POSTI GROUP CORPORATION'S FINANCIAL STATEMENTS RELEASE, FEBRUARY 14, 2019 AT 9:00 A.M. (EET)

Posti Group Corporation's Financial Statements Release 2018

Posti Group Q4/2018: Posti succeeded well in the important Christmas season, parcel volumes rose to a record-level

Posti Group Corporation's Financial Statements Release

October–December 2018

Financial highlights

- The Group's net sales decreased by 4.0% to EUR 434.3 (452.3) million.
- The Group's adjusted EBITDA declined to EUR 38.5 (40.9) million, 8.9% (9.0%).
- The Group's EBITDA increased to EUR 35.2 (22.9) million, 8.1% (5.1%).
- The adjusted operating result amounted to EUR 21.4 (23.0) million, or 4.9% (5.1%) of net sales.
- The operating result amounted EUR 16.9 (5.0) million, representing 3.9% (1.1%) of net sales.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 8% (11%), with 11% (18%) growth in consumer (B2C) parcels. Posti's domestic freight measured in waybills, excluding food logistics, grew by 4% (8%). The number of addressed letters decreased by 10%(-10%) in Finland.
- Mail items covered by the universal service obligation accounted for 7.6% (9.4%) of all of Posti's mail items. The Christmas season has a significant impact on the volume of items.
- The net sales of Parcels increased whereas the net sales of Postal Services continued to decrease, which reflects the transformation of the market.
- On December 5, 2018, the Finnish government decided to transfer 49.9% of the shares of Posti Group Corporation to ownership of the Finnish State Business Development Company Vake Oy. After this 50.1% of Posti's shares remains in the State's direct ownership. The transfer of ownership has no effect on Posti´s position and business.

Year 2018

Financial highlights

- The Group's net sales decreased by 2.2% to EUR 1,610.3 (1,647.0) million,
- The Group's adjusted EBITDA declined to EUR 112.8 (118.6) million, 7.0% (7,2%).
- The Group's EBITDA increased to EUR 105.0 (83.7) million, 6.5% (5.1%).
- The adjusted operating result improved to EUR 44.8 (42.4) million, or 2.8% (2.6%) of net sales.
- The operating result amounted to EUR 5.7 (-27.5) million, representing 0.4% (-1.7%) of net sales.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 10 %, with 16% growth in consumer (B2C) parcels. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 5%. The number of addressed letters decreased by 9% in Finland.
- Mail items covered by the universal service obligation was 4.6 % (5.5%) of all of Posti's delivery volumes.
- The net sales of Parcel and Logistics Services accounted for almost 42% (40%) the Group´s total net sales.

- In May, Posti Group Corporation signed a new EUR 150 million syndicated revolving credit facility which replaced the previous EUR 150 million facility. The new facility has a maturity of five years with an option to extend for two years.
- In July, Posti opened one of Finland's largest freight terminals in Vantaa according to its strategy to grow in logistics.
- The Supreme Administrative Court of Finland delivered a decision on September 27, 2018 confirming that Posti's pricing concerning the delivery of unaddressed advertising mail during 2007-2013 was not in violation of the competition law.
- Posti's structural transformation continued:
    - In April, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.
    - During the H1, Posti's Finnish, Swedish and Norwegian Debt Collection businesses were sold.
    - In September, Posti signed an agreement on acquiring of in-house logistics company Suomen Transval Group Oy. The acquisition was completed on January 25, 2019.
    - In December, Itella Connexions, a Posti subsidiary in Russia, was divested.

- Posti has renewed its organization and operating model to better correspond to market needs and e-commerce growth. As a part of the renewal, Posti announced on August 27 that Posti Group's business will be divided into five business groups, of which three will be new. Starting January 1, 2019, the business groups are: Postal Services, Parcel & eCommerce, Logistics Solutions, OpusCapita and Itella Russia.

Outlook for 2019

Net sales, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by Transval acquisition. The Group's adjusted operating result is expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles.

Key figures of Posti Group

	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Net sales, EUR million	434.3	452.3	1,610.3	1,647.0
Adjusted EBITDA, EUR million	38.5	40.9	112.8	118.6
Adjusted EBITDA margin, %	8.9	9.0	7.0	7.2
EBITDA, EUR million	35.2	22.9	105.0	83.7
EBITDA margin, %	8.1	5.1	6.5	5.1
Adjusted operating result, EUR million	21.4	23.0	44.8	42.4
Adjusted operating result margin, %	4.9	5.1	2.8	2.6
Operating result, EUR million	16.9	5.0	5.7	-27.5
Operating result margin, %	3.9	1.1	0.4	-1.7
Result for the period, EUR million	14.3	-2.1	0.7	-44.3
Return on equity (12 months), %			0.1	-8.0
Return on capital employed (12 months), %			1.3	-5.5
Net debt, EUR million			-31.3	-43.4
Net debt / Adjusted EBITDA			-0.3x	-0.4x
Equity ratio, %			48.6	48.8
Adjusted free cash flow			29.9	38.8
Gross capital expenditure, EUR million	17.0	20.4	66.1	73.3

Personnel, end of period			18,522	20,014
Personnel on average, FTE	16,202	16,807	16,780	17,912
Earnings per share, basic, EUR	0.36	-0.05	0.02	-1.11
Dividend per share, EUR			0.71	1.00
Dividends, EUR million			28.4*	40.0

*) Board of Directors’ proposal to the Annual General Meeting

Figures in brackets refer to the comparison period, i.e. the same period last year, unless otherwise stated.

Heikki Malinen, President and CEO

For Posti Group 2018 remained challenging due to the rapid digitalisation of society and changing customer needs. This was reflected in the significant downward trend in letter volumes. In 2018 the number of addressed mail decreased by 9% and the total amount has reduced by 50% since 2008.

Despite the decline in net sales of Postal Services and Itella Russia, Posti Group´s full-year adjusted operating result improved to EUR 44.8 million. However, the adjusted operating result margin of 2.8% remains below the long-term target of 4%.

The result of Posti is always strongly influenced by the last quarter of the year and especially by the Christmas season, which went particularly well this year. During the Christmas week, we handled the biggest weekly parcel volumes in the history of Posti. The net sales of parcel services in 2018 was boosted by B2C parcel volumes (16%). During 2018, Posti delivered a total of 44.1 million parcels. However, the adjusted operating result of Mail, Parcel and Logistics Services weakened to EUR 53.9 million.

Itella Russia achieved a good profit improvement, totaling adjusted operating result of EUR 2.6 million. Itella Russia's profitability was improved by efficiency measures in the transport business, the company´s focus on contract logistics and divestments of courier company Maxipost and direct marketing company Itella Connexions.

The profitability of OpusCapita has also improved due to restructuring measures earlier in the year. The adjusted operating result of OpusCapita turned profitable in the fourth quarter. The adjusted EBITDA of OpusCapita for the full year reached EUR 2.0 million. The positive development was driven by a 33% growth in SaaS subscriptions. In 2018, OpusCapita won several international deals, including Equinor (formerly Statoil) and Schindler.

The renewal of Posti has continued rapidly during 2018. In line with our strategy, we have invested in our core businesses and growth areas, such as e-commerce and logistics. Last summer as a part of Posti´s strategy's to grow in logistics, Posti opened one of Finland's largest freight terminals in Vantaa. In September 2018, Posti signed an agreement on acquiring the in-house logistics company Suomen Transval Group Oy. The deal was completed on January 25, 2019. As a result of this acquisition, Posti will become a significant operator in logistics outsourcing solutions in Finland.

In order to improve the e-commerce customer experience and meet the needs of consumers, Posti has introduced new fast delivery options. We have strongly expanded our parcel locker network and at the end of 2018 we opened the one thousandth parcel locker. Posti has also started same day deliveries to e-commerce customers, and this service will expand to Turku and Uusimaa during this year. In Helsinki we have piloted 1-2 hour deliveries. We are also developing an OmaPosti mobile app, which has over 250,000 monthly users by today.

Posti's traditional key foundation, Postal services, stays strongly in the core business, despite of digitalization. We have increased our resources to improve the quality further. Earlier this year, we announced a major investment in new sorting machines. We believe that by utilizing technology we will be able to curb the rise in delivery costs and extend the life cycle of print.

In the coming years, the amount of mail will continue to decrease rapidly as the communication of the public sector in particular becomes digital. Posti has proposed to decision-makers that in this situation, the delivery of printed newspapers in rural areas should be supported by temporary State aid, which would allow pluralism of information in rural areas as well. This would be socially important because, without government compensation, the conditions for the operation of some paper-format newspapers in rural areas are at risk of disappearing because of high distribution costs of paper products.

Due to the significant decline in mail volumes, Posti continues to renew its postal operations in order to improve competitiveness, renew the services and secure profitability. Due to the decrease in the amount of mail, Posti needs to reduce costs by at least approximately EUR 150 –200 million over the next three years.

I would like to thank all our customers and partners for their trust and our employees for their commitment to serve customers. I would like to point out how our employees especially succeeded in delivering Christmas for our customers and all citizens. We will continue to build a service culture with the goal of an even better customer experience.

APPENDICES

Posti Group's Financial Statements Release in full (PDF)

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Tom Jansson, CFO
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FINANCIAL CALENDAR

January–March: Thursday, April 25, 2019
January–June: Wednesday, August 6, 2019
January–September: Wednesday, October 29, 2019

DISTRIBUTION
Key media
www.posti.com/financials

IMAGES AND LOGOS
www.posti.com/media

Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics services. We have the widest network coverage in Finland and we visit about three million households and companies every weekday. We manage the flow of everyday life in 11 countries. Our net sales in 2018 amounted to EUR 1.6 billion and the number of our personnel is approximately 18,500. www.posti.com.

