2022
Financial review

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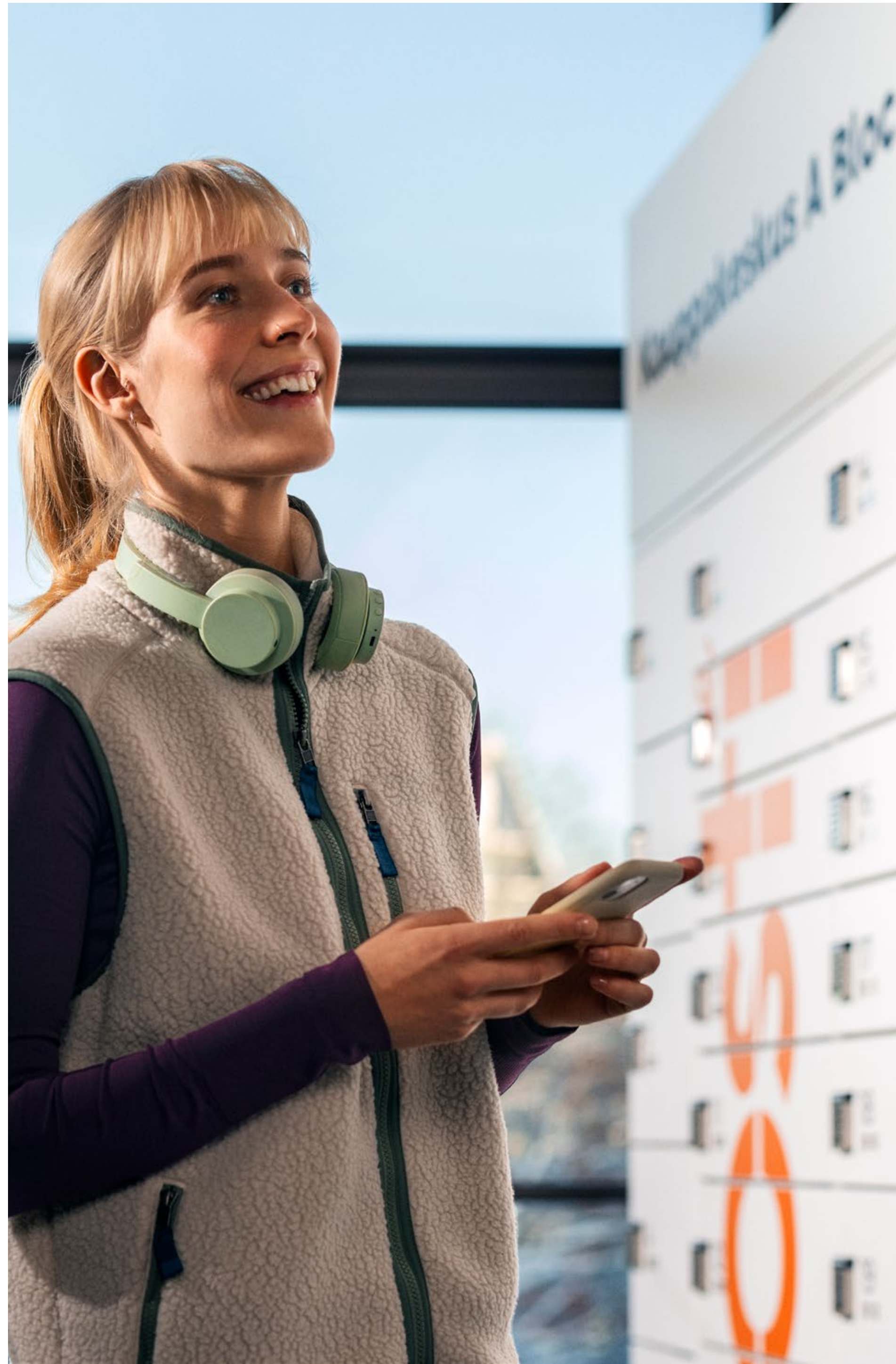
Content



