



posti

POSTI GROUP CORPORATION HALF-YEAR REPORT AUGUST 10, 2023, AT 9:00 A.M. (EEST)

Posti Group Corporation Half-Year Financial Report January-June 2023

Posti Group 1-6/2023: EBITDA improved in H1 as a consequence of good operational focus. Weakened consumer demand in Q2 led to declined sales and results.

Posti Group Corporation Half-Year Financial Report January–June 2023

Unless otherwise stated, the figures in brackets refer to the corresponding period in the previous year.

April-June

Financial highlights

- Net sales decreased by 6.0% to EUR 386.5 (411.3) million.
- Adjusted EBITDA decreased to EUR 38.0 (39.5) million, or 9.8% (9.6%) of net sales.
- EBITDA decreased to EUR 36.3 (38.9) million, or 9.4% (9.5%) of net sales.
- Adjusted operating result decreased to EUR 5.3 (8.5) million, representing 1.4% (2.1%) of net sales.
- Operating result decreased to EUR 3.5 (7.9) million, representing 0.9% (1.9%) of net sales.

January-June

Financial highlights

- Net sales decreased by 2.3% to EUR 784.1 (802.4) million.
- Adjusted EBITDA increased to EUR 80.5 (76.0) million, or 10.3% (9.5%) of net sales.
- EBITDA increased to EUR 77.9 (73.3) million, or 9.9% (9.1%) of net sales.
- Adjusted operating result remained at the level of the comparison period at EUR 14.9 (15.0) million, representing 1.9% (1.9%) of net sales.
- Operating result remained at the level of the comparison period at EUR 12.3 (12.3) million, representing 1.6% (1.5%) of net sales.
- Net debt to adjusted EBITDA was 1.3x (1.4x).

Operational highlights in Q2

- Improved operational efficiency across all segments helped to maintain the Group's overall profitability.
- High interest rates and inflation lowered consumer purchasing power, particularly in Sweden, which impacted eCommerce and Delivery Services and Fulfillment and Logistics Services volumes and net sales negatively.
- In eCommerce and Delivery Services segment, the total parcel volume in Finland and the Baltic countries increased by 1% (decreased by 6%). Despite the total parcel volume growth, the main product categories in the main market continued to decline due to the challenging market environment.
- The number of addressed letters returned to a declining trend (decreased by 8%). Exceptional amount of addressed letters sent by the public sector in Finland increased the volumes in Q1 .
 - The share of mail items covered by the universal service obligation accounted for 2.3% (2.1%) of all Posti's mail items delivered.

Outlook for 2023

Posti is adjusting its outlook for 2023. Net sales are expected to decrease (previously it was communicated that net sales are expected to increase). The new outlook states:

In 2023, Posti is expecting its net sales to decrease from the previous year. The Group's adjusted EBITDA in 2023 is expected to decrease from the previous year. In 2022, Posti's net sales from continuing operations were EUR 1,651.6 million and adjusted EBITDA was EUR 183.8 million.

The continuing inflation and the increase in interest rates is impacting consumer demand. The changes in consumer behavior affect Posti's business and may further impact actual results.

The Group's business is characterized by seasonality. The net sales and adjusted EBITDA in the segments are not accrued evenly over the year. In consumer parcels and Postal Services, the first and fourth quarters are typically strong, while the second and third quarters are weaker. The postal volume decline is expected to continue.

Key figures of Posti Group

	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Net sales, EUR million	386.5	411.3	784.1	802.4	1,651.6
Adjusted EBITDA, EUR million	38.0	39.5	80.5	76.0	183.8
<i>Adjusted EBITDA margin, %</i>	9.8%	9.6%	10.3%	9.5%	11.1%
EBITDA, EUR million	36.3	38.9	77.9	73.3	178.2
<i>EBITDA margin, %</i>	9.4%	9.5%	9.9%	9.1%	10.8%
Adjusted operating result, EUR million	5.3	8.5	14.9	15.0	58.9
<i>Adjusted operating result margin, %</i>	1.4%	2.1%	1.9%	1.9%	3.6%
Operating result, EUR million	3.5	7.9	12.3	12.3	51.0
<i>Operating result margin, %</i>	0.9%	1.9%	1.6%	1.5%	3.1%
Result for the period, EUR million	0.7	4.6	5.6	5.6	31.7
Return on capital employed (12 months), %			7.4%	5.7%	7.8%
Net debt, EUR million			250.0	241.2	208.5
Net debt / adjusted EBITDA			1.3x	1.4x	1.1x
Operative free cash flow, EUR million			-14.3	-16.2	28.5
Personnel, end of period			19,515	21,133	19,996
Personnel on average, FTE	14,752	15,213	14,549	14,951	14,985
Earnings per share, basic, EUR	0.02	0.11	0.14	0.14	0.79
Dividend per share, EUR					0.79
Dividend, EUR million					31.7

Turkka Kuusisto, President and CEO

Regardless of the demanding operating environment, we succeeded in improving operational efficiency across all segments, which resulted Group's profitability to improve in the first half. In the second quarter, the lowered consumer demand led to declined net sales and results. However, I am pleased how the whole Posti team went the extra mile and quickly reacted and adjusted to the changing market conditions.

Inflation peaked and interest rates continued to rise during the first half. Consumers' purchasing power lowered and behavior changed, which impacted Posti's volumes negatively. Group net sales decreased by 2.3% to EUR 784.1 (802.4) million, whereas adjusted EBITDA increased to EUR 80.5 (76.0) million in the first half. In the second quarter we continued to focus on advancing our operational efficiency. The Group's net sales decreased by 6.0% to EUR 386.5 (411.3) million and adjusted EBITDA decreased to EUR 38.0 (39.5) million.

In the first half, eCommerce and Delivery Services net sales and profitability decreased due to the weakened economic situation, and especially low volumes in the parcel and transportation services market in general in the second quarter. In Fulfillment and Logistics Services the net sales decreased, however, profitability increased due to the improved efficiency in operations. Also, the Postal Services profitability increased in the first half, resulting from the continuous improvements in operational efficiency. Exceptional increase in addressed letter volumes in early part of the year, and net sales from Mediatalo Keskisuomalainen early-morning delivery operations, acquired in 2022, added to net sales in Postal Services, which increased from the comparison period.