Business environment

Posti´s economical environment remained good in 2018. The Bank of Finland estimates that the Finnish Gross Domestic Product (GDP) grew by 2.7 % in 2018. The growth was supported by private consumption. Employment growth, wage rises, and low inflation strengthened households' purchasing power. The Bank of Finland estimates that GDP will grow also in 2019, but at a slower speed.

The Russian economy continued to grow moderately. According to the International Monetary Fund (IMF), the Russian GDP grew by 1.7% in 2018. The IMF forecasts Russian GDP growth to remain slightly below 2% during 2019 and 2020. The ruble depreciated by 14.9% from the end of the previous year.

Although the economic situation is expected to be stable, the operating environment is undergoing a dramatic transformation. Changes in consumer behavior, accelerated digitalization, the transformation of the retail industry, the rapid growth of e-commerce, intense market competition and the advancement of technology are all challenging Posti. It is very important for Posti to continuously improve the quality of customer satisfaction and the customer experience, which are essential for ensuring competitiveness and profitability in a period of industry transformation.

The number of letters delivered in Finland has decreased by half within ten years, and the delivery volume of printed newspapers has fallen to 1950s' levels. On average, Posti delivers only eight delivery items per week to Finnish households. In the coming years, the amount of mail will continue to decrease rapidly as the communication of citizens, companies and the public sector becomes digital.

The trend is particularly evident in the volumes of addressed mail and printed newspapers. Competition in mail delivery has also increased. In addition to Posti, there are currently 16 operators delivering mail in Finland.

The growth of e-commerce in Finland remained at a good level, which was reflected favorably in Posti's parcel volumes. Finns differ significantly from other Europeans in how they prefer to receive their parcels. For example, 22% of Finnish consumers prefer to have parcels delivered to parcel lockers, according to IPC Online Shopper survey. According to surveys made by Posti Corporation, 59% of the Finns have already used parcel lockers. Posti has increased the number of parcel lockers substantially in recent years. The volume of purchases from foreign online stores is growing. Consumers estimate that in 2025 e-commerce will account for 30% of their purchases, according to other survey made by Posti in 2018.

Posti's goal is to evolve into a customer-oriented and profitable logistics and postal service company by 2020. At the core of the strategy are five main objectives that will see Posti emerge as a winner through this period of transformation: win e-commerce play, keep mail relevant to customers, rethink logistics, renew service culture, and securing digitally powered service delivery.

Net sales and profit performance

October-December 2018

The number of working days in the fourth quarter was 62, the same as in the previous year. The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.

The Group's net sales decreased by 4.0% (-0.9%) to EUR 434.3 (452.3) million. Net sales decreased by 2.3% in Mail, Parcel and Logistics Services and also in Itella Russia by 17.5 % largely due to the impact of currency exchange rate changes and the divestment of MaxiPost, a Posti subsidiary in Russia. OpusCapita managed to maintain its net sales unchanged. Net sales declined by 2.6% in Finland and declined by 12.7% in other countries.

International operations accounted for 12.4% (13.5%) of net sales. The decline in international operations' net sales was mainly related to the divestment of MaxiPost.

The Group's adjusted EBITDA decreased to EUR 38.5 (40.9) million, 8.9% (9.0%). EBITDA increased to EUR 35.2 (22.9) million, 8.1% (5.1%). The development in the adjusted EBITDA was two-edged. Mail, Parcel and Logistics Services had a negative effect on the adjusted EBITDA. However, there was also positive development due to the improved result development of both OpusCapita and Itella Russia.

The adjusted operating result decreased to EUR 21.4 (23.0) million, or 4.9% (5.1%) of net sales. The operating result was EUR 16.9 (5.0) million, or 3.9% (1.1%) of net sales.

Universal service obligation was 7.6% (9,4%) of all Posti's delivery volumes. Operations under the universal service obligation amounted to EUR 52.5 (54.3) million, or 12.1% (12.0%) of the Group's net sales.

Net sales and profit performance in 2018

The number of working days in 2018 was 251, the same as in the previous year. The number of working days affects the Group's net sales and result, having an impact on year-on-year comparisons.

The Group's net sales decreased by 2.2% to EUR 1,610.3 (1,647.0) million. Net sales increased 0.4% in Mail, Parcel and Logistics Services but decreased 12.8% in Itella Russia mainly driven by currency exchange rates and the divestment of courier company Maxipost.

Net sales declined by 0.2% in Finland and declined by 13.9% in other countries. International operations accounted for 12.8% (14.6%) of net sales. The decline in international operations' net sales was mainly related to the divestments in Russia as well as divestment of OpusCapita's Finance and Accounting Outsourcing and related subsidiaries in Q3/2017.

The Group's adjusted EBITDA declined to EUR 112.8 (118.6) million, 7.0% (7.2%). The negative development was due to Mail, Parcel and Logistics Services. The adjusted EBITDA increased both in OpusCapita and Itella Russia. EBITDA increased to EUR 105.0 (83.7) million, 6.5% (5.1%).

The adjusted operating result increased to EUR 44.8 (42.4) million, or 2.8% (2.6%) of net sales.

The special items during 2018 amounted to EUR 39.1 million, which includes EUR 30.0 million impairment loss on OpusCapita's goodwill, a EUR 2.0 million gain on the divestment of the Scandinavian debt collection business and costs relating to personnel restructuring and strategic projects. Also OOO Itella Connexions, a Posti subsidiary in Russia, was divested in December. The loss on disposal EUR 1.3 million was recognized in the fourth quarter.

The operating result was EUR 5.7 (-27.5) million, or 0.4% (-1.7%) of net sales.

Universal service obligation was 4.6 % (5.5%) of all Posti's delivery volumes. Operations under the universal service obligation amounted to EUR 135.0 (136.7) million, or 8.4 % (8.3%) of the Group's net sales.

Mail, Parcel and Logistics Services

October–December 2018

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

- Addressed letters: -10% (-10%)
- Parcels in Finland and the Baltics: +8% (+11%), of which B2C parcels +11% (+18%)
- Domestic freight* measured in waybills: +4% (+8%)

- Warehouse fill rate in Finland on average, October-December 64% (81%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries increased to 13.0 (12.0) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 18%.

The net sales of Mail, Parcel and Logistics Services decreased to EUR 393.9 (403.2) million.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	10-12 2018	10-12 2017	Change
Mail and Marketing Services	**174.1**	181.2	-3.9%
Press Services	**41.1**	43.3	-5.1%
Parcel Services	**85.7**	83.9	2.2%
Logistics Services	**95.0**	97.6	-2.7%
Other and eliminations	**-2.0**	-2.7	
Total	**393.9**	403.2	-2.3%

Mail and Marketing Services net sales decreased, driven by constantly falling volumes in addressed letters. The net sales are strongly influenced by the last quarter of the year and especially by the Christmas season. Christmas greetings are still part of the Finnish Christmas tradition, but volumes are declining. More than 23 million Christmas cards were sent this year in Finland compared to 26 million in 2017. Net sales have been affected by lower than expected stamp sales development. The press revenue suffered from volume decline as well as price competition.

The net sales of Parcel Services grew particularly due to the Christmas season. The growth was seen especially in the volumes of domestic B2C parcels and international B2C parcels addressed to Finland. In December, Posti set a new record: 1.3 million parcels passed through Posti in one week.

The number of parcels going through parcel points grew by 17%. At the end of December, Posti had a total of 1,933 service points in Finland, of which 1,012 were parcel points.

Logistics Services net sales decreased by 2.7%. In Logistics services, the development in domestic freight, measured in waybills, was positive, but growth was slower than in the comparison period. This is mainly due to the Finnish business environment. Transport volumes in heavy traffic begins to even out on Finland´s main roads after a strong growth period. In the warehouse business, the fill rate was at a lower level compared to the previous year.

The adjusted EBITDA of Mail, Parcel and Logistics Services decreased to EUR 33.0 (38.1) million, 8.4% (9.5%). The result was mainly affected by the slowdown in Postal as well as in Logistics Services. EBITDA decreased to EUR 32.9 (37.9) million.

The adjusted operating result decreased to EUR 22.7 (27.3) million, 5.8% (6.8%). The operating result decreased to EUR 21.4 (27.1) million.

Year 2018

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

- Addressed letters: -9% (-10%)
- Parcels in Finland and the Baltics: +10% (+9%), of which B2C parcels +16% (+12%)
- Domestic freight* measured in waybills: +5% (+8%)
- Warehouse fill rate in Finland on average, January-December 74% (78%)

* The reported figure for domestic freight excludes food logistics

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	2018	2017	Change
Mail and Marketing Services	**620.8**	630.2	-1.5%
Press Services	**163.1**	166.9	-2.3%
Parcel Services	**299.0**	287.5	4.0%
Logistics Services	**378.6**	373.4	1.4%
Other and eliminations	**-7.0**	-9.3	
Total	**1,454.5**	1,448.7	0.4%

The net sales of Mail, Parcel and Logistics Services increased by 0.4% to EUR 1,454.5 (1,448.7) million. The business mix continued to move towards parcel and logistics.