Posti in brief

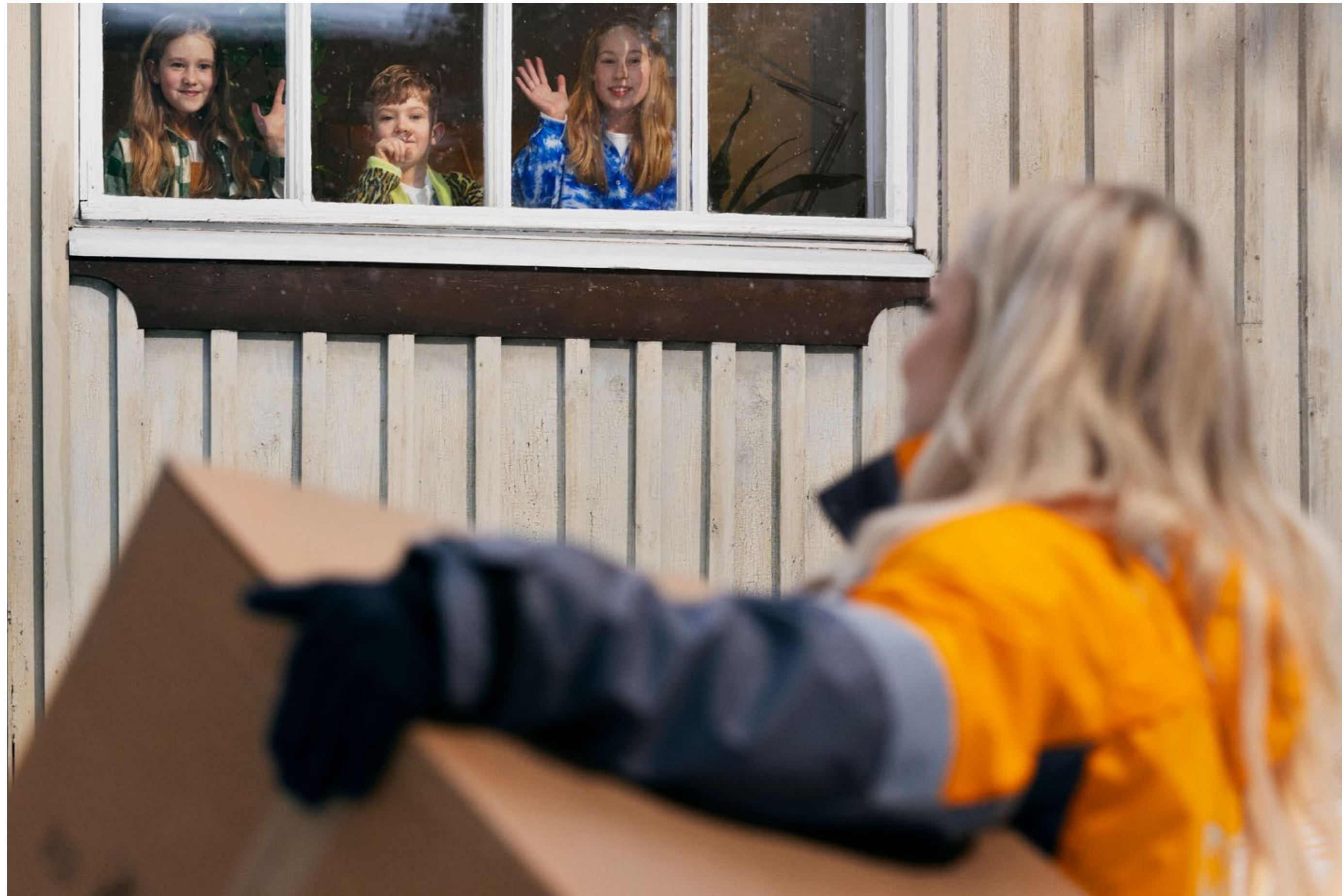
Posti is one of the leading delivery and fulfillment companies in Finland, Sweden and the Baltics, and we have operations in 7 countries through our 4 businesses: eCommerce & Delivery Services, Aditro Logistics, Transval and Postal Services. We make our customers’ everyday lives, and businesses, smoother with a wide range of postal, logistics, freight, and eCommerce services.

Net sales
1,651.6
EUR million

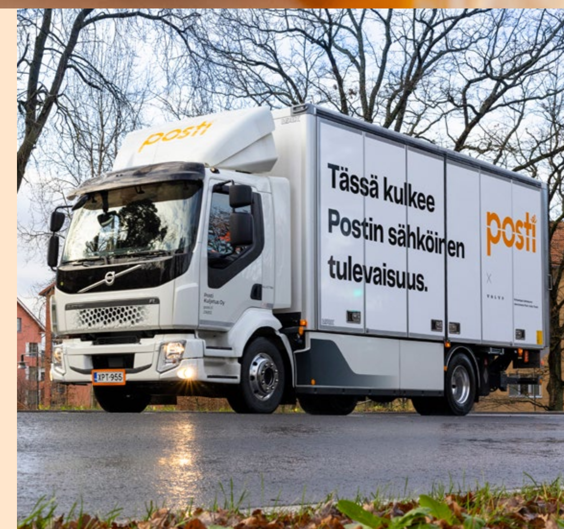
Adjusted EBITDA
183.8
EUR million

Personnel at the end of 2022 approximately
20,000
people

We delivered
68
million parcels in 2022 in Finland and in Baltics



We have the widest network coverage in Finland, and we visit around 3 million households and companies every week.