The market environment is expected to remain demanding, particularly in Sweden. Uncertainties, especially in the B2C market, will continue to shadow the rest of the year and in retail trade, sales expectations for the next months have deteriorated. Rising costs are increasingly impacting consumers' spending plans, which is influencing the circulation of goods in our warehouses. We continue to seek growth according to our strategy, and we do see the long-term market potential of e-commerce to continue positively in the Nordics.

I am proud that in May we took our first electric semi-trailer truck into use in selected routes in Finland. Posti's Volvo FM 42T Electric truck is one of the firsts in Finland and the latest addition to our fossil-free transport fleet. It also supports our goal of transporting fossil-free by 2030. This spring we set up a Task Force on Climate-related Financial Disclosures (TCFD) to examine climate risks and opportunities for Posti from the perspectives of technology, supply chain, infrastructure, governance, and sustainable fuels. We will continue this work in the fall by for example, integrating climate risks into our enterprise risk frame.

As we have now entered the second part of the year, we will continue to ensure the efficiency of our operations and to keep customers in our focus. We have started preparations for the peak season and are committed to delivering a successful season period. We will keep on managing costs to ensure that our cost competitiveness supports our growth strategy and long-term goals. Together as the Posti team we need to go the extra mile to achieve this.

APPENDICES

Posti Group Corporation Half-Year Financial Report Tables January-June 2023 in full (PDF)

FURTHER INFORMATION

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DISTRIBUTION

Key media

www.posti.com/financials

IMAGES AND LOGOS

www.posti.com/media

Posti is one of the leading delivery and fulfillment companies in Finland, Sweden and the Baltics. Our core business includes parcels, freight, postal services, and logistics solutions. Our goal is to have fossil-free transport by 2030. We have operations in seven countries. Our net sales in 2022 amounted to EUR 1,651.6 million and we have approximately 20,000 employees. www.posti.com

Market situation and business environment

The challenges in manufacturing and supply chains in the world are easing and energy prices are coming down. Inflation and interest rates remain high and are dampening the economic growth. Inflation peaked and started to slow down during the spring, but the overall price level remains high in relation to disposable income. Increased prices as well as high interest rates reduce consumption and households have reacted to the rapid rise in energy and food prices by reducing consumption in goods. The volume of retail sales and ecommerce has declined during the spring.

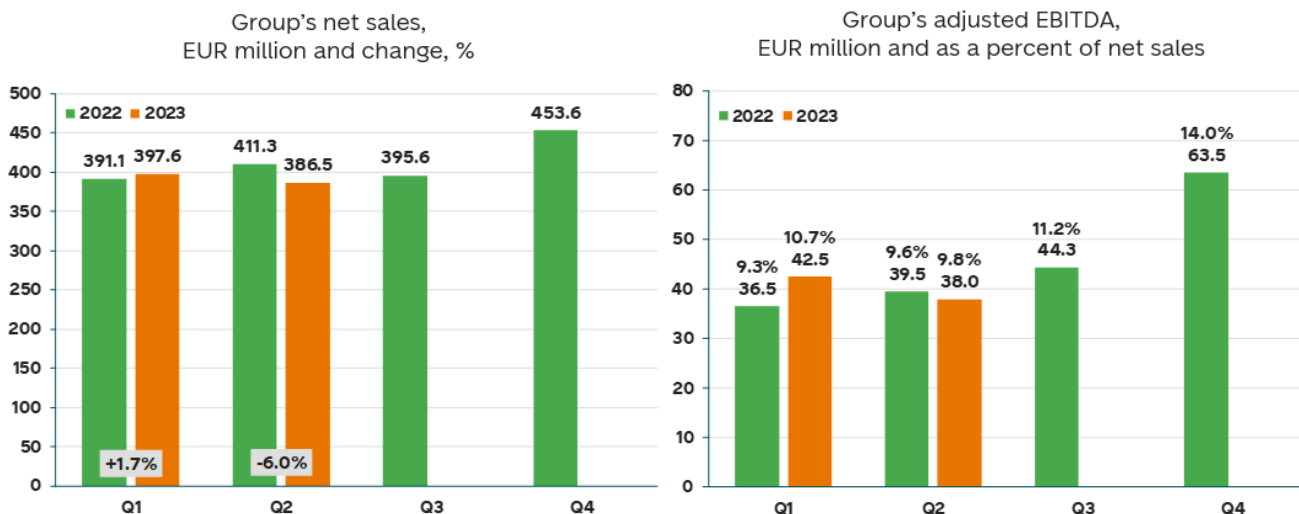
Based on a survey done by the Confederation of Finnish Industries, since the beginning of 2022, the business confidence of Finnish companies has been weakening continuously and is below long-term average in all sectors. In manufacturing, production is expected to decrease in the coming months whereas order backlogs are decreasing. In retail trade, sales expectations for the next months have deteriorated. Uncertainty remains high and business conditions are challenging.

The current market situation has had an impact on the circulation of goods in Posti's warehouses as well as parcel delivery volumes. Lower logistics volumes have influenced Posti Group's financial results. Logistics is a supporting industry for trade and industry sectors, so the current economic situation and the development of these industries have a direct impact on Posti's business operations and performance.

The amended Postal Act will come into effect in October 2023 and will reduce Posti's universal service obligation to three days throughout Finland. Five-day delivery of paper newspapers in sparsely populated areas will continue, as newspapers will be delivered on two weekdays with the help of the new, temporary State Aid. The changes are responsible decisions that help the sector adapt to the sharply decreasing mail volumes and at the same time support the delivery of paper newspapers in sparsely populated areas. Posti is satisfied that the reforms enable full-time work in mail delivery, significant emission reductions and meeting the changing needs of customers.

The Bank of Finland forecasts that Finland's GDP will shrink by 0.4% in 2023. According to Riksbank's forecast Sweden's GDP will shrink by 0,5% in 2023. Modest growth is forecasted to return in 2024.

Net sales and profitability



April-June 2023

Net sales

The Group's net sales decreased by 6.0% to EUR 386.5 (411.3) million. Net sales decreased by 3.2% in Finland and by 26.7% in other countries. The decline in net sales in other countries was mainly due to the challenging macro-economic environment in Sweden and the weakened Swedish Krona compared to the reporting currency. The share of Posti's business operations outside of Finland decreased and accounted for 9.3% (11.9%) of net sales.