The net sales of Mail and Marketing Services decreased. The decline in volumes was compensated for by changes in pricing. The prices of Posti's cash letter services changed on May 4, 2018. As consumer behaviors are changing and digital transformation is progressing, the mail volume decline continued, especially in addressed letter. The volume decline accelerated especially after the second quarter. At the beginning of the year the rate of volume decrease was lower than previous year due to extra seasonal, such as GDPR-related mail deliveries. However, the downward trend accelerated in H2. The net sales is strongly influenced by the last quarter of the year and especially by the Christmas season. According to the figures, Christmas greetings are still part of the Finnish Christmas tradition, but volumes are declining. More than 23 million Christmas cards were sent this year in Finland compared to 26 million in 2017

At the same time, the competition has become more intensive. The Parliament of Finland opened up postal services to full competition in 2016 and, as a result, there are now 16 delivery companies delivering letter mail in Finland. Also the Press Services revenue was affected both by volume decline and price competition.

Parcel Services saw very positive development. The net sales of Parcel Services grew particularly due to growth in consumer parcels. The number of parcels going through parcel points grew by 28%. The total amount of parcels delivered by Posti in Finland and the Baltic countries increased to 44.1 (40.1) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 17%.

In Logistics Services, the net sales of domestic freight increased by 1.4% due to the Finnish business environment. Transport volumes in heavy traffic begins to even out on Finland´s main roads after a strong growth period. The adjusted EBITDA of Mail, Parcel and Logistics Services was EUR 95.7 (106.3) million, 6.6% (7.3%). The result was mainly affected by the slowdown in Logistics Services.EBITDA decreased to EUR 96.1 (102.2) million.

The adjusted operating result decreased to EUR 53.9 (60.4) million, 3.7% (4.2%). The operating result increased to EUR 53.0 (49.3) million.

Itella Russia

October–December

Itella Russia's net sales measured in local currency decreased by 8.6%. Reported euro-denominated net sales decreased by 17.5% to EUR 27.2 (33.0) million due to currency translation effects. The divestment of Maxipost during Q2/2018 impacted negatively on net sales. Net sales also decreased slightly in Road transport, Air and Sea and Contract logistics.

Itella Connexions, a Posti subsidiary in Russia, was divested in December 2018. Itella Connexions is a customer relationship management and digital agency serving a number of international automobile customers and customers operating with fast moving consumer goods. Financial figures were reported in Itella Russia segment. The loss on disposal EUR 1.3 million was recognized in the fourth quarter.

Itella Russia's adjusted EBITDA continued to grow in the fourth quarter. The adjusted EBITDA was EUR 3.2 (1.6) million, 11.7% (5.0%) of net sales. EBITDA was EUR -1.1 (-16.2) million. The adjusted operating result improved to EUR 1.7 (-0.1) million. The result improvement was driven by Contract Logistics but also Road Transport contributed as well as the divestment of Maxipost.

The average fill rate for warehouses showed a year-on-year decreased in Moscow and in other regions. The average fill rate for warehouses in Moscow was 89% (90%), while in other regions it was 57% (74%). The fill rate in the regions was negatively influenced by change of business model.

The operating result was EUR -2.6 (-17.9) million.

Year 2018

Itella Russia's net sales measured in local currency decreased by 2.0%. Reported euro-denominated net sales decreased by 12.8% to EUR 103.9 (119.1) million due to currency translation effects. In April 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. This impacted negatively on the net sales. Net sales also decreased slightly in Road transport and Contract logistics.

The adjusted EBITDA was EUR 8.6 (3.7) million, 8.3% (3.1%). EBITDA was EUR 4.9 (-14.4) million. The adjusted operating result improved significantly and reached EUR 2.6 (-3.5) million. Most of the result improvement came from Contract Logistics and closure of unprofitable site during 2017 and the Road business.

The average fill rate for warehouses showed a year-on-year increase in Moscow and a decrease in other regions. The average fill rate for warehouses in Moscow was 87% (84%), while in other regions it was 67% (74%). The fill rate in the regions was negatively influenced by change of business model.

The operating result was EUR -1.2 (-21.5) million.

OpusCapita

October–December

OpusCapita's net sales remained flat and totalled EUR 17.4 (17.4) million. SaaS subscription revenue grew by 41%. Conversion from on-premise to SaaS proceeded successfully especially in the Cash Management product line. Net Sales in paper-based transaction products continued to decline as expected. Both Cash Management and Procurement & Invoice Automation product lines closed landmark deals during the fourth quarter – Cash Management is successfully penetrating the central European market while Procurement & Invoice Automation is expanding in the Nordics.

The adjusted EBITDA increased to EUR 2.1 (-1.0) million, 12.1% (-6.0%). The improvement in adjusted EBITDA was driven by the Q2 2018 cost-savings program as well as growth in the high value product segments. EBITDA increased to EUR 1.5 (-2.1) million.

The adjusted operating result improved to EUR 0.9 (-2.3) million, 5.4% (-13.1%). The operating result increased to EUR 0.4 (-3.3) million.

Year 2018

OpusCapita net sales increased by 0.2% and totaled EUR 64.8 (64.7) million. SaaS subscription based net sales growth reached 33% while the net sales in paper-based transaction products continued to decline as expected, following the global digitalization trend. Both Cash Management and Procurement & Invoice Automation product lines closed landmark deals during the fourth quarter – Cash Management is successfully penetrating the central European market while Procurement and Invoice Automation is expanding in the Nordics. In 2018, OpusCapita won several international deals, including Equinor (formerly Statoil) and Schindler.

The adjusted EBITDA increased to EUR 2.0 (-2.6) million, 3.1% (-4.0%). EBITDA improved to EUR 0.6 (-3.6) million. The improvement in EBITDA was due to growth in high value product segments as well as the Q2/2018 restructuring program. OpusCapita announced a restructuring program on May 3, 2018, to strengthen the company´s finances. The aim was to refocus OpusCapita´s internal resources to support continued investments in product development and further enhancement of the customer experience. As a part of the restructuring program, OpusCapita finalized cooperation negotiations in several of its operating countries. Therefore, the second quarter EBITDA was burdened by a EUR 0.6 million restructuring program-related special item.

The adjusted operating result improved to EUR -2.2 (-7.9) million, -3.3% (-12.3%). The operating result was EUR -33.6 (-35.9) million. As a result of a management evaluation of OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.

Key figures for segments

EUR million	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Net sales				
Mail, Parcel and Logistics Services	393.9	403.2	1,454.5	1,448.7
Itella Russia	27.2	33.0	103.9	119.1
OpusCapita	17.4	17.4	64.8	64.7
Other and unallocated	1.0	0.6	4.2	23.5
Intra-Group sales	-5.3	-1.9	-17.1	-9.0
Posti Group	**434.3**	**452.3**	**1,610.3**	**1,647.0**
Net sales change-%				
Mail, Parcel and Logistics Services	-2.3 %	0.5 %	0.4 %	2.3 %
Itella Russia	-17.5 %	4.7 %	-12.8 %	13.8 %
OpusCapita	0.0 %	-1.4 %	0.2 %	4.4 %
Posti Group	**-4.0 %**	**-0.9 %**	**-2.2 %**	**2.5 %**
Adjusted EBITDA				
Mail, Parcel and Logistics Services	33.0	38.1	95.7	106.3
Itella Russia	3.2	1.6	8.6	3.7
OpusCapita	2.1	-1.0	2.0	-2.6
Other and unallocated	0.3	2.2	6.4	11.2
Posti Group	**38.5**	**40.9**	**112.8**	**118.6**
Adjusted EBITDA, %				
Mail, Parcel and Logistics Services	8.4 %	9.5 %	6.6 %	7.3 %
Itella Russia	11.7 %	5.0 %	8.3 %	3.1 %
OpusCapita	12.1 %	-6.0 %	3.1 %	-4.0 %
Posti Group	**8.9 %**	**9.0 %**	**7.0 %**	**7.2 %**
EBITDA				
Mail, Parcel and Logistics Services	32.9	37.9	96.1	102.2
Itella Russia	-1.1	-16.2	4.9	-14.4
OpusCapita	1.5	-2.1	0.6	-3.6
Other and unallocated	1.9	3.2	3.4	-0.6
Posti Group	**35.2**	**22.9**	**105.0**	**83.7**
EBITDA, %				
Mail, Parcel and Logistics Services	8.3 %	9.4 %	6.6 %	7.1 %
Itella Russia	-4.1 %	-49.0 %	4.8 %	-12.0 %
OpusCapita	8.8 %	-11.8 %	0.9 %	-5.6 %
Posti Group	**8.1 %**	**5.1 %**	**6.5 %**	**5.1 %**

Key figures for segments

EUR million	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Adjusted operating result				
Mail, Parcel and Logistics Services	22.7	27.3	53.9	60.4
Itella Russia	1.7	-0.1	2.6	-3.5
OpusCapita	0.9	-2.3	-2.2	-7.9
Other and unallocated	-3.9	-2.0	-9.5	-6.5
Posti Group	**21.4**	**23.0**	**44.8**	**42.4**
Adjusted operating result, %				
Mail, Parcel and Logistics Services	5.8 %	6.8 %	3.7 %	4.2 %
Itella Russia	6.3 %	-0.3 %	2.5 %	-2.9 %
OpusCapita	5.4 %	-13.1 %	-3.3 %	-12.3 %
Posti Group	**4.9 %**	**5.1 %**	**2.8 %**	**2.6 %**
Operating result				
Mail, Parcel and Logistics Services	21.4	27.1	53.0	49.3
Itella Russia	-2.6	-17.9	-1.2	-21.5
OpusCapita	0.4	-3.3	-33.6	-35.9
Other and unallocated	-2.3	-0.9	-12.5	-19.4
Posti Group	**16.9**	**5.0**	**5.7**	**-27.5**
Operating result, %				
Mail, Parcel and Logistics Services	5.4 %	6.7 %	3.6 %	3.4 %
Itella Russia	-9.4 %	-54.3 %	-1.2 %	-18.1 %
OpusCapita	2.1 %	-18.9 %	-51.8 %	-55.4 %
Posti Group	**3.9 %**	**1.1 %**	**0.4 %**	**-1.7 %**

Financial position and investments

In 2018, the consolidated cash flow from operating activities was 79.8 (96.0) million, the cash flow from investing activities EUR -28.1 (-20.4) million and the cash flow from financing activities -30.6 (-70.9) million following the dividend payment totaling EUR 40.0 (60.0) million.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 63.4 (77.0) million. During the 2018, the Group invested in the new freight terminal in Vantaa, information systems, the transport fleet and production projects.