CEO quote

The year 2022 was one of many uncertainties regarding geopolitics and economy. The challenging operating environment continued, but we stayed on the course and executed our strategy successfully. I am pleased that the whole Posti team navigated well and delivered a strong full year performance. I also want to thank our customers for their trust in us.

Our net sales grew by 3.6% to EUR 1,651.6 (1,595.0) million in 2022. The net sales developed positively throughout the year, which resulted mainly from successful acquisitions, price increases and higher volumes in warehousing storage in Fulfillment and Logistics Services. Group adjusted EBITDA increased to EUR 183.8 (181.6) million in 2022. During the peak season we delivered nearly 7 million parcels and close to 14 million Christmas cards were sent. Profitability improved in all segments.

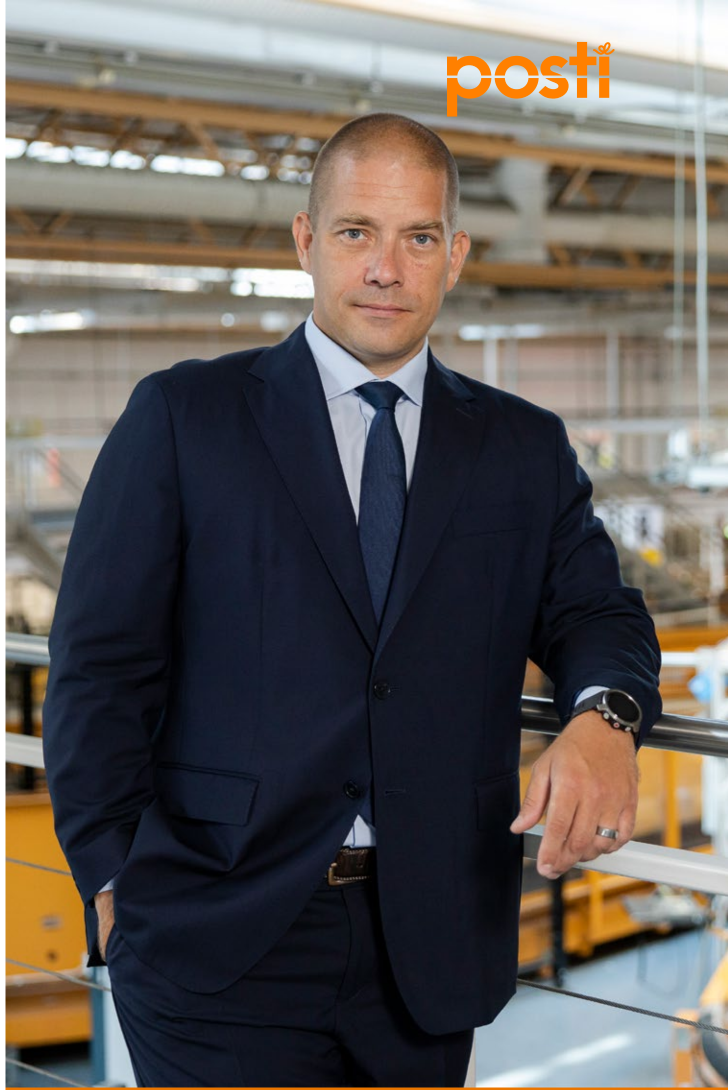
eCommerce and Delivery Services net sales increased in 2022. We succeeded in operational efficiency by optimizing route planning and resourcing towards the end of the year, which improved profitability. Also, Fulfillment and Logistics Services net sales and profitability increased, driven by the acquired Veddestagruppen. Postal Services net sales improved slightly but high energy prices and operational inefficiency in early part of the year weakened the segment's full year profitability. The addressed mail volume continued to decrease.