Net sales in the eCommerce and Delivery Services segment decreased by 6.2% to EUR 164.2 (175.0) million.

Net sales in the Fulfillment and Logistics Services segment decreased by 10.9% to EUR 83.4 (93.6) million.

The combined external net sales of eCommerce and Delivery Services and Fulfillment and Logistics Services represented 62.7% (64.0%) of the Group's net sales.

Net sales in the Postal Services segment decreased by 1.9% to EUR 146.3 (149.2) million.

Operations under the universal service obligation decreased and amounted to EUR 17.4 (19.5) million, or 4.5% (4.7%) of the Group's net sales, representing 2.3% (2.1%) of delivery volumes.

Profitability

The Group's adjusted EBITDA decreased to EUR 38.0 (39.5) million, or 9.8% (9.6%) of net sales, mainly due to the decrease in Group net sales and decreased profitability in eCommerce and Delivery Services. EBITDA decreased to EUR 36.3 (38.9) million, or 9.4% (9.5%) of net sales. The adjusted operating result decreased to EUR 5.3 (8.5) million, or 1.4% (2.1%) of net sales. The operating result decreased to EUR 3.5 (7.9) million, or 0.9% (1.9%) of net sales.

Special items affecting the operating result in the second quarter amounted to EUR -1.8 (-0.6) million.

Special items affecting the operating result

EUR million	4-6 2023	4-6 2022
Personnel restructuring costs	-1.7	-0.3
Other special items	-0.1	-0.3
Total	-1.8	-0.6

January-June 2023

Net sales

The Group's net sales decreased by 2.3% to EUR 784.1 (802.4) million. Net sales increased by 0.1% in Finland and decreased by 20.5% in other countries. The decline in net sales in other countries was mainly due to the challenging macroeconomic environment in Sweden and the weakened Swedish Krona compared to the reporting currency. The share of Posti's business operations outside Finland decreased and accounted for 9.5% (11.7%) of net sales.

Net sales in eCommerce and Delivery Services segment decreased by 3.8% to EUR 324.3 (337.1) million.

Net sales in the Fulfillment and Logistics Services segment decreased by 7.8% to EUR 166.8 (181.0) million.

The combined external net sales of eCommerce and Delivery Services, and Fulfillment and Logistics Services represented 61.4% (63.2%) of the Group's net sales.

Net sales in the Postal Services segment increased by 3.1% to EUR 305.9 (296.6) million.

Operations under the universal service obligation decreased and amounted to EUR 37.1 (40.4) million, or 4.7% (5.0%) of the Group's net sales, representing 2.5% (2.3%) of delivery volumes.

Profitability

The Group's adjusted EBITDA increased to EUR 80.5 (76.0) million, or 10.3% (9.5%) of net sales, mainly due to the increased profitability of Postal Services. EBITDA increased to EUR 77.9 (73.3) million, or 9.9% (9.1%) of net sales. The adjusted operating result decreased to EUR 14.9 (15.0) million, or 1.9% (1.9%) of net sales. The operating result remained at the level of the comparison period, at EUR 12.3 (12.3) million, or 1.6% (1.5%) of net sales.

Special items affecting the operating result in the first half amounted to EUR -2.6 (-2.7) million.

Special items affecting the operating result

EUR million	1-6 2023	1-6 2022	1-12 2022
Personnel restructuring costs	-2.3	-2.1	-3.0
Impairments	-	-	-2.2
Other special items	-0.4	-0.7	-2.6
Total	-2.6	-2.7	-7.9

eCommerce and Delivery Services

Key figures

	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Net sales, EUR million	164.2	175.0	324.3	337.1	693.3
<i>Net sales change-%</i>	-6.2%	1.3%	-3.8%	1.8%	1.8%
Adjusted EBITDA, EUR million	14.1	18.7	24.3	32.9	75.1
<i>Adjusted EBITDA margin, %</i>	8.6%	10.7%	7.5%	9.8%	10.8%
EBITDA, EUR million	14.2	18.7	24.5	32.2	74.3
<i>EBITDA margin, %</i>	8.6%	10.7%	7.5%	9.6%	10.7%

April-June 2023

The parcel and freight volumes developed as follows:

- The total number of parcels delivered by Posti in Finland and the Baltic countries increased by 1% (decreased by 6%) to 16.3 (16.1) million. The figure does not include letter-like eCommerce items.
- Transportation volumes measured in waybills decreased by 8% (7%).

Net sales

Net sales of eCommerce and Delivery Services decreased by 6.2% to EUR 164.2 (175.0) million. The difficult market environment and consumers' low consumption of goods were reflected in the declining net sales. High inflation and interest rates decreased overall consumer spending and the volumes in the main product categories in the main market continued to decline.

Profitability

The adjusted EBITDA of eCommerce and Delivery Services decreased to EUR 14.1 (18.7) million, or 8.6% (10.7%) of net sales. Despite successful improvements in operational efficiency, difficult market conditions affected eCommerce and Delivery services volumes and net sales negatively. EBITDA decreased to EUR 14.2 (18.7) million.

January-June 2023

The parcel and freight volumes developed as follows:

- The total number of parcels delivered by Posti in Finland and the Baltic countries remained at the level of the comparison period at 32.1 (32.2) million. The figure does not include letter-like eCommerce items.
- Transportation volumes measured in waybills decreased by 9% (3%).

Net sales

The net sales of eCommerce and Delivery Services decreased by 3.8% to EUR 324.3 (337.1) million. The Finnish Transport Workers' Union AKT's strike and PAU's support strike in February impacted eCommerce and Delivery Services net sales negatively.

The strikes, the difficult market environment and consumers' low confidence in the economy impacted to the main product volumes negatively. High inflation and interest rates decreased overall consumer spending in the first half.

Profitability

The adjusted EBITDA of eCommerce and Delivery Services decreased to EUR 24.3 (32.9) million, or 7.5% (9.8%) of net sales. The union strikes in Finland in February and the difficult market environment impacted the profitability of eCommerce and Delivery Services profitability. Also, inflation, increased costs and decreased net sales had a negative impact on the segment's profitability. EBITDA decreased to EUR 24.5 (32.2) million.