At the end of December, liquid assets amounted to EUR 131.0 (123.7) million, and undrawn committed credit facilities totaled EUR 150.0 (210.0) million. The Group took out a new long-term loan of EUR 60 million in the second quarter. The Group's interest-bearing liabilities were EUR 129.7 (120.0) million. The equity ratio was 48.6% (48.8%) and the net debt totaled EUR -31.3 (-43.4) million.

In May, Posti Group Corporation signed a new EUR 150 million syndicated revolving credit facility which replaced the previous EUR 150 million facility. The new facility has a tenor of five years and it has an option to extend the maturity with two years.

Research and development

Research and development Expenditure related to research and development activities in 2018 amounted to EUR 4.7 (5.6) million, or 0.3% (0.4%) of the Group's total operating expenses. Posti will continue to invest in digital services, increased automation and improving the competitiveness of our core business.

The Mail, Parcel and Logistics Services segment invested in the development of digital services for consumers. Digital services help Posti improve the services offered to private customers as well as the customer experience. For example, Posti's new mobile application provides consumers with new services that make daily routines easier and fulfill a growing number of customer needs.

In 2018 OpusCapita launched a new Invoice Process Automation product and by the end of the year had rolled-out several customers in production. A new Business Network Portal was also released in 2018. The Business Network Portal facilitates interactions between suppliers and buyers

Share capital and shareholding

In Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 50.1%, with 49.9% of the shares owned by the Finnish State Business Development Company (Vake Oy).

Posti Group Corporation's 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 27, 2018.

In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 27 million based on the result in 2017 and an extra dividend of EUR 13 million. Dividend distribution was altogether EUR 40 million. The dividend was paid on March 28, 2018.

The Annual General Meeting also adopted the 2017 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors be composed of nine members. The following continued as members of the Board of Directors: Eero Hautaniemi, M.Sc. (Econ.); Petri Järvinen, M.Sc. (Tech.); Markku Pohjola, B.Sc. (Econ.); Marja Pokela, BBA, M.Sc. (Adm.); Suvi-Anne Siimes, Licentiate of Political Science, (Econ.); and Arja Talma, M.Sc. (Econ.), eMBA.

Frank Marthaler (Lic.oec. HSG); and Per Sjödell B.Sc (econ); were elected as new members of the Board of Directors and Pertti Miettinen as an employee representative for one year pilot.

Markku Pohjola was elected as the Chairman of the Board of Directors and Suvi-Anne Siimes as the Vice Chairman.

The Annual General Meeting elected twelve members to the Supervisory Board in 2018. The following continued as members of the Supervisory Board: Maria Guzenina, MP, Social Democratic Party; Rami Lehto, MP, Finns Party; Eeva-Maria Maijala, MP, Centre Party; Mats Nylund MP, Swedish People's Party of Finland; Juha Pylväs, MP, Centre Party; Sari Raassina, MP, National Coalition Party; Markku Rossi, MP, Centre Party; Satu Taavitsainen, MP, Social Democratic Party; Jani Toivola, MP, The Greens of Finland.

MP Juhana Vartiainen, National Coalition Party; MP Kari Kulmala, Blue Reform and MP Silvia Modig, Left Alliance were elected as new members of the Supervisory Board**.**

Markku Rossi was re-elected as the Chairman of the Supervisory Board and Jani Toivola as the Vice Chairman.

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. No changes were made to the Board of Directors' or Supervisory Board's fees. Members of the Board of Directors receive a monthly remuneration and a meeting fee. Members of the Supervisory Board receive a meeting fee.

Changes in management

Jani Jolkkonen, Director, ICT and digitalization, and a member of the Posti Group Corporation Executive Board left Posti Group Corporation on January 11, 2018.

Petteri Naulapää, M.Sc. (Tech.), was appointed as the Senior Vice President, ICT and Digitalization of the Posti Group Corporation and as a member of the Posti Group Corporation Executive Board. Naulapää started in his new role on June 23, 2018.

Hanna Reijonen, M.Sc. (Econ.), was appointed as Senior Vice President, Human Resources and as a member of the Posti Group Corporation Executive Board as of March 22, 2018. **Jaana Jokinen**, who has acted as Senior Vice President, Human Resources since 2009, retired on June 30, 2018.

In August 2018, Posti announced the renewal of its organization and operating model to better correspond to market needs and e-commerce growth. Posti Group's business were divided into five business groups, of which three were new ones. Starting January 1, 2019, the new business groups are:

- **Postal Services**, headed by M.Sc. (Tech.) **Yrjö Eskola** starting January 1, 2019. Eskola was previously Posti's Vice President, Operations.
- **Parcel & eCommerce**, headed from January 1, 2019 by M.Sc. (Tech.) **Turkka Kuusisto**, who was previously Vice President of the Postal Services business group.
- **Logistics Solutions**, headed by M.Sc. (Econ.) **Sari Helander** from September 1, 2018. Helander has worked as CFO of Posti since 2011.
- With Helander's transfer to Logistics Solutions, Sc. (Econ.) **Tom Jansson** began as acting CFO starting September 1, 2018. He was appointed as CFO from December 19, 2018. Jansson was previously the Head of Finance in OpusCapita Solutions.

Jukka Rosenberg, the Vice President of former Parcel and Logistics Services, and a member of the Posti Group Corporation Executive Board left Posti Group Corporation on September 1, 2018.

The **Itella Russia** and **OpusCapita** business groups have remained unchanged and continued to be headed by **Jussi Kuutsa** and **Patrik Sallner**, respectively.

From May 1, 2018 Posti clarified Posti´s management roles by discontinuing the Management Board.

Employees

The Group's personnel	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Personnel at period-end			18,522	20,014
Personnel on average, FTE*	16,202	16,807	16,780	17,912

*Full time equivalent personnel on average

Personnel at the end of the year:

- Finland: 15,676 (16,595) employees
- Other countries of operation: 2,846 (3,419) employees

The Group's personnel expenses amounted to EUR 675.1 (696.6) million in year 2018, down 3.1% from the previous year. The personnel expenses included EUR 2.1 (5.0) million in restructuring costs. Excluding restructuring costs, the personnel expenses declined by 2.7% year-on-year.

The Uusi polku (New path) program December 31, 2018 (YTD):

Applications: 204

Approved: 85

Launched at the beginning of 2014, the Uusi polku (New path) program offers personnel not only financial support, but also training and support for job seeking, as well as support for retraining or starting a business.

Acquisitions, divestments and changes in corporate structure

On March 2018, Posti's Finnish Debt Collection business was sold to Intrum and the Norwegian Debt Collection business to Visma. In June 2018, Posti's Swedish Debt Collection business was sold to Collectia Sverige AB.

On April 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

Posti and Solemo Oy (SOL) established a joint venture providing in-house logistics services, Flexo Palvelut Oy in 2017. On October 2018. Posti acquired the remained share capital of Flexo Palvelut Oy from SOL and therefore Posti is the only shareholder.

On December 2018, OOO Itella Connexions, a Posti subsidiary in Russia, was divested in December 2018. Itella Connexions is a customer relationship management and digital agency serving a number of international automobile and fast moving consumer goods accounts.

Regulatory environment

Posti executed its first mandatory tendering procedure based on the Postal Act amendment, which became effective on July 1, 2018. The mandatory tendering procedure covers the five-day delivery of universal service letters in areas not covered by the early-morning newspaper delivery, which is based on commercial agreements. The areas subject to the tendering procedure are based on a decision issued by The Finnish Communications Regulatory Authority. The tendering covers more than 1,700 areas. A total 33 companies submitted tenders as part of the competitive tendering process that began in January. The companies that won the competitive tendering process have carried out deliveries for Posti before.

According to the legislator, the aim of this regulation is to introduce new delivery activities, including a combination of existing deliveries, in sparsely populated areas. In Posti's view, increased co-operation in sparsely populated areas is a positive development.

Legal proceedings

In March 2018, the Supreme Court did not grant leave to appeal in litigation concerning the value added tax on postal services requested by the claimants against Posti. This means that the decision given at September 2017 by the Court of Appeal of Helsinki to overrule the complaint as requested by Posti and to compensate the legal expenses of Posti remains final.

The Supreme Administrative Court of Finland rendered an order on September 27, 2018 confirming that Posti's pricing concerning the delivery of unaddressed advertising mail during 2007-2013 had not violated the competition law.

Business risks

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

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

Posti is dependent on the reliability, functionality and cost-efficiency of its' ICT systems and infrastructure, which may not fully meet the requirements of Posti's current or planned new businesses or support them.