The rising inflation and high energy prices increased costs in 2022 and lowered consumers' confidence in the economy, which reduced purchasing power. We expect that the uncertainties in our operating environment will continue in 2023. But we also expect e-commerce to grow as consumers' buying habits continue to change and online delivery services are improving and gaining more adoption. The implementation of our strategy is progressing well, and our direction is clear.

We achieved many milestones in our sustainability work during 2022. Just to highlight a few; we announced a new green vehicle roadmap, that includes a plan for even thousands of new electric, biogas, and hydrogen vehicles to gradually replace the current fleet by 2030. The Science Based Targets initiative (SBTi) approved Posti's science-based net-zero target as the first logistics company globally, and Finnish consumers selected Posti as the most sustainable parcel and logistics brand in the Sustainable Brand Index, for the first time. These are important and concrete steps towards our goal to transport fossil free by 2030. In my opinion, sustainability is a choice and big companies like Posti need to have a decisive role to make logistics greener.

I want to thank every Posti employee for their quick adaptation for changing market environment which led to an excellent operational performance in 2022. We are in a good position to continue from here towards our vision to become a modern delivery and fulfillment company.

Turkka Kuusisto
CEO



"The well-being of our people is our single most important goal for 2023: to make Posti a better place to work. One we can all be proud of."

Strategy

According to our strategy, we focus on our delivery and logistics business, and strategy has progressed in the desired direction. The business environment was challenging last year, but forecasts indicate that the change in long term consumer behavior will progress.

Our vision is to be a modern delivery and fulfillment company with progressive profitability. The aim is to have a significant part of net sales generated from these businesses in Finland, Sweden and the Baltic region. The share of eCommerce and Delivery Services and Fulfillment and Logistics Services businesses has grown steadily, and last year it was already 63% of net sales.

As a company, we can also offer services under one roof, from freight to warehousing and from order processing and picking to transporting orders. At its best, this means that an online store customer can still order an item late in the evening and have it delivered to their home during the next day.

We will deliver printed mail for as long as there is something to deliver. In the future, printed mail will travel through our network together with parcels. On the basis of the current trend, we estimate that, in the 2030s, the number of parcels will exceed the number of letters.

In the fall of 2022, Posti's Board of Directors decided that the strategy is still functional and progressing in the desired direction.

The focus on the delivery and logistics business has been reflected not only in our own development work, but also in acquisitions. At the beginning of the year, we acquired the Swedish logistics company Veddestagruppen, which complements the contract logistics and warehousing services of Aditro Logistics, and in the fall, we acquired WebLog Finland Oy, which specializes in e-commerce logistics. The divestment of Russian businesses in December 2021 was also part of the implementation of the strategy.

A key element of the strategy is to improve customer experience. Progress in this has been shown, for example, according to the studies by T-Media, which measures companies' reputation, Posti's reputation has improved significantly for two consecutive years.

One of the key focus areas of the strategy is sustainability. We want to be an international leader in the green transition of logistics. These efforts have been noted both within and outside our home market. In the fall, we attended the UN Private Sector Forum during the UN Global Compact General Assembly week in New York.

A concrete step forward in our climate work is our new roadmap for a clean fleet. Over the past year, we have also launched a number of new measures aimed at improving people's well-being. We explain these advances in more detail in the sections about the environment and people in the Sustainability report.

The Russian invasion of Ukraine had a negative impact on the European economy, in terms of both supply and demand. The overall economic outlook deteriorated toward the end of the year due to the increased uncertainty, the energy crisis, rising inflation and rising interest rates.

Demand has been affected by weakened consumer confidence and, for example, retail sales decreased during the year, which affected the turnover rate of goods in Posti's warehouses and weakened the demand for parcel deliveries. The growth spike in parcel deliveries caused by the COVID-19 pandemic leveled off. However, according to forecasts, demand is expected to return to a growth path as consumption increasingly moves online.

The war in Ukraine also had a direct impact on Posti's business. As of April 11, 2022, we decided to suspend all letter and parcel traffic between Finland and Russia, as well as between Finland and Belarus, until further notice. Our decision is based on the special circumstances as per the Universal Postal Union agreements. More information on our efforts for Ukrainian people can be read in Posti's Sustainability report.

The amendment of the Postal Act and new delivery support for the delivery of newspapers in sparsely populated areas progressed during the last year, and in January 2023, the Finnish Parliament approved the Government's proposal. The reform will bring the regulation of the sector into line with the drastically decreasing mail volumes. By relaxing postal regulation, the state will not have to finance the universal service with tax revenue. By reducing the number of delivery days and making delivery more efficient, Posti is able to significantly reduce its carbon-dioxide emissions.