Fulfillment and Logistics Services

Key figures

	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Net sales, EUR million	83.4	93.6	166.8	181.0	366.1
Transval	56.6	58.7	112.9	114.3	232.0
Aditro Logistics	26.8	34.9	54.0	66.7	134.1
Net sales change-% */**	-10.9%	16.1%	-7.8%	15.4%	10.9%
Adjusted EBITDA, EUR million	9.8	8.9	18.3	16.3	34.8
Adjusted EBITDA margin, %	11.8%	9.5%	11.0%	9.0%	9.5%
EBITDA, EUR million	9.8	8.7	18.1	16.1	32.9
EBITDA margin, %	11.8%	9.3%	10.9%	8.9%	9.0%

* Veddestagruppen has been part of the segment since February 2022.

** KV Turva Oy was divested in December 2022.

April-June 2023

Net sales

Fulfillment and Logistics Services' net sales decreased by 10.9% and were EUR 83.4 (93.6) million. The difficult market environment had a negative impact on **Transval's** net sales, which declined from the previous year. **Aditro Logistics'** net sales also decreased from the previous year. The challenging macro-economic environment in Sweden had a negative impact on market volumes and Aditro Logistics' net sales. Also, the weakened Swedish Krona compared to reporting currency had a negative impact on segment's net sales.

Profitability

The adjusted EBITDA of Fulfillment and Logistics Services increased to EUR 9.8 (8.9) million, or 11.8% (9.5%) of net sales. Growth was driven by the improvements in operational efficiency at Fulfillment and Logistics Services. EBITDA increased to EUR 9.8 (8.7) million.

January-June 2023

Net sales

Fulfillment and Logistics Services' net sales decreased by 7.8% and were EUR 166.8 (181.0) million. **Transval's** net sales decreased from the previous year mainly because of declined volumes in in-house logistics and sale of KV Turva Oy in December 2022. **Aditro Logistics'** net sales decreased from the previous year, despite added net sales from Veddestagruppen. The challenging macro-economic environment in Sweden had a negative impact on market volumes and Aditro Logistics' net sales. Also, the weakened Swedish Krona compared to reporting currency had a negative impact on segment's net sales.

Profitability

The adjusted EBITDA of Fulfillment and Logistics Services increased to EUR 18.3 (16.3) million, or 11.0% (9.0%) of net sales. Growth was driven by the improvements in operational efficiency. EBITDA increased to EUR 18.1 (16.1) million.

Postal Services

Key figures

	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Net sales, EUR million	146.3	149.2	305.9	296.6	617.7
Net sales change-% *	-1.9%	2.6%	3.1%	-1.2%	1.1%
Adjusted EBITDA, EUR million	17.8	15.7	43.8	33.8	84.2
Adjusted EBITDA margin, %	12.2%	10.5%	14.3%	11.4%	13.6%
EBITDA, EUR million	15.9	15.3	41.2	32.1	81.5
EBITDA margin, %	10.9%	10.3%	13.5%	10.8%	13.2%

* *Mediatalo Keski-suomalainen Oyj's early-morning delivery operations have been part of the segment since April 2022.*

April-June 2023

- The number of addressed letters decreased by 8% (6%).

Net sales

The net sales of Postal Services decreased by 1.9% to EUR 146.3 (149.2) million due to the decreased volumes but increase in prices had a positive impact on net sales.

Profitability

The adjusted EBITDA of Postal Services increased to EUR 17.8 (15.7) million, or 12.2% (10.5%) of net sales. Continuous improvements in operational efficiency and implemented alternate-day delivery method in Finland impacted profitability positively. EBITDA increased to EUR 15.9 (15.3) million.

January-June 2023

- The number of addressed letters decreased by 4% (6%).

Net sales

The net sales of Postal Services increased by 3.1% to EUR 305.9 (296.6) million. Letters sent by the Finnish public sector regarding the parliamentary elections and letters sent by other public sector bodies in the early part of the year had an exceptionally positive impact on Posti's letter volumes, which consequently increased net sales. Also, the 2022 acquisition of Mediatalo Keskiuomalainen Oyj's early-morning delivery operations impacted net sales positively.

Profitability

The adjusted EBITDA of Postal Services increased to EUR 43.8 (33.8) million, or 14.3% (11.4%) of net sales. Profitability improved mainly because of the increased net sales and improvements in operational efficiency. EBITDA increased to EUR 41.2 (32.1) million.

Cash flow, financial position, and major investments

In January-June, the consolidated cash flow from operating activities was EUR 45.0 (45.5) million, the cash flow from investing activities was EUR -34.0 (-60.6) million of which EUR -3.0 (-43.5) million for business acquisitions, and the cash flow from financing activities was EUR -49.3 (-45.8) million.

At the end of June, liquid assets amounted to EUR 82.6 (85.5) million and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing borrowings were EUR 332.6 (326.7) million of which a bank loan of EUR 60 million is due in May 2024. Net debt totaled EUR 250.0 (241.2) million. Equity ratio was 40.3% (39.6%).

By investing in the development of digital services and in-house technological recourses, as well as production facilities and machines, Posti wants to improve the competitive advantage of its core business and respond to the changing market and customer needs. Posti also continues to make investments in sustainability to support in reaching its net-zero targets.

Share capital and shareholding

At Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 100%. 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.

Leadership team

There were no changes in the leadership team during the reporting period.

Employees

The Group's personnel

	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Personnel at period-end			19,515	21,133	19,996
<i>Finland</i>			17,626	18,623	17,642
<i>Other countries of operation</i>			1,889	2,510	2,354
Personnel on average, FTE *	14,752	15,213	14,549	14,951	14,985

* Full-time equivalent personnel on average

In January-June, the Group's personnel expenses amounted to EUR 349.8 (353.9) million, declining by 4.1% from the previous year. The personnel expenses included EUR 2.3 (2.1) million of restructuring costs. The number of personnel declined, decreasing the overall expenses, while the union-negotiated salary agreements increased personnel expenses.

Changes in the corporate structure

Posti Group has reformed its legal corporate structure in Finland, effective as of January 1, 2023. In the new structure parcel, eCommerce and logistics services were centralized under the same company, named Posti Ltd. Letter, publication, and direct marketing business continued under the same company, but with the new name Posti Distribution Ltd. Posti Group subsidiary Posti Kiinteistö Ltd. was renamed as Posti Group Suomi Ltd. Other subsidiaries of Posti, and their names remained unchanged.