Other dependencies consist of the business seasonality with focus on the end-of the year, the key customers and partners that may be lost and not appropriately replaced, limitations of UPU payment terminals, Posti's operational facilities and transportation infrastructure in Finland and Russia with limited or no comparable back-ups, as well as Posti's ability to recruit and retain competent leaders and managers, as well as talented employees, and to keep them motivated. Other operational risks include, among others, potential challenges in acquisition and divestments, and integration of possibly acquired businesses, general reputation management and the risk of general compliance in a complex regulatory requirement.

Even if the Postal Act in Finland was amended in 2017 in a manner where many restrictions earlier imposed on the USO (Universal Service Obligation) operator were deleted, there is a need for further amendments to the same direction. However, there is no certainty of stability, nor certainty for adoption of the additional needed amendments, in the legal environment as to the postal regulation in Finland or the legislation in general in other countries, Russia in particular. The sanctions imposed by the US and EU on a number of Russian persons, entities and activities may also have an adverse impact on Posti's overall operations. In Finland, Posti tends to be subject to a number of antitrust reviews and investigations on a continuous basis.

Events after the review period

On January 14, 2019 Posti announced that it will buy three new sorting machines suitable for letter, advertisement and publication sorting. The machines will be located in Helsinki. Helsinki postal center handles approximately 80% of print mail.

On January 25, 2019, Posti Group Corporation completed the acquisition of the in-house logistics company Suomen Transval Group Oy. The acquisition was announced in September 2018. Posti acquired the entire share capital of Suomen

Transval Group Oy from MB Rahastot and the other shareholders of the company. Transval's net sales in 2017 were approximately EUR 148 million. It employs 3,500 logistics professionals.

On January 29, 2019 Posti announced that it would begin cooperation negotiations to reorganize its work in administration and service production due to the decline in mail volumes. The cooperation negotiations concern both administration and service production. According to a published estimate, the personnel reduction need is a maximum of 236 employees.

Dividend policy and long-term financial targets

In May, the Board of Directors adopted a dividend policy pursuant to which the Company aims to pay out a continuously increasing ordinary dividend.

Posti's Board of Directors also set in May the following long-term financial targets for Posti's operations:

- Adjusted operating result margin of 4%
- Net debt / Adjusted EBITDA less than 2.0x
- Strict management of free cash flow

Outlook for 2019

Net sales, excluding possible new acquisitions and divestments, is expected to increase from 2018 driven by Transval acquisition. The Group's adjusted operating result is expected to increase from 2018 due to Transval acquisition and transition to IFRS 16 accounting principles.

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

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 434,523,515.34, of which the loss for the financial year 2018 is EUR 5,482,674.62.

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 28.4 million will be distributed.

Helsinki, February 13, 2019
Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Financial statement release tables

Calculation of key figures

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

EBITDA		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA		EBITDA excluding special items.
Adjusted operating result		Operating result excluding special items.
Special items		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations, changes in contingent purchase considerations originated from business combinations, costs for strategic key projects and other material items outside of ordinary course of business.
Gross capital expenditure		Additions to intangible assets and property, plant and equipment including additions through finance leases as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	Total equity / Total assets - advances received
Return on equity, %	100 x	Result for the period (12 months rolling) / Total equity (average of opening and closing balance of the previous 12 months)
Return on capital employed, %	100 x	Operating result (12 months rolling) / Capital employed (average of opening and closing balance of the previous 12 months)
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / Adjusted EBITDA		Net debt / Adjusted EBITDA (12 months rolling)
Interest-bearing borrowings		Non-current and current borrowings.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE		Full time equivalent personnel on average.
Adjusted free cash flow		Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less cash flow impacts of personnel restructuring costs and costs of strategic key projects.

Financial statement release tables January-December 2018

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

EUR million	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Net sales	**434.3**	**452.3**	**1610.3**	**1,647.0**
Other operating income	4.2	3.0	15.1	15.4
Materials and services	-136.9	-138.4	-513.6	-508.0
Employee benefits	-175.6	-182.3	-675.1	-696.6
Other operating expenses	-90.7	-111.7	-331.7	-374.1
Depreciation and amortisation	-17.1	-17.6	-67.8	-75.8
Impairment losses	-1.2	-0.3	-31.6	-35.4
Operating result	**16.9**	**5.0**	**5.7**	**-27.5**
Finance income	1.4	0.7	7.7	3.8
Finance expenses	-2.6	-3.4	-8.5	-13.1
Result before income tax	**15.8**	**2.3**	**4.9**	**-36.9**
Income tax	-1.5	-4.5	-4.2	-7.4
Result for the period	**14.3**	**-2.1**	**0.7**	**-44.3**
Result for the period attributable to				
Parent company shareholders	14.3	-2.1	0.8	-44.3
Non-controlling interest	0.0	0.0	-0.1	0.0
Earnings per share, basic, EUR	0.36	-0.05	0.02	-1.11
Earnings per share, diluted, EUR	0.36	-0.05	0.02	-1.11

Condensed consolidated Statement of Comprehensive Income

	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Result for the period	**14.3**	**-2.1**	**0.7**	**-44.3**
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Changes in the fair value of financial assets at fair value through other comprehensive income*		0.0	0.0	-0.1
Change in fair value of cash flow hedges	0.0	0.0	0.1	-0.9
Translation differences	-2.3	-1.5	-10.2	-7.0
Income tax relating to these items	0.0	0.0	0.0	0.2
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit obligations	1.4	-0.9	1.6	-0.4
Income tax relating to these items	-0.3	0.2	-0.3	0.1
Comprehensive income for the period	**13.2**	**-4.2**	**-8.1**	**-52.5**
Comprehensive income attributable to				
Parent company shareholders	13.2	-4.3	-8.1	-52.5
Non-controlling interest	0.0	0.0	-0.1	0.0

* In 2018, new term according to IFRS9. 2017: Changes in the fair value of available-for-sale financial assets.

Condensed consolidated Balance Sheet

Assets

EUR million	Dec 31, 2018	Dec 31, 2017
Non-current assets		
Goodwill	147.4	180.7
Other intangible assets	57.0	56.9
Investment property	3.9	9.1
Property, plant and equipment	327.6	346.4
Other non-current investments	3.5	3.5
Non-current receivables	1.3	1.4
Deferred tax assets	9.2	11.0
Total non-current assets	**549.8**	**609.0**
Current assets		
Inventories	3.7	4.8
Trade and other receivables	288.2	314.2
Current income tax receivables	2.2	1.5
Current financial assets	54.7	77.4
Cash and cash equivalents	106.6	86.0
Total current assets	**455.3**	**483.9**
Total assets	**1,005.1**	**1,092.9**

Equity and liabilities

EUR million	Dec 31, 2018	Dec 31, 2017
Equity attributable to the shareholders of the parent company		
Share capital	70.0	70.0
General purpose reserve	142.7	142.7
Fair value reserve	-0.7	-0.8
Translation differences	-100.7	-90.6
Retained earnings	332.4	370.9
Total shareholders' equity	**443.7**	**492.3**
Non-controlling interests	0.0	0.3
Total equity	**443.7**	**492.6**
Non-current liabilities		
Deferred tax liabilities	19.8	23.7
Non-current borrowings	120.2	70.5
Other non-current payables	10.3	16.8
Advances received	14.2	14.0
Non-current provisions	9.9	20.6
Defined benefit pension plan liabilities	10.0	11.8
Total non-current liabilities	**184.4**	**157.4**
Current liabilities		
Current borrowings	9.5	49.5
Trade and other payables	278.7	317.6
Advances received	77.0	68.7
Current income tax liabilities	0.5	0.2
Current provisions	11.3	6.9
Total current liabilities	**377.0**	**442.9**
Total liabilities	**561.4**	**600.3**
Total equity and liabilities	**1,005.1**	**1,092.9**

Condensed consolidated Statement of Cash Flows

EUR million	1-12 2018	1-12 2017
Result for the period	**0.7**	**-44.3**
Adjustments to cash flow	99.4	144.7
Change in net working capital	-13.8	4.1
Cash flow before financial items and income tax	**86.3**	**104.4**
Financial items (net)	-1.0	-3.7
Income tax paid	-5.5	-4.7
Cash flow from operating activities	**79.8**	**96.0**
Purchase of intangible assets	-19.2	-13.2
Purchase of property, plant and equipment	-39.2	-54.4
Proceeds from sale of intangible and tangible assets	1.5	7.4
Business acquisitions, net of cash acquired	-5.0	-9.4
Proceeds from business disposals less cash and cash equivalents	5.6	-7.1
Cash flow from financial assets	22.4	
Financial assets at fair value through profit or loss		39.3
Financial assets held to maturity		15.0
Cash flow from other investments	5.8	2.0
Cash flow from investing activities	**-28.1**	**-20.4**
Increases in current loans		39.9
Repayment of current loans	-40.0	-99.9
Increases in non-current loans	59.0	60.3
Finance lease payments	-9.6	-12.7
Dividends paid	-40.0	-60.0
Transactions with non-controlling interests		1.5
Cash flow from financing activities	**-30.6**	**-70.9**
Change in cash and cash equivalents	**21.1**	**4.7**
Cash and cash equivalents at the beginning of the period	**86.0**	**82.0**
Effect of exchange rates changes	-0.5	-0.7
Cash and cash equivalents at the end of the period	**106.6**	**86.0**

Reconciliation of adjusted free cash flow

Cash flow from operating activities	79.8	96.0
Purchase of intangible assets and property, plant and equipment	-58.4	-67.6
Free cash flow from operations	**21.4**	**28.4**
Cash flow impact of personnel restructuring costs	5.3	9.4
Cash flow impact of strategic project costs	3.2	1.0
Adjusted free cash flow	**29.9**	**38.8**

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the owners of the parent company							
Jan 1, 2018	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**
Change in accounting policies IFRS 9 and IFRS 15*			0.0		-0.7	-0.7		-0.7
Jan 1, 2018, restated	**70.0**	**142.7**	**-0.7**	**-90.6**	**370.2**	**491.6**	**0.3**	**491.9**
Comprehensive income								
Result for the period					0.8	0.8	-0.1	0.7
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			0.1			0.1		0.1
Translation differences				-10.2		-10.2		-10.2
Remeasurements of post-employment benefit obligations, net of tax					1.2	1.2		1.2
Comprehensive income for the period			**0.1**	**-10.2**	**2.0**	**-8.1**	**-0.1**	**-8.1**
Transactions with equity holders								
Acquisition of non-controlling interest					0.2	0.2	-0.2	0.0
Dividends paid					-40.0	-40.0		-40.0
Dec 31, 2018	**70.0**	**142.7**	**-0.7**	**-100.7**	**332.4**	**443.7**	**0.0**	**443.7**

* Impact of changes in accounting policies is described in note 1. Accounting policies.