In practice, the impact of three-day universal service delivery on mail recipients will be small, as the delivery speed of letters will remain unchanged. The reduction in delivery days will not affect the delivery of official letters, which are commercial and competitive contract-based deliveries. Posti will deliver these products fully in accordance with the service level agreement agreed with the customers. The delivery speed of postage stamp letters will also remain unchanged in the new Postal Act.

The new delivery support will create the conditions for the continuation of the five-day delivery of paper publications in sparsely populated areas. The volume of letters delivered by Posti has fallen by nearly 70%, so there are no longer enough letters to be delivered profitably every day.

Board of Directors report

Description of the business model

Posti is one of the leading delivery and fulfillment companies in Finland, Sweden and the Baltics that serves both private individuals and business customers as well as the public sector. Our core business includes parcel services, freight services, postal services, and logistics solutions.

Posti has three reportable segments:

eCommerce and Delivery Services, Fulfillment and Logistics Services, and Postal Services.

Posti operates in 7 countries. At the end of the financial year 2022, the number of personnel stood at approximately 20,000 people. In Finland, the company employed about 17,700 people at the end of the financial year, which makes it one of the largest employers of the country.

According to its strategy, Posti is a modern delivery and fulfillment company with progressive profitability. The disruption of the postal industry with declining mail volumes, and the strong digitalization trend have changed Posti's business permanently. The core of Posti's future growth are parcels and logistics in Finland, Sweden, and the Baltics, along the entire value chain.

To be successful in the transformation, Posti needs to continuously improve its customer experience, develop new services, advance the sustainability work, maintain a competitive cost structure, and manage the change in business in a controlled and responsible way.

Market situation and operating environment

The war started by Russia against Ukraine is negatively impacting the economic growth and affecting Finland's economy through both demand and supply. The uncertainty caused by the war is weakening domestic demand in Posti's home markets, and it has also reduced and slowed down the growth of export markets. The general economic situation has weakened throughout the year 2022 as growth has slowed down due to increased uncertainty, energy crisis, accelerated inflation and rising market interest rates. It is difficult to fully estimate all the economic consequences of the war, but due to the continuing energy crisis and rapidly increasing living costs, the economy is heading towards a mild recession.

Key figures of Posti Group

	2022	2021
Net sales*, EUR million	1,651.6	1,595.0
Adjusted EBITDA*, EUR million	183.8	181.6
Adjusted EBITDA margin*, %	11.1%	11.4%
EBITDA*, EUR million	178.2	180.5
EBITDA margin*, %	10.8%	11.3%
Adjusted operating result*, EUR million	58.9	59.8
Adjusted operating result margin*, %	3.6%	3.7%
Operating result*, EUR million	51.0	55.0
Operating result margin*, %	3.1%	3.4%
Result for the period*, EUR million	31.7	38.7
Return on capital employed (12 months)*, %	7.8%	8.4%
Net debt, EUR million	208.5	145.0
Net debt / adjusted EBITDA*	1.1x	0.8x
Operative free cash flow, EUR million	28.5	23.1
Personnel, end of period*	19,996	21,128
Personnel on average*, FTE	14,985	15,042
Earnings per share, continuing operations*, EUR	0.79	0.97
Earnings per share, basic, EUR	0.79	-0.40
Dividend per share, EUR	0.79**	0.80
Dividend, EUR million	31.7**	32.0

* Continuing operations – as a result of divestment, the 2021 results of Itella Russia are presented as discontinued operations.
** Board of Directors' proposal to the Annual General Meeting.

While improved employment and wages have led to an increase in household income, the rapid inflation has eaten up the growth of purchasing power. Amid uncertainty, consumer confidence has fallen to a record-low level. Consumer confidence has been reflected clearly in consumption, and the retail industry's sales volume has decreased throughout the year, which also weakened the circulation of goods in Posti warehouses and affected Posti's parcel volumes negatively. In an uncertain situation and with rising costs, the rapid growth of parcel volumes accelerated by the coronavirus have leveled off, but according to forecasts, e-commerce is expected to grow in the future as consumer buying habits change and online delivery services improve and gain widespread adoption.

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 Bank of Finland forecasts that Finland's GDP will have grown by 1.9% in 2022, but the growth rate is expected to be negative 0.5% in 2023 and gain speed again in 2024 by growing 1.1% and 1.5% in 2025. Riksbank forecasts that Sweden's GDP will have grown by 2.7% in 2022, and the growth in 2023 is expected to be negative 1.2%.