Legal proceedings

Posti is party to some legal proceedings related to its customary business operations. None of those proceedings, separately or collectively, have a material impact on its financial position.

Business risks

The current business environment and macro-economic slowdown have affected Posti's operations in terms of rising costs and weakened demand. High inflation and rising interest rates have decreased the disposable income of consumer's, which has resulted in lower consumption in goods. Also, the overall low volumes in the market are affecting general market growth. Posti needs to analyze, and balance planned production capacity investments carefully according to market demand.

Posti continues its transformation towards a modern delivery and logistics company. The competitiveness of the transport sector requires determined efforts to reduce emissions from heavy transport and responsible tax and energy solutions for commercial transport. By ensuring the operating conditions of the domestic logistics and transport sector, Posti helps to support the vitality of the Finnish economy, regions and companies and maintains the competitiveness of exports. Logistics is a labor-intensive sector. Advancing work-based immigration and immigration leading to work plays an important role in the availability of skilled labor in the sector. Weakening these operating conditions may have a negative impact on Posti's operations and financial result.

The competitive dynamics in logistics and last-mile delivery are undergoing changes as the e-commerce supply chain evolves and integrates. Posti's competitive advantage in parcel deliveries is being challenged at online shops' checkouts and competitors are expanding their delivery networks in Finland and in the Baltics.

At the same time the e-commerce market is changing as click-and-collect, direct-to-consumer, and omnichannel models gain popularity. To stay competitive, Posti needs to monitor market developments and consumer preferences carefully.

The amount of paper mail is constantly decreasing. The number of addressed letters delivered by Posti has decreased by nearly 70% over the past decade due to digitalization and fierce competition. The number of printed newspapers also continues to decline. Posti is constantly adapting its operating model in traditional postal services. If, in order to promote the efficiency of public services, public services switch more extensively to electronic communications during the current government term, this will also have an impact on Posti's operations and financial result. It is therefore important that the reform of postal regulation continues systematically as delivery volumes fall.

Posti is regularly identifying and monitoring key operational risks and reviewing processes to effectively handle exceptional situations and to enhance the resilience of operations. Cyber risks are continuously addressed to increase maturity to protect the digital and physical infrastructure and the capability to identify and respond to different risks and security incidents. A potential disruption in business continuity or, security or privacy breaches could lead to financial losses and severe long-term reputational risks for Posti's brand and future business.

Events after the reporting period

There were no significant events after the reporting period.

Outlook for 2023

Posti is adjusting its outlook for 2023. Net sales are expected to decrease (previously it was communicated that net sales are expected to increase). The new outlook states:

In 2023, Posti is expecting its net sales to decrease from the previous year. The Group's adjusted EBITDA in 2023 is expected to decrease from the previous year. In 2022, Posti's net sales from continuing operations were EUR 1,651.6 million and adjusted EBITDA was EUR 183.8 million.

The continuing inflation and the increase in interest rates is impacting consumer demand. The changes in consumer behavior affect Posti's business and may further impact actual results.

The Group's business is characterized by seasonality. The net sales and adjusted EBITDA in the segments are not accrued evenly over the year. In consumer parcels and Postal Services, the first and fourth quarters are typically strong, while the second and third quarters are weaker. The postal volume decline is expected to continue.

Posti's financial reporting

2023:

October 26, 2023: Interim report for January-September 2023

2024:

February 16, 2024: Financial statements release for 2023

April 26, 2024: Interim report for January-March 2024

August 8, 2024: Half-Year financial report 2024

October 25, 2024: Interim report for January-September 2024

Helsinki, August 10, 2023

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures

Half-Year Financial Report tables January-June 2023

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 stakeholders regarding the business performance. Adjusted EBITDA and adjusted operating result are also essential key figures 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 and expenses and incomes related to business combinations, such as changes in contingent purchase considerations.
Equity ratio, %	100 x	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on capital employed, %	100 x	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
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		$\frac{\text{Net debt}}{\text{Adjusted EBITDA (12 months rolling)}}$
Interest-bearing borrowings		Non-current and current interest-bearing borrowings and lease liabilities.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE		Full time equivalent personnel on average.
Operative 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 payments of lease liabilities.

Half-year financial report tables January-June 2023

Consolidated income statement and consolidated statement of comprehensive income

Consolidated income statement

EUR million	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Net sales	386.5	411.3	784.1	802.4	1,651.6
Other operating income	1.9	2.0	3.6	4.1	10.0
Materials and services	-105.3	-122.7	-213.7	-234.4	-484.3
Employee benefits	-174.7	-176.6	-349.8	-353.9	-700.8
Other operating expenses	-72.1	-75.1	-146.3	-145.0	-298.4
Depreciation and amortization	-32.8	-31.1	-65.4	-61.0	-124.4
Impairment losses	0.0	0.0	-0.2	0.0	-2.7
Operating result	3.5	7.9	12.3	12.3	51.0
Finance income	1.9	1.5	3.1	1.9	4.1
Finance expenses	-3.8	-3.2	-6.9	-5.9	-11.8
Result before income tax	1.6	6.1	8.5	8.3	43.3
Income tax	-0.9	-1.5	-2.9	-2.7	-11.6
Result for the period	0.7	4.6	5.6	5.6	31.7
Earnings per share (EUR per share)	0.02	0.11	0.14	0.14	0.79

As Posti currently has no dilutive instruments outstanding, diluted earnings per share is the same as basic earnings per share.