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Jan 1, 2017	**70.0**	**142.7**	**0.1**	**-83.5**	**479.2**	**608.4**	**-**	**608.4**
Comprehensive income								
Result for the period					-44.3	-44.3	0.0	-44.3
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.8			-0.8		-0.8
Translation differences				-7.0		-7.0		-7.0
Remeasurements of post-employment benefit obligations, net of tax					-0.4	-0.4		-0.4
Comprehensive income for the period			**-0.8**	**-7.0**	**-44.6**	**-52.5**	**0.0**	**-52.5**
Transactions with equity holders								
Contributions by non-controlling interest					1.2	1.2	0.3	1.5
Other transactions with non-controlling interest					-4.8	-4.8		-4.8
Dividends paid					-60.0	-60.0		-60.0
Dec 31, 2017	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 27, 2018. The Annual General Meeting decided to distribute a dividend of EUR 27 million based on the result in 2017 and an extra dividend of EUR 13 million. The dividend distribution totals EUR 40 million.

Notes

1. Accounting Policies

The financial statement release has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this financial statement release, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2017 except for the adoption of new standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments effective as of January 1, 2018. Other amendments to IFRS standards effective as of 1 January 2018 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The financial statement release is unaudited.

Application of new or amended IFRS standards

The effects of the new standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments on this interim report have been described below.

Impact of adoption of IFRS 15 Revenue from contracts with customers

The Group has adopted the new standard IFRS 15 Revenue from contracts with customers on January 1, 2018 using the modified retrospective application. Under the modified retrospective application, the comparative financial information presented in this interim report has not been restated. The impact of adoption of IFRS 15 was recognised in the retained earnings on January 1, 2018. The Group has applied IFRS 15 only to contracts that were not completed at January 1, 2018.

The new standard defines a five-step model to recognize revenue based on contracts with the customers and replaces the predecessor standards IAS 18 and IAS 11 as well as related interpretations. The timing of the revenue recognition can take place over time or at a point of time, depending on the transfer of control. The standard also entails increased disclosures on revenue from customer contracts.

Adjustment to retained earnings January 1, 2018 from IFRS 15

EUR million	
Retained earnings Dec 31, 2017	**370.9**
Revenue recognition change in Parcel Services	-0.8
Revenue recognition change in Russian freight services	0.0
Impact on deferred tax	0.2
Adjustment to retained earnings Jan 1, 2018 - before restatement of IFRS 9	**-0.7**
Retained earnings Jan 1, 2018, restated - before restatement of IFRS 9	**370.3**

Revenue recognition for parcel business in Finland has been changed and the revenue for parcel services is recognized when the parcel has been delivered. According to previous accounting policies the revenue was recognised when parcel was received to Group's delivery network. The impact of the transition recognized in the shareholders' equity was EUR -0.8 million before and EUR -0.6 million after deferred tax.

Revenue recognition for long-term transport services in Itella Russia segment has been redefined. Revenue and related expected costs are recognised during the progress of the transport. Progress towards complete satisfaction of a performance obligation is measured using an output method based on days of delivery performed related to estimated total delivery days. According to previous accounting policies revenue and related expected costs were recognised at the beginning of the transport. The impact of the transition was EUR -0.3 million in net sales and EUR -0.3 million in freight expenses, total impact to equity was EUR 0.0 million.

A significant portion of the Group's revenue is generated by rendering of short-term services. These services include freight services in Finland and in the Baltic countries, parcel services in the Baltic countries, delivery of international mail from Finland and via Finland, and delivery of unaddressed direct marketing. According to IFRS 15 revenue for these services should be recognized over time. However, the Group continues to recognize the revenue for these services when the delivery is received to the Group's delivery network because the Group has concluded that this has only a minor impact on the Group's income statement and balance sheet.

In addition to the short-term services described above, where the impact of the new standard is minor, the Group has identified the following areas where the new standard involves special consideration:

The Group has identified that some of the customer contracts of Supply Chain Solutions and Messaging include payments and costs relating to the implementation of the services. According to IFRS 15, these contract cost for fulfilling the service obligation are capitalized and amortized over the contract period. Also the payments received for these services are allocated over the contract period. The impact of the change was minor.

Certain service level penalty fees were previously recognized as expense and according to IFRS 15 they are recognized as a deduction of net sales. The impact on the financial statements was minor.

OpusCapita sells its customers either licenses or software as a service (SaaS). Licenses or service agreements do not involve significant tailoring but may include implementation services, which are considered as separate performance obligations. According to IFRS 15 the revenue for licenses is recognized when the license is granted and for SaaS the revenue is recognized over time. Revenue for implementation services is recognized for the period during which the service is performed. Before the implementation of IFRS 15 revenue for part of these services were recognized on invoicing basis, but the impact of this accounting policy change was immaterial.

Any possible sales bonuses for obtaining a customer contract were previously recognized as an expense. According to IFRS 15 they should be capitalized and accrued over the contract period. However, the Group has only a small amount of sales bonuses, relating to a limited amount of customers, that fulfill the capitalization criteria of IFRS 15 and consequently this does not have a material impact on the Group's income statement or balance sheet.

Impact of adoption of IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaced the classification and measurement models in IAS 39 from 1 January, 2018. Posti Group applies the new standard for the future periods with prospective application. Under the prospective application, the comparative financial information presented in this interim report has not been restated. The impact of adoption of IFRS 9 Financial instruments was recognised in the opening balance sheet on January 1, 2018. The new standard brought changes to classification and measurement of financial assets, to their impairment assessment and to hedge accounting.

Adjustment to retained earnings January 1, 2018 from IFRS 9 and IFRS 15

EUR million	
Retained earnings Dec 31, 2017	**370.9**
Reclassify investments from available-for-sale to FVPL	0.0
Reclassify investments from FVPL to amortised cost	-0.3
Increase in loss allowance for debt investments at amortised cost	-0.1
Decrease in loss allowance for trade receivables	0.3
Impact in deferred tax	0.0
Adjustment to retained earnings Jan 1, 2018 from IFRS 9	**-0.1**
Adjustment to retained earnings Jan 1, 2018 from IFRS 15	**-0.7**
Retained earnings Jan 1, 2018, restated	**370.2**

Impairment of trade receivables

Impairment of financial asset is based on a new expected credit loss method. Posti Group applies a simplified provision matrix approach for trade receivables whereby the impairment loss is measured over the life of the asset unless the asset is already written off. A loss allowance of 100% is recognised for more than 180 days past due trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowances for trade receivables as at December 31, 2017 reconcile to the opening loss allowances on January 1, 2018 as follows:

EUR million	
December 31, 2017 – calculated under IAS 39	1.5
Amounts restated through opening retained earnings	-0.3
Opening loss allowance January 1, 2018 - calculated under IFRS 9	1.2

Classification, measurement and impairment of other financial assets

A debt instrument is measured at amortized cost only if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments are recognized at fair value and the fair value movements on these assets are taken through the income statement.

The new guidance had an impact on the classification and measurement of the Group's financial assets. Money market investments and investments in bonds that were previously classified at fair value through profit or loss are currently classified at amortized cost category based on business model and SPPI (solely payments of principal and interest) test. The impact of reclassification was a decrease in the carrying amount of EUR 0,3 million. Further, equity instruments previously classified as available for sale are currently classified at fair value through profit or loss. The reclassification of equity investments to fair value through profit or loss had no impact on the carrying amount.

The Group estimates that the changes in classification of financial assets due to new standard decrease the volatility in the income statement to some extent.

The Group revised its impairment methodology under IFRS 9 for financial assets at amortised cost. The Group assesses the expected credit losses associated with its debt instruments carried at amortised cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, Posti applies a 'low credit risk' exemption, where the loss allowance recognised is limited to 12 months' expected credit losses. The impact of adopting impairment model under IFRS 9 on the carrying amounts was EUR -0.1 and is included in the below change effect.