Group net sales and profitability (continuing operations)

Net sales

The Group's net sales grew by 3.6% to EUR 1,651.6 (1,595.0) million. Net sales increased by 2.1% in Finland and 16.7% in other countries. The share of continuing operations outside Finland increased and accounted for 11.4% (10.1%) of net sales in January—December.

Net sales increased in all segments in 2022 (eCommerce and Delivery Services, Fulfillment and Logistics Services and Postal Services), therefore Posti has continued to grow according to its strategy. The combined external net sales of eCommerce and Delivery Services, and Fulfillment and Logistics Services represented 62.8% (62.0%) of the Group's net sales.

Operations under the universal service obligation decreased and amounted to EUR 100.2 (108.9) million, or 6.1% (6.8%) of the Group's net sales and 3.1% (3.3%) of delivery volumes.

Profitability

The Group's adjusted EBITDA increased to EUR 183.8 (181.6) million, or 11.1% (11.4%) of net sales mainly due to the increased net sales in eCommerce and Delivery Services and Fulfillment and Logistics Services. However, inefficiency in Postal Services operations early part of the year impacted the group profitability negatively. EBITDA decreased to EUR 178.2 (180.5) million, or 10.8% (11.3%) of net sales. The adjusted operating result decreased to EUR 58.9 (59.8) million, or 3.6% (3.7%) of net sales. The operating result decreased to EUR 51.0 (55.0) million, or 3.1% (3.4%) of net sales.

Special items affecting the operating result amounted to EUR -7.9 (-4.8) million.

Special items affecting the operating result

EUR million	2022	2021
Personnel restructuring costs	3.0	1.5
Impairments	2.2	3.7
Other special items	2.6	-0.4
Total	**7.9**	**4.8**

Changes in reporting

On January 1, 2022, Posti changed its segment reporting to align with the company strategy, organizational structure, and to improve visibility on performance and results. Posti now has three reportable segments: eCommerce and Delivery Services, Fulfillment and Logistics Services, and Postal Services. Comparison period 2021 has been restated accordingly.

eCommerce and Delivery Services

- The total number of parcels delivered by Posti in Finland and the Baltic countries decreased by 4% to 68 (71) million. The figure does not include letter-like eCommerce items.
- Transportation volumes measured in waybills decreased by 7%.

Net sales

In January—December the net sales of eCommerce and Delivery Services increased by 1.8% to EUR 693.3 (681.1) million. In the segment, the increased net sales were mainly driven by increased prices. In the logistics field in general, the fuel surcharge increased the prices.

Profitability

The adjusted EBITDA of the segment increased to EUR 75.1 (62.0) million, or 10.8% (9.1%) of net sales. The growth was driven by the increased net sales and cost efficiency starting from the early part of the year. Improved efficiency in transportation operations also impacted profitability positively. Improved efficiency in operations and optimized route planning and resourcing towards the end of the year had a positive impact on full year profitability. EBITDA increased to EUR 74.3 (62.0) million.

Fulfillment and Logistics Services

Transval and Aditro Logistics are included in The Fulfillment and Logistics Services segment.

Net sales

In January—December, the segment net sales increased 10.9% and were EUR 366.1 (330.0) million. The growth of **Transval's** net sales was mainly due to the increased volumes and prices of in-house logistics and contract logistics. **Aditro Logistics'** net sales growth was mainly due to the acquisition of Veddestagruppen in Sweden in January 2022 and increased warehouse volumes.

Profitability

The adjusted EBITDA of Fulfillment and Logistics Services increased to EUR 34.8 (32.6) million, or 9.5% (9.9%) of net sales. The improvement was mainly due to the acquisition of Veddestagruppen. EBITDA increased to EUR 32.9 (32.1) million.

Postal Services

The decline of postal volumes continued. The number of addressed letters decreased by 4% (8%).

Net sales

In January—December, the net sales of Postal Services increased by 1.1% to EUR 617.7 (610.9) million. The acquisition of Mediatalo Keskisuomalainen Oyj's early-morning delivery operations and the increase in prices impacted net sales positively.

