,701.22

17. Equity

	2015	2014
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	166,467.98	-48,336.89
Profit or loss at fair value, other current investments	-98,142.86	214,804.87
Fair value reserve 31 Dec	**68,325.12**	**166,467.98**
Restricted equity total	**70,068,325.12**	**70,166,467.98**
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	566,076,975.92	426,973,483.79
Dividend distribution	0.00	0.00
Retained earnings 31 Dec	**566,076,975.92**	**426,973,483.79**
Profit/loss for the financial year 31 Dec	**1,365,597.50**	**139,103,492.13**
Total unrestricted equity	**710,146,335.35**	**708,780,737.85**
Total equity	**780,214,660.47**	**778,947,205.83**

Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	566,076,975.92	426,973,483.79
Profit/loss for the financial period	1,365,597.50	139,103,492.13
Total	**710,146,335.35**	**708,780,737.85**

18. Provisions

	2015	2014
Pension provision	301,878.00	310,146.00
Restructuring provision	580,760.88	687,267.61
Other provisions	569,281.25	289,860.50
Total	**1,451,920.13**	**1,287,274.11**

19. Deferred tax assets and liabilities

Deferred tax assets	2015	2014
From provision	290,384.03	257,454.83
From impairments	0.00	159,242.64
From temporary differences	7,971,078.02	418,905.59
Total	**8,261,462.05**	**835,603.06**

Deferred tax liabilities	2015	2014
Valuation to fair value	17,081.28	41,617.00
Total	**17,081.28**	**41,617.00**

20. Non-current liabilities

	2015	2014
Bonds	99,771,766.37	251,251,916.55
Deferred tax liability	17,081.28	41,617.00
Other non-current liabilities	4,096,431.35	4,589,922.47
Total	**103,885,279.00**	**255,883,456.02**

Liabilities, maturity more than 5 years		
Bonds	-	-
Total	**0.00**	**0.00**

21. Current liabilities

Amounts owed to Group companies	2015	2014
Trade payables	-92,802.66	850,019.77
Interest liabilities	309,852.77	68,426.69
Other liabilities	209,949,515.21	111,978,496.18
Accruals and deferred income	68,683.71	12,929,191.50
Total	**210,235,249.03**	**125,826,134.14**
Amounts owed to others		
Bonds	150,422,779.87	0.00
Trade payables	607,288.80	8,101,721.70
Other liabilities	2,340,730.92	5,711,976.56
Accruals and deferred income	17,604,211.18	17,179,168.24
Total	**170,975,010.77**	**30,992,866.50**
Total current liabilities	**381,210,259.80**	**156,819,000.64**
Key items in other liabilities		
Payroll and related social costs	225,124.68	926,881.11
VAT-liability	2,018,671.90	4,723,165.55
Other liabilities	96,934.34	61,929.90
Total	**2,340,730.92**	**5,711,976.56**
Key items in accruals and deferred income		
Payroll and related social costs	1,501,921.94	7,731,215.14
Accrued interests	1,303,922.36	1,324,674.85
Tax liabilities	14,009,537.17	15,870.72
Other accruals and deferred income	788,829.71	8,107,407.53
Total	**17,604,211.18**	**17,179,168.24**
Interest-bearing liabilities		
Non-current liabilities	99,771,766.37	251,251,916.55
Current liabilities	265,371,722.87	24,318,166.62
Total	**365,143,489.24**	**275,570,083.17**

22. Assets pledged, commitments and other liabilities

Pledges given for Group companies	2015	2014
Guarantees	225,930,060.00	107,227,356.00
Total	**225,930,060.00**	**107,227,356.00**
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	153,460.80	291,282.54
Payable in later years	170,133.32	383,471.86
Total	**323,594.12**	**674,754.40**
Rental liabilities	**815.00**	**815.00**
Other commitments	**26,424.00**	**26,424.00**
Derivative contracts		
Currency forward contracts		
Fair value	28,182.99	1,939,699.18
Nominal value	8,561,928.25	47,867,325.04
Interest rate swaps		
Fair value	1,897,236.73	3,861,456.02
Nominal value	70,000,000.00	70,000,000.00

Derivative instruments are used for hedging the foreign exchange rate risk and currency 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

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

23. Shares and holdings of Posti Group Corporation

Company name and domicile

Group companies	Number of shares	Owner-ship (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	280,838,632.95
OpusCapita Group Oy, Helsinki	1,868	100.00	110,975,397.77
Itella Logistics AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics AS, Oslo	6	100.00	260,837.62
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	103,488	100.00	192,730,895.55
Itella SmartPOST OÜ, Tallinn		100.00	750,000.00
NLC International Corporation, Limassol	57,667,410	100.00	3,438,999.59
Posti Oy, Helsinki	2,538,295	100.00	106,659,037.70
Posti Global Oy, Helsinki	999	99.90	26,423,550.00
Total			**722,163,531.53**

Associated companies			
KOY Heliposti, Kotka	4,253	28.35	220,000.00
Total			**220,000.00**

Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	33,000.00
As. Oy Rovaniemen Viirikankaant. 2–4, Rovaniemi	1,584	15.84	90,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
KOY Elimäen Matkakaari, Elimäki	2,700	11.09	70,000.00
Cooperative Vereiniging 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
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Oy Samlink Ab	8,590	5.88	5,000,067.20
Golfsarfvik	1		28,560.00
Total			**5,739,794.41**

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2015, the parent company's distributable profits total EUR 710,146,335.35 of which net profit for the financial year accounts for EUR 1,365,597.50.

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 a dividend of EUR 18,000,000.00 to be distributed and EUR 692,146,335.35 retained in the shareholders' equity.

Signatures of the Board of Directors’ Report and the Financial Statements

Helsinki, 11 February 2016

Arto Hiltunen
Chairman

Päivi Pesola
Vice Chairman

Petri Kokko

Kirsi Nuotto

Suvi-Anne Siimes

Heikki Malinen
President & CEO

Petri Järvinen

Jussi Kuutsa

Marja Pokela

Our auditor’s report has been issued today.

Helsinki 11 February, 2016

PricewaterhouseCoopers Oy
Authorized Public Accountants

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, 2015. 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 Administrative Board, the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 11 February, 2016

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 2015 of Posti Group Corporation.

The Supervisory Board proposes to the 2016 Annual General Meeting that the Income Statement and Balance Sheet for 2015 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 3 March 2016

Markku Rossi
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 2016

Financial Statements for 2015: February 12, 2016
January-March: April 29, 2016 at 10:00 am
January-June: July 18, 2016 at 10:00 am
January-September: October 31, 2016 at 10:00 am

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 18, 2015. 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.

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