The effects of reclassification, measurement and impairment on other financial assets than trade receivables are presented below:

	Measurement category		**Carrying amount**		
EUR million	**Dec 31, 2017 (IAS 39)**	**Jan 1, 2018 (IFRS 9)**	**Dec 31, 2017 (IAS 39)**	**Jan 1, 2018 (IFRS 9)**	**Change effect ***
Non-current financial assets					
Investments in non-trading equities	Available for sale	FVPL**	3.5	3.5	
Current financial assets					
Money market investments	FVPL**	Amortised cost	57.0	56.9	0.0
Investments in bonds	FVPL**	Amortised cost	18.2	17.9	-0.3
Equity fund investments	Available for sale	FVPL**	0.1	0.1	

* The change effects noted in this column are the result of applying the new expected credit loss model and the change of measurement category.

** FVPL = financial assets measured at fair value through profit or loss

Hedge accounting

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it is easier to apply hedge accounting going forward due to the fact that only prospective effectiveness testing is required. However, the Group has not increased hedge accounting following the new standard. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

Changes in standards not yet effective - IFRS 16 Leases

IFRS 16 Leases becomes effective for the years commencing on or after January 1, 2019. The new standard will affect primarily the accounting by lessees and as a result Posti will recognize significant amount of leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to fulfill the payment obligation under the lease contract. The standard continues to require Posti to distinguish between service contracts and lease contracts.

Given that Posti leases a large number of production, office and warehousing premises, transportation vehicles and production equipment from third parties for time periods longer than a year or under cancellable leases, the application of the standard is expected to have a significant impact on components of Posti's consolidated financial statements. Operating lease expense recorded on a straight-line basis will be replaced with interest and depreciation, so key metrics like operating result and EBITDA will change. The amount of leased assets and respective lease liabilities in the balance sheet will increase, which has an impact on balance sheet based performance indicators, such as the net debt.

Cash flow from operating activities will be higher as cash payments for the principal portion of the lease liability are classified within cash flow from financing activities and payments that reflect interest will continue to be presented as operating cash flows.

Posti is currently preparing for the implementation of the new standard including the definition of accounting policies and management judgments, planning and developing the accounting processes, tools and related controls as well as training of finance organization and communication.

The new standard requires management to apply judgment regarding the accounting treatment of leases. For leases that have been classified as operating leases under IAS 17, the lease liability will be recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographical area, contract term and asset type.

Posti will make use of the practical expedients provided for leases with low-value asset and short-term leases (12 months or less). Also part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases. In case the contract includes termination or extension option, Posti will consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Posti apply the standard using the modified retrospective method, which means the comparative figures will not be restated.

As at December 31, 2018, Posti has off-balance sheet non-cancellable operating lease commitments of EUR 218 million. The Group estimates that approximately EUR 210-230 million of these commitments and other cancellable leases will result in the recognition of an asset and a liability according to IFRS 16. In addition, Posti estimates that EUR 60-70 million of the lease expenses will be reclassified into depreciation and interest. The impact on operating result is estimated to be positive EUR 4-6 million and minor on the result for the period. A portion of the operating lease commitments will fall under the relief for short-term and low-value leases and therefore continue to be recognized as lease expense in the consolidated income statement under operating expenses. The impact estimate is based on the current lease portfolio and certain assumptions. Posti will provide disclosures about the impact of the new standard in the first interim report of 2019.

2. Foreign exchange rates

Average rate	1-12 2018	1-12 2017
RUB	74.0551	65.8877
SEK	10.2567	9.6369
NOK	9.6006	9.3286

Closing rate	Dec 31, 2018	Dec 31, 2017
RUB	79.7153	69.3920
SEK	10.2548	9.8438
NOK	9.9483	9.8403

3. Operating segments

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

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

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Parcel and Logistics Services is in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services for companies, as well as warehousing and supplementary services. Itella Russia offers comprehensive logistics services to both Russian and international companies. OpusCapita focuses on global procurement, payments and cash management solutions.

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

10-12
2018

EUR million	**Mail, Parcel and Logistics Services**	**Itella Russia**	**Opus-Capita**	**Segments total**	**Other and unallocated**	**Elimi-nations**	**Group total**
External sales	391.2	27.2	15.8	434.3	0.0		434.3
Inter-segment sales	2.7	0.0	1.5	4.3	1.0	-5.3	
Net sales	**393.9**	**27.2**	**17.4**	**438.5**	**1.0**	**-5.3**	**434.3**
EBITDA	**32.9**	**-1.1**	**1.5**	**33.3**	**1.9**		**35.2**
Special items included in EBITDA:							
Personnel restructuring costs	-0.6	0.1	0.6	0.1	0.0		0.2
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)		1.3		1.3	-1.7		-0.4
Onerous contracts	0.9	2.9		3.7			3.7
Changes in contingent purchase considerations	-0.2			-0.2			-0.2
Other					0.0		0.0
Special items included in EBITDA total	**0.1**	**4.3**	**0.6**	**5.0**	**-1.6**		**3.3**
Adjusted EBITDA	**33.0**	**3.2**	**2.1**	**38.2**	**0.3**		**38.5**
Operating result	**21.4**	**-2.6**	**0.4**	**19.2**	**-2.3**		**16.9**
Special items included in operating result:							
Special items included in EBITDA	0.1	4.3	0.6	5.0	-1.6		3.3
Impairment losses	1.2	0.0		1.2			1.2
Special items total	**1.3**	**4.3**	**0.6**	**6.1**	**-1.6**		**4.5**
Adjusted operating result	**22.7**	**1.7**	**0.9**	**25.4**	**-3.9**		**21.4**
Financial income and expense							-1.1
Profit/loss for the period before taxes							**15.8**

10-12
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	402.8	33.0	16.5	452.4	-0.1		452.3
Inter-segment sales	0.4	0.0	0.8	1.2	0.7	-1.9	
Net sales	**403.2**	**33.0**	**17.4**	**453.6**	**0.6**	**-1.9**	**452.3**
EBITDA	**37.9**	**-16.2**	**-2.1**	**19.7**	**3.2**		**22.9**
Special items included in EBITDA:							
Personnel restructuring costs	-0.1	0.1	0.7	0.8	-0.2		0.6
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					0.2		0.2
Onerous contracts		17.7		17.7	-1.1		16.6
Other	0.2		0.3	0.5	0.1		0.6
Special items included in EBITDA total	**0.2**	**17.8**	**1.0**	**19.0**	**-1.0**		**18.0**
Adjusted EBITDA	**38.1**	**1.6**	**-1.0**	**38.7**	**2.2**		**40.9**
Operating result	**27.1**	**-17.9**	**-3.3**	**5.9**	**-0.9**		**5.0**
Special items included in operating result:							
Special items included in EBITDA	0.2	17.8	1.0	19.0	-1.0		18.0
Impairment losses							
Special items total	**0.2**	**17.8**	**1.0**	**19.0**	**-1.0**		**18.0**
Adjusted operating result	**27.3**	**-0.1**	**-2.3**	**24.9**	**-2.0**		**23.0**
Financial income and expense							-2.6
Profit/loss for the period before taxes							**2.3**

1-12
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	1,446.5	103.9	60.0	1,610.4	0.0		1,610.3
Inter-segment sales	8.0	0.0	4.8	12.8	4.3	-17.1	
Net sales	**1,454.5**	**103.9**	**64.8**	**1,623.2**	**4.2**	**-17.1**	**1,610.3**
EBITDA	**96.1**	**4.9**	**0.6**	**101.6**	**3.4**		**105.0**
Special items included in EBITDA:							
Personnel restructuring costs	0.7	0.3	1.2	2.1	0.0		2.1
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0	1.3		-0.7	-1.7		-2.4
Onerous contracts	0.9	2.0		2.9			2.9
Other	0.3		0.2	0.6	4.7		5.3
Special items included in EBITDA total	**-0.3**	**3.7**	**1.4**	**4.7**	**3.0**		**7.7**
Adjusted EBITDA	**95.7**	**8.6**	**2.0**	**106.3**	**6.4**		**112.8**
Operating result	**53.0**	**-1.2**	**-33.6**	**18.2**	**-12.5**		**5.7**
Special items included in operating result:							
Special items included in EBITDA	-0.3	3.7	1.4	4.7	3.0		7.7
Impairment losses	1.2	0.2	30.0	31.4			31.4
Special items total	**0.8**	**3.8**	**31.4**	**36.1**	**3.0**		**39.1**
Adjusted operating result	**53.9**	**2.6**	**-2.2**	**54.3**	**-9.5**		**44.8**
Financial income and expense							-0.8
Profit/loss for the period before taxes							**4.9**

1-12
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	1,447.5	119.1	62.5	1,629.0	18.0		1,647.0
Inter-segment sales	1.2	0.1	2.1	3.4	5.5	-9.0	
Net sales	**1,448.7**	**119.1**	**64.7**	**1,632.5**	**23.5**	**-9.0**	**1,647.0**
EBITDA	**102.2**	**-14.4**	**-3.6**	**84.2**	**-0.6**		**83.7**
Special items included in EBITDA:							
Personnel restructuring costs	3.8	0.3	0.7	4.9	0.1		5.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					8.1		8.1
Onerous contracts		17.7		17.7	-1.1		16.6
Changes in contingent purchase considerations					2.5		2.5
Other	0.2		0.3	0.5	2.2		2.7
Special items included in EBITDA total	**4.1**	**18.0**	**1.0**	**23.1**	**11.8**		**35.0**
Adjusted EBITDA	**106.3**	**3.7**	**-2.6**	**107.4**	**11.2**		**118.6**
Operating result	**49.3**	**-21.5**	**-35.9**	**-8.1**	**-19.4**		**-27.5**
Special items included in operating result:							
Special items included in EBITDA	4.1	18.0	1.0	23.1	11.8		35.0
Impairment losses	7.0		26.9	33.9	1.1		35.0
Special items total	**11.1**	**18.0**	**27.9**	**57.0**	**12.9**		**69.9**
Adjusted operating result	**60.4**	**-3.5**	**-7.9**	**48.9**	**-6.5**		**42.4**
Financial income and expense							-9.4
Profit/loss for the period before taxes							**-36.9**