Profitability

The adjusted EBITDA of Postal Services decreased to EUR 84.2 (99.1) million, or 13.6% (16.2%) of net sales. Profitability was affected by the higher operational costs due to the increase in energy prices and operational inefficiency. The exceptional winter conditions and the absences of employees due to the COVID-19 virus required overtime hours and temporary workforce, which impacted profitability in the early part of the year. EBITDA decreased to EUR 81.5 (96.8) million.

Key figures for segments – continuing operations*

EUR million	2022	2021
Net sales		
eCommerce and Delivery Services	693.3	681.1
Fulfillment and Logistics Services **	366.1	330.0
Transval	232.0	219.8
Aditro Logistics	134.1	110.2
Postal Services	617.7	610.9
Intra-Group sales	-25.4	-26.9
Posti Group	**1,651.6**	**1,595.0**
Net sales change-%		
eCommerce and Delivery Services	1.8%	4.8%
Fulfillment and Logistics Services **	10.9%	19.4%
Postal Services	1.1%	-5.6%
Posti Group	**3.6%**	**2.5%**
Adjusted EBITDA		
eCommerce and Delivery Services	75.1	62.0
Fulfillment and Logistics Services **	34.8	32.6
Postal Services	84.2	99.1
Other and unallocated	-10.3	-12.0
Posti Group	**183.8**	**181.6**

EUR million	2022	2021
Adjusted EBITDA, %		
eCommerce and Delivery Services	10.8%	9.1%
Fulfillment and Logistics Services **	9.5%	9.9%
Postal Services	13.6%	16.2%
Posti Group	**11.1%**	**11.4%**
EBITDA		
eCommerce and Delivery Services	74.3	62.0
Fulfillment and Logistics Services **	32.9	32.1
Postal Services	81.5	96.8
Other and unallocated	-10.5	-10.4
Posti Group	**178.2**	**180.5**
EBITDA, %		
eCommerce and Delivery Services	10.7%	9.1%
Fulfillment and Logistics Services **	9.0%	9.7%
Postal Services	13.2%	15.8%
Posti Group	**10.8%**	**11.3%**

* Continuing operations – as a result of divestment, the 2021 results of Itella Russia are presented as discontinued operations.
** Veddestagruppen was integrated into Posti's financials as of February 2022.

Cash flow, financial position, and major investments

In January–December, the consolidated cash flow from operating activities was EUR 150.8 (160.9) million, the cash flow from investing activities was EUR -72.5 (-6.6) million of which EUR -44.3 (-0.5) million for business acquisitions, and the cash flow from financing activities was EUR -92.1 (-148.1) million.

At the end of December, liquid assets amounted to EUR 114.9 (151.1) million and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing borrowings were EUR 323.4 (306.1) million. Net debt totaled EUR 208.5 (145.0) million. Equity ratio was 41.5% (42.1%).

Posti has invested in expanding its warehouse capacity with a new Transval warehouse in Sipoo, which opened in April 2022, in green fleet such as new electric trucks, and in the development of digital services to improve the customer experience. Posti will continue to invest in digital and ecommerce services and improve the competitiveness of its core business to respond to the changing market and to support Posti's transformation.

Research and development

Development expenditure in 2022 amounted to EUR 5.7 (3.8) million, or 0.4% (0.3%) of Group's total operating expenses. In addition, EUR 15.7 (14.5) million was capitalized as development costs.

Statement of non-financial information

The foundation of Posti's sustainability is to comply sustainable business practices in all of the company's activities.

Posti's sustainability is based on the company's strategy, values, commitments and the decision-in-principle of its owner, the state, indicating that state-owned companies should be held as examples of a high standard of corporate responsibility. Posti is committed to the fundamental principles of the UN Global Compact initiative with regard to labor, the environment, anti-corruption, and human rights. In addition, Posti is committed to respecting human rights in its own operations and in its subcontractor supply chain in accordance with the UN Guiding Principles on Business and Human Rights.

Posti's sustainability report has been prepared with reference of the sustainability reporting standards issued by the Global Reporting Initiative (GRI). In addition, Posti complies with the reporting requirements of its owner, the Finnish State. Calculations of greenhouse gas emissions are based on the Greenhouse Gas (GHG) Protocol developed by the World Business Council for Sustainable Development and the World Resources Institute. The various areas of Posti's sustainability will be discussed in more detail in Posti's Sustainability Report, to be published in April.

Posti's sustainability efforts are managed by an organization-wide sustainability forum to ensure consistent performance and development throughout the Group. Posti also has a cross-organizational steering group for cyber security and data protection.