Consolidated statement of comprehensive income

EUR million	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Result for the period	0.7	4.6	5.6	5.6	31.7
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Change in fair value of cash flow hedges	-0.3	0.8	-0.4	1.5	3.0
Translation differences	-2.5	-2.8	-3.5	-2.4	-4.6
Income tax relating to these items	0.1	-0.2	0.1	-0.3	-0.6
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations					-1.3
Income tax relating to these items					0.3
Comprehensive income for the period	-2.1	2.4	1.8	4.5	28.5

Consolidated balance sheet

Assets

EUR million	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Non-current assets			
Goodwill	220.8	228.1	223.7
Other intangible assets	84.6	90.5	88.2
Investment property	3.5	3.5	3.5
Property, plant and equipment	229.8	233.4	234.9
Right-of-use assets	263.8	260.5	255.0
Investments in associated companies	0.0	0.1	0.0
Other non-current investments	1.0	1.0	1.0
Non-current receivables	0.0	1.7	2.2
Deferred tax assets	16.6	29.8	15.1
Total non-current assets	820.2	848.5	823.7
Current assets			
Inventories	3.9	4.0	3.9
Trade and other receivables	278.5	302.0	286.9
Current income tax receivables	0.7	0.9	0.1
Current financial assets	41.6	50.5	33.2
Cash and cash equivalents	43.8	35.7	82.6
Total current assets	368.6	393.1	406.6
Total assets	1,188.7	1,241.7	1,230.3

Equity and liabilities

EUR million	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Equity attributable to the shareholders of the parent company			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	1.5	0.5	1.7
Translation differences	-8.7	-2.9	-5.2
Retained earnings	245.7	246.7	271.8
Total shareholders' equity	451.1	456.9	481.0
Non-current liabilities			
Deferred tax liabilities	11.3	13.0	13.0
Non-current interest-bearing borrowings	0.0	60.0	60.0
Non-current interest-bearing lease liabilities	211.2	210.3	205.0
Other non-current payables	6.1	5.2	6.1
Advances received	6.7	11.9	7.6
Non-current provisions	2.4	3.3	2.4
Defined benefit pension plan liabilities	9.4	9.9	11.1
Total non-current liabilities	247.1	313.6	305.2
Current liabilities			
Current interest-bearing borrowings	60.0	0.0	0.0
Current interest-bearing lease liabilities	61.4	56.4	58.4
Trade and other payables	299.4	331.2	322.0
Advances received	61.9	76.4	62.9
Current income tax liabilities	7.1	6.6	0.6
Current provisions	0.7	0.4	0.2
Total current liabilities	490.5	471.1	444.1
Total liabilities	737.6	784.7	749.3
Total equity and liabilities	1,188.7	1,241.7	1,230.3

Condensed consolidated statement of cash flows

EUR million	1-6 2023	1-6 2022	1-12 2022
Result for the period	5.6	5.6	31.7
Adjustments to cash flow	70.9	67.7	144.7
Change in net working capital	-27.4	-21.8	-18.1
Cash flow before financial items and income tax	49.1	51.5	158.3
Financial items (net)	-3.7	-4.7	-6.8
Income tax paid	-0.3	-1.3	-0.7
Cash flow from operating activities	45.0	45.5	150.8
Purchase of intangible assets	-12.2	-13.7	-26.7
Purchase of property, plant and equipment	-13.7	-19.4	-37.0
Proceeds from sale of intangible and tangible assets	0.4	0.8	1.3
Business acquisitions, net of cash acquired	-3.0	-43.5	-44.3
Proceeds from business disposals less cash and cash equivalents	-	0.0	0.0
Cash flow from financial assets	-6.5	14.0	31.5
Cash flow from other investments	0.9	1.2	2.6
Cash flow from investing activities	-34.0	-60.6	-72.5
Repayment of current loans	-	-0.9	-0.9
Repayment of non-current loans	-	-0.4	-0.5
Payments of lease liabilities	-33.5	-28.6	-58.7
Dividends paid	-15.9	-16.0	-32.0
Cash flow from financing activities	-49.3	-45.8	-92.1
Change in cash and cash equivalents	-38.3	-61.0	-13.8
Cash and cash equivalents at the beginning of the period	82.6	97.2	97.2
Effect of exchange rates changes	-0.5	-0.5	-0.8
Cash and cash equivalents at the end of the period	43.8	35.7	82.6
Operative free cash flow, reconciliation			
Cash flow from operating activities	45.0	45.5	150.8
Purchase of intangible assets and property, plant and equipment	-25.9	-33.1	-63.7
Payments of lease liabilities	-33.5	-28.6	-58.7
Operative free cash flow	-14.3	-16.2	28.5

Investing activities includes EUR -3.0 million relating to an acquisition in previous financial year.

Consolidated statement of changes in equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Jan 1, 2023	70.0	142.7	1.7	-5.2	271.8	481.0
Comprehensive income						
Result for the period					5.6	5.6
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-0.3			-0.3
Translation differences				-3.5		-3.5
Comprehensive income for the period			-0.3	-3.5	5.6	1.8
Transactions with equity holders						
Dividend					-31.7	-31.7
Jun 30, 2023	70.0	142.7	1.5	-8.7	245.7	451.1

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Jan 1, 2022	70.0	142.7	-0.7	-0.6	273.1	484.5
Comprehensive income						
Result for the period					5.6	5.6
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			1.2			1.2
Translation differences				-2.4		-2.4
Comprehensive income for the period			1.2	-2.4	5.6	4.5
Transactions with equity holders						
Dividend					-32.0	-32.0
Jun 30, 2022	70.0	142.7	0.5	-2.9	246.7	456.9

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Jan 1, 2022	70.0	142.7	-0.7	-0.6	273.1	484.5
Comprehensive income						
Result for the period					31.7	31.7
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			2.4			2.4
Translation differences				-4.6		-4.6
Remeasurements of post-employment benefit obligations, net of tax					-1.0	-1.0
Comprehensive income for the period			2.4	-4.6	30.7	28.5
Transactions with equity holders						
Dividend					-32.0	-32.0
Dec 31, 2022	70.0	142.7	1.7	-5.2	271.8	481.0

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on April 3, 2023. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 31.7 million based on the result in 2022. Half of the dividend was paid on April and the other half will be paid during the end of 2023.

Notes

1. Accounting Policies

Half-year financial report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2022. Amendments to IFRS standards effective as of January 1, 2023 or later 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 half-year financial report is unaudited.

General economic operating environment

The general economic situation has deteriorated and uncertainty in the operating environment continues. The events in the business environment and macroeconomic slowdown have affected Posti's operations in terms of rising costs and weakened demand. It is difficult for management to estimate economic development even in the short term. Therefore, the estimates are subject to considerable uncertainties. Lower consumer confidence and decreasing consumer purchasing power, have affected, and may affect in the future, Posti's operations in terms of rising costs as well as lower demand.

2. Foreign exchange rates

Average rate	1-6 2023	1-6 2022	1-12 2022
SEK	11.331	10.479	10.629
NOK	11.320	9.992	10.109
SDR	0.812	0.797	0.786

Closing rate	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
SEK	11.806	10.730	11.122
NOK	11.704	10.349	10.514
SDR	0.817	0.803	0.799

Group's terminal dues related to international mail are partly defined in SDR basket of currencies.