Net sales of Mail, Parcel and Logistics Services

EUR million	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Mail and Marketing Services	174.1	181.2	620.8	630.2
Press Services	41.1	43.3	163.1	166.9
Parcel Services	85.7	83.9	299.0	287.5
Logistics Services	95.0	97.6	378.6	373.4
Other and eliminations	-2.0	-2.7	-7.0	-9.3
Total	**393.9**	**403.2**	**1,454.5**	**1,448.7**

Dec 31, 2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
Assets	597.8	113.1	74.9	785.7	227.4	-8.0	**1,005.1**
Liabilities	349.1	26.8	19.5	395.5	174.0	-8.0	**561.4**
Capital expenditure	33.6	2.2	4.0	39.8	26.3		**66.1**
Depreciation and amortization	41.7	6.0	4.2	51.8	15.9		**67.8**
Impairment losses	1.4	0.2	30.0	31.6	0.0		**31.6**
Personnel, end of period	15,760	1,734	337	17,831	691		**18,522**
Personnel on average, FTE	13,775	1,960	356	16,091	689		**16,780**

Dec 31, 2017

EUR million							
Assets	616.6	138.6	101.4	856.7	239.1	-2.9	**1,092.9**
Liabilities	383.7	29.4	12.9	426.0	177.2	-2.9	**600.3**
Capital expenditure	28.3	2.3	4.3	34.9	38.4		**73.3**
Depreciation and amortization	45.5	7.0	5.3	57.8	18.0		**75.8**
Impairment losses	7.5	0.2	26.9	34.6	0.8		**35.4**
Personnel, end of period	16,615	2,329	404	19,348	666		**20,014**
Personnel on average, FTE	14,133	2,325	372	16,830	1,082		**17,912**

4. Net sales by geographical location

EUR million	10-12 2018	10-12 2017	1-12 2018	1-12 2017
Finland	354.0	360.3	1,296.3	1,289.2
Other Nordic countries	26.2	28.2	105.9	124.9
Russia	27.1	32.8	103.0	118.8
Other countries	27.0	30.9	105.1	114.2
Total	**434.3**	**452.3**	**1,610.3**	**1,647.0**

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

5. Acquired businesses and business divestments

Business acquisitions and divestments in financial year 2018

There were not business acquisitions during 2018. Paid earn-out considerations amounted to EUR 5.0 million for the earlier accounting period business acquisitions.

In March, Posti's Finnish Debt Collection business was sold to Intrum and the Norwegian Debt Collection business to Visma. The business was reported in the Mail, Parcel and Logistics Services segment. The divestment did not have a material impact on the Group's income statement or balance sheet.

In April, Itella Russia divested its MaxiPost courier business. MaxiPost offers courier services for both small and large companies, as the main market areas located in Moscow, St.Petersburg and their neighboring areas. The divestment did not have a material impact on the Group's income statement or balance sheet.

In June, Posti sold Debt Collection business in Sweden (OpusCapita Kredithanterarna AB and Svenska Fakturaköp AB). The business was reported in the Mail, Parcel and Logistics Services segment. The gain on disposal amounted EUR 0.9 million. The divestment had one-off positive impact on Group's second quarter cash flow.

Posti continues its growth in logistics according to its strategy. Posti announced on September 28th that Posti, MB Funds and other shareholders have signed an agreement Posti acquiring the entire share capital of Suomen Transval Group Oy. Transval is one of the leading in-house logistics service providers in Finland. The closing of the acquisition was subject to an approval by the Finnish Competition and Consumer Authority and it took place on January 25th 2019. Consequently, the acquisition is not reflected in the financial statements release. As a result of this acquisition, Posti and Transval will together become a significant operator in logistics outsourcing solutions in Finland. Posti does not disclose the purchase price allocation for the acquisition yet, as it has not been finalized.

OOO Itella Connexions, a Posti subsidiary in Russia, was divested in December. Itella Connexions is a customer relationship management and digital agency. Financial figures were reported in Itella Russia segment. The loss on disposal EUR 1.3 million was recognized in the fourth quarter.

6. Property, plant and equipment

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

EUR million	Dec 31, 2018	Dec 31, 2017
Carrying amount on Jan 1	**346.4**	**360.5**
Acquired businesses	0.0	0.2
Additions	46.6	54.9
Business divestments	-0.5	-0.2
Disposals and transfers between items	-1.3	-4.3
Depreciation	-51.3	-56.6
Impairment	0.0	-0.3
Translation differences	-12.2	-7.9
Carrying amount at the end of the period	**327.6**	**346.4**

7. Goodwill and other intangible assets

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

EUR million	Dec 31, 2018	Dec 31, 2017
Carrying amount on Jan 1	**237.7**	**274.4**
Acquired businesses	0.0	5.0
Additions	19.2	13.3
Business divestments	-4.1	-0.9
Disposals and transfers between items	-0.3	-0.2
Amortization	-15.9	-18.6
Impairment	-31.5	-35.1
Translation differences	-0.5	-0.3
Carrying amount at the end of the period	**204.4**	**237.7**

As a result of management evaluation OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.

8. Net debt and liquid funds

EUR million	Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on Jan 1, 2018	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Cash flows	19.2	-9.6	9.5	7.9	-9.7	11.4
Business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes	0.0	0.0	0.0	-0.5	0.0	0.5
Other non-cash items	-0.1	0.3	0.2	0.0	0.0	0.2
Carrying amount on Dec 31, 2018	**119.7**	**10.0**	**129.7**	**131.0**	**30.0**	**-31.3**
Fair value on Dec 31, 2018	**120.3**	**10.0**	**130.2**			

EUR million	Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on Jan 1, 2017	**100.4**	**31.6**	**132.1**	**159.9**	**54.7**	**-82.5**
Cash flows	0.3	-12.7	-12.4	-34.5	-15.0	37.2
Business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes	0.0	0.0	0.0	-0.7	0.0	0.7
Other non-cash items	0.0	0.3	0.3	-1.0	0.0	1.2
Carrying amount on Dec 31, 2017	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Fair value on Dec 31, 2017	**101.0**	**19.3**	**120.3**			

EUR million	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	106.6	86.0
Money market investments and investments in bonds	24.5	37.7
Liquid funds	**131.0**	**123.7**

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

EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2018				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments				
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Currency derivatives, hedge accounting	0.1		0.1	
Equity fund investments	0.0			0.0
Total	**0.2**		**0.1**	**0.0**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.9		0.9	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Total	**1.0**		**1.0**	

EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2017				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments				
Current financial assets				
Money market investments	57.0		57.0	
Bonds	18.2	13.9	4.3	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Equity fund investments	0.1			0.1
Total	**75.2**	**13.9**	**61.3**	**0.1**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.9		0.9	
Equity derivatives, written put option	4.8			4.8
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.2		0.2	
Currency derivatives, hedge accounting	0.1		0.1	
Total	**5.9**		**1.1**	**4.8**

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

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

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 10.7 million and their carrying value EUR 10.5 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

EUR million	Dec 31, 2018	Dec 31, 2017
Pledges for own behalf		
Bank guarantees	7.4	6.7
Guarantees	3.8	4.2
Pledges	0.1	0.2
Total	**11.3**	**11.1**

Operating leases

EUR million	Dec 31, 2018	Dec 31, 2017
Maturity of minimum lease payments:		
Less than a year	51.5	56.0
1-5 years	108.9	118.8
More than 5 years	57.7	79.5
Total	**218.2**	**254.3**

Legal proceedings

In March 2018, the Supreme Court did not grant leave to appeal in litigation concerning the value added tax on postal services requested by the claimants against Posti. This means that the decision given at September 2017 by the Court of Appeal of Helsinki to overrule the complaint as requested by Posti and to compensate the legal expenses of Posti remains final.

The Supreme Administrative Court of Finland rendered an order on September 27, 2018 confirming that Posti's pricing concerning the delivery of unaddressed advertising mail during 2007-2013 had not violated the competition law.

Other contingent liabilities

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

Derivative contracts

EUR million	**Dec 31, 2018**	**Dec 31, 2017**
Currency derivatives		
Non-hedge accounting		
Fair value	0.0	-0.2
Nominal value	10.9	10.3
Hedge accounting		
Fair value	0.1	-0.1
Nominal value	3.2	3.1
Interest rate derivates		
Hedge accounting		
Fair value	-0.9	-0.9
Nominal value	60.0	60.0
Equity derivatives		
Non-hedge accounting		
Fair value	-	-4.8

11. Events after the reporting period

On January 25, 2019, Posti Group Corporation completed the acquisition of the in-house logistics company Suomen Transval Group Oy. The acquisition was announced in September 2018. Posti acquires the entire share capital of Suomen Transval Group Oy from MB Rahastot and the other shareholders of the company. Transval's net sales in 2017 were approximately EUR 148 million. It employs 3,500 logistics professionals.

On January 29, 2019 Posti announced to begin cooperation negotiations in order to reorganize its work in administration and service production due to the decline in mail volumes. The cooperation negotiations concern both administration and service production. According to a published estimate, the personnel reduction need is a maximum of 236 employees.