3. Segment reporting

Posti discloses three reportable segments.

Transval and Aditro Logistics are separate operating segments, but are combined into one reportable segment, Fulfillment and Logistics Services. Transval and Aditro Logistics are engaged in similar business in Finland, Sweden and Norway and they have similar economic characteristics, nature of services and customer types.

Reportable Segment	Operating segment
eCommerce and Delivery Services	eCommerce and Delivery Services
Fulfillment and Logistics Services	Transval
Fulfillment and Logistics Services	Aditro Logistics
Postal Services	Postal Services

Posti reports segments' profitability with both EBITDA and adjusted EBITDA. Other key figures are net sales, capital expenditure, net assets and headcount. Capital expenditure includes additions to intangible assets and property, plant and equipment including additions to right-of-use assets as well as business acquisitions.

Description of operating segments

eCommerce and Delivery Services offers parcel, transportation and e-commerce services to corporate and private customers in Finland, Sweden and the Baltics.

Transval is the market leader in providing logistics outsourcing solutions in Finland. The services cover supply chain solutions from transportation to warehousing, as well as in-house logistics solutions and human resources services for logistics professionals. The services can be delivered in Transval's premises or in the client's premises such as warehouses, terminals, factories, production sites and shops.

Aditro Logistics is one of the leading logistics companies in Sweden and the Nordics. Aditro Logistics' offering consists of a broad service in stock management, logistics, supply chain management, transport procurement, staffing and consulting for businesses specializing in e-commerce, retail and fast-moving consumer goods.

Postal Services offers mail delivery services as well as supporting digital and multichannel solutions.

Other and unallocated consists of centralized Group functions including the part which is not allocated to the segments. Balance sheet items allocated to the segments include non-current and current operating assets and operating liabilities, including non-interest bearing liabilities and provisions. Other and unallocated includes Group's interest-bearing borrowings.

Seasonality

The Group's business is characterized by seasonality. Net sales and operating result 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.

4-6 2023 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	164.2	83.4	146.3		393.9
Net Sales, internal	-0.5	-4.5	-2.3		-7.4
Net Sales, external	163.7	78.8	144.0	0.0	386.5
Adjusted EBITDA	14.1	9.8	17.8	-3.5	38.0
Special items (impacting EBITDA)	0.1	0.0	-1.9	0.0	-1.8
EBITDA	14.2	9.8	15.9	-3.5	36.3
Depreciation & amortization					-32.8
Impairment losses					0.0
Adjusted operating result					5.3
Special items (impacting EBIT)					-1.8
Operating result					3.5
Financial income & expenses					-1.9
Taxes					-0.9
Result for the period					0.7
Capital Expenditure	8.7	1.7	5.9	12.3	28.5
Personnel, end of period	4,012	5,896	8,926	681	19,515
Net Assets	258.3	355.0	75.8	-238.0	451.1

4-6 2022 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	175.0	93.6	149.2		417.7
Net Sales, internal	-0.8	-4.7	-0.9		-6.4
Net Sales, external	174.2	88.9	148.3	0.0	411.3
Adjusted EBITDA	18.7	8.9	15.7	-3.8	39.5
Special items (impacting EBITDA)	0.0	-0.1	-0.4	0.0	-0.6
EBITDA	18.7	8.7	15.3	-3.8	38.9
Depreciation & amortization					-31.1
Impairment losses					0.0
Adjusted operating result					8.5
Special items (impacting EBIT)					-0.6
Operating result					7.9
Financial income & expenses					-1.8
Taxes					-1.5
Result for the period					4.6
Capital Expenditure	5.5	5.6	24.4	6.2	41.7
Personnel, end of period	4,041	7,155	9,273	664	21,133
Net Assets	252.0	378.8	45.8	-219.7	456.9

1-6 2023 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	324.3	166.8	305.9		797.1
Net Sales, internal	-1.0	-9.0	-3.0		-13.0
Net Sales, external	323.3	157.9	303.0	0.0	784.1
Adjusted EBITDA	24.3	18.3	43.8	-5.7	80.5
Special items (impacting EBITDA)	0.1	-0.2	-2.6	0.0	-2.6
EBITDA	24.5	18.1	41.2	-5.8	77.9
Depreciation & amortization					-65.4
Impairment losses					-0.2
Adjusted operating result					14.9
Special items (impacting EBIT)					-2.6
Operating result					12.3
Financial income & expenses					-3.7
Taxes					-2.9
Result for the period					5.6
Capital Expenditure	14.4	21.4	8.3	31.8	76.0
Personnel, end of period	4,012	5,896	8,926	681	19,515
Net Assets	258.3	355.0	75.8	-238.0	451.1

1-6 2022 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	337.1	181.0	296.6		814.8
Net Sales, internal	-1.4	-9.3	-1.7		-12.4
Net Sales, external	335.7	171.7	294.9	0.0	802.4
Adjusted EBITDA	32.9	16.3	33.8	-6.9	76.0
Special Items (impacting EBITDA)	-0.7	-0.1	-1.7	-0.2	-2.7
EBITDA	32.2	16.1	32.1	-7.1	73.3
Depreciation & amortization					-61.0
Impairment losses					0.0
Adjusted operating result					15.0
Special items (impacting EBIT)					-2.7
Operating result					12.3
Financial income & expenses					-4.0
Taxes					-2.7
Result for the period					5.6
Capital Expenditure	14.2	27.4	27.8	45.7	115.1
Personnel, end of period	4,041	7,155	9,273	664	21,133
Net Assets	252.0	378.8	45.8	-219.7	456.9

1-12 2022 EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Other and unallocated	Posti Group
Net Sales	693.3	366.1	617.7		1,677.1
Net Sales, internal	-3.0	-18.9	-3.6		-25.4
Net Sales, external	690.4	347.1	614.1	0.0	1,651.6
Adjusted EBITDA	75.1	34.8	84.2	-10.3	183.8
Special items (impacting EBITDA)	-0.8	-1.9	-2.7	-0.2	-5.6
EBITDA	74.3	32.9	81.5	-10.5	178.2
Depreciation & amortization					-124.4
Impairment losses					-2.7
Adjusted operating result					58.9
Special items (impacting EBIT)					-7.9
Operating result					51.0
Financial income & expenses					-7.7
Taxes					-11.6
Result for the period					31.7
Capital Expenditure	39.7	36.0	40.4	63.9	180.1
Personnel, end of period	3,888	6,868	8,599	641	19,996
Net Assets	252.4	337.9	46.3	-155.6	481.0

Personnel and nets assets for 2022 have been adjusted between segments. Tampere Postal Center sorting responsibility changed from Postal Services -segment to eCommerce and Delivery Services -segment.

4. Net sales by geographical area

EUR million	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Finland	320.3	333.2	650.5	650.7	1,346.6
Sweden	32.4	40.4	70.0	81.2	161.4
The Baltics	7.8	8.8	16.5	18.0	37.4
Other countries	26.1	28.9	47.1	52.5	106.2
Total	386.5	411.3	784.1	802.4	1,651.6

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

5. Acquired and divested businesses

Posti has not acquired or divested businesses during 2023.

6. Property, plant and equipment and right-of-use assets

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

EUR million		Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Carrying amount	Jan 1	234.9	233.6	233.6
Acquired businesses		-	0.4	0.5
Additions		12.4	17.2	36.2
Disposals and transfers between items		0.2	-0.6	-0.1
Depreciation		-16.7	-17.0	-34.2
Impairment		-	0.0	-0.1
Translation differences		-0.9	-0.3	-1.0
Carrying amount, end of the period		229.8	233.4	234.9

The changes in the carrying amount of right-of-use assets:

EUR million		Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Carrying amount	Jan 1	255.0	239.2	239.2
Acquired businesses		-	22.2	22.2
Additions		50.0	32.8	63.4
Disposals and transfers between items		-1.6	-0.4	-1.2
Depreciation		-33.9	-29.6	-60.7
Impairment		-	0.0	-0.6
Translation differences		-5.8	-3.7	-7.3
Carrying amount, end of the period		263.8	260.5	255.0

Specification of right-of-use assets:

EUR million		Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Buildings		208.6	217.2	203.2
Vehicles		46.6	35.0	42.9
Machinery and other		8.6	8.3	8.9
Carrying amount, end of the period		263.8	260.5	255.0

7. Goodwill and other intangible assets

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

EUR million		Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Carrying amount	Jan 1	311.9	274.1	274.1
Acquired businesses		-	48.5	47.6
Additions		12.2	13.7	26.7
Disposals and transfers between items		-0.2	0.0	-0.7
Amortization		-14.4	-14.1	-28.6
Impairment		-0.2	0.0	-2.0
Translation differences		-3.9	-3.6	-5.1
Carrying amount, end of the period		305.4	318.6	311.9

8. Net debt and liquid funds

EUR million		Interest bearing borrowings	Interest bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2023	60.0	263.4	323.4	114.9	0.0	208.5
Cash flows		0.0	-33.5	-33.5	-31.8	0.0	-1.7
Effect of exchange rates changes		0.0	-6.4	-6.4	-0.5	0.0	-5.9
Other non-cash items		0.0	49.1	49.1	0.0	0.0	49.1
Carrying amount	Jun 30, 2023	60.0	272.6	332.6	82.6	0.0	250.0
Fair value	Jun 30, 2023	60.1	272.6	332.7			

EUR million		Interest bearing borrowings	Interest-bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2022	61.3	244.8	306.1	151.1	10.0	145.0
Cash flows		-1.3	-28.6	-29.9	-65.0	-10.0	45.2
Business acquisitions		0.0	22.2	22.2	0.0	0.0	22.2
Effect of exchange rates changes		0.0	-4.4	-4.4	-0.5	0.0	-3.8
Other non-cash items		0.0	32.7	32.7	0.0	0.0	32.7
Carrying amount	Jun 30, 2022	60.0	266.7	326.7	85.5	0.0	241.2
Fair value	Jun 30, 2022	59.8	266.7	326.6			

EUR million		Interest bearing borrowings	Interest bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	Jan 1, 2022	61.3	244.8	306.1	151.1	10.0	145.0
Cash flows		-1.4	-58.7	-60.1	-38.5	-10.0	-11.6
Acquired businesses		0.1	22.2	22.3	3.1	0.0	19.2
Effect of exchange rates changes		0.0	-7.5	-7.5	-0.8	0.0	-6.8
Other non-cash items		0.0	62.6	62.6	0.0	0.0	62.6
Carrying amount	Dec 31, 2022	60.0	263.4	323.4	114.9	0.0	208.5
Fair value	Dec 31, 2022	60.1	263.4	323.5			

EUR million	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Cash and cash equivalents	43.8	35.7	82.6
Money market investments and investments in bonds	38.8	49.8	32.3
Liquid funds	82.6	85.5	114.9

9. Financial assets and liabilities measured at fair value

The Group categorizes financial assets and liabilities into three hierarchy levels according to the information used in fair value measurement. Information on hierarchy levels and principles on fair value measurement can be found on note Financial instruments and financial risk management in financial statements 2022. No transfers between the fair value hierarchy levels have been made during the reporting periods.

Financial assets and liabilities measured and recognized at fair value

EUR million	Level	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Financial assets				
Non-current investments	3	1.0	1.0	1.0
Currency derivatives, non-hedge accounting	2	1.0	0.7	1.0
Interest rate derivatives, hedge accounting	2	1.8	0.6	2.2
Total		3.8	2.3	4.1
Financial liabilities				
Currency derivatives, non-hedge accounting	2	-	-	0.1
Total		-	-	0.1

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 20.8 million and their carrying value EUR 21.6 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. Commitments and other contingent liabilities

EUR million	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Guarantees	7.7	13.5	10.8
Total	7.7	13.5	10.8

Lease commitments not recognized in balance sheet

EUR million	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Maturity of minimum lease payments:			
Less than a year	10.4	11.1	11.5
1-5 years	1.0	1.2	0.9
More than 5 years	-	0.1	-
Total	11.4	12.4	12.4

Other contingent liabilities

The Group has a potential environmental liability of EUR 23.0 million, related to cleaning of the land area in Eteläinen Postipuisto. Negotiations with Posti and third parties regarding the use of land have been completed. The realization of the liability is waiting for the changed city plan to enter into force.

11. Events after the reporting period

There have been no significant events after the reporting period.