Posti updated its sustainability risks in 2022. This involved updating the risk assessment previously conducted in 2021 with an external partner in 2021 to correspond to the current situation. This was done in collaboration with Posti's internal stakeholders. In the risk update, risks were assessed in accordance with the ESG (Environmental, Social and Governance) framework. In 2023, Posti will carry out an assessment of climate risks and opportunities in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) framework.

Posti received recognition for its sustainability efforts in 2022. In March 2022, Finnish consumers selected Posti as the most sustainable parcel and logistics brand in the Sustainable Brand Index survey. In May, the Financial Times named Posti in its Europe's Climate Leaders 2022 listing, which included a total of 400 companies, 20 of which are based in Finland. In June, EcoVadis, the world's leading organization assessing the sustainability of businesses, gave Posti the highest possible Platinum rating for the second consecutive year. Our total score increased from 77 to 82/100. In addition, Posti was one of the finalists in the World Sustainability Awards 2022 in the category Profit with Purpose.

Regulation of sustainability reporting

Posti has recognized that the European Union's sustainable finance regulations, known as the EU taxonomy, and the Corporate Sustainability Reporting Directive (CSRD) are relevant to the company. The sustainability reporting obligation under the EU taxonomy and the EU CSRD will enter into effect for large enterprises, including Posti, starting from the financial year 2025. Posti is monitoring regulatory developments related to sustainability reporting and preparing for the future changes in this area.

Environmental responsibility

Posti identifies, assesses, and manages the environmental impacts of its operations. Posti's Health, Safety, Environmental and Quality (HSEQ) policy includes commitments to reduce the Group's impacts with regard to the energy consumption of transport operations and properties, for example. Examples of the identified risks related to the environment include traffic accidents and risks related to terminal operations – such as spills of dangerous goods, which may result in environmental damage. When these types of risks materialize, they may have an adverse impact on nature, customer property and people. These and other environmental risks are managed as part of environmental and occupational safety management by means of external audits, internal assessments, appropriate work instructions, careful employee orientation and continuous training, for example.

Environmental management at Posti is based on the ISO 14001 environmental management standard. Employee awareness of environmental issues is promoted through, for example, a Group-wide sustainability training, and environmental issues are regularly highlighted in various discussion forums, such as sustainability briefings organized for the personnel and the Group's various internal channels. At the end of 2022, certified environmental management systems covered 94% (97%) of the Group's employees.

The carbon-dioxide emissions arising from transport are reduced by combining transports and using route planning, smooth and safe driving styles, renewable fuels, and the renewal of the fleet. In June, the Science Based Targets initiative approved, in addition to Posti's previously approved short-term emission reduction targets, the target of net zero emissions by 2040. Posti was the first company in Finland, Sweden, and the Baltic countries, the first globally in its industry and one of the first 17 companies overall to receive SBTi approval for its net zero target. Offsetting cannot be used to achieve climate targets approved by the SBTi. Posti discontinued its emission offsetting practices at the beginning of 2022.

In accordance with the approved targets, Posti will reduce its absolute overall emissions (Scope 1, 2 and 3) by 50% by 2030, using 2020 as the baseline. The target includes reducing Posti's own emissions (Scope 1 and 2) to zero and fossil-free road transport. By 2040, Posti will achieve net zero for all of its emissions. The goal is to transition to completely fossil-free road transport, including subcontracted road transport operations. In October 2022, Posti decided on a new clean vehicle roadmap, which includes a plan to deploy up to thousands of new electric, biogas, and hydrogen vehicles by 2030. In 2023, Posti will focus on creating low-carbon roadmaps for subcontracted transport and improving the quality of data pertaining to subcontracting.

The Group's absolute greenhouse gas emissions, including Posti's own emissions and the emissions of its value chain (Scope 1, 2 and 3) totaled 268,540 (269,459) tCO_2e in 2022. The Group's own greenhouse gas emissions (Scope 1 and 2) amounted to 42,499 (47,470) tCO_2e. The reduction in own emissions has been achieved through efficiency improvement measures, increasing the use of renewable fuels and electric vehicles, and purchasing renewable district heating for certain properties. New properties were transitioned to renewable district heating in 2022.

The value chain emissions (Scope 3) were 226,041 (221,990) tCO_2e, these increased slightly. Emissions increased in the category of purchased products and services (approximately 7%). As the emissions of purchased goods and services have been estimated using cost-based emission factors, and the figures have not been adjusted for inflation, the estimate of emissions is indicative in that regard. In a small category in terms of emission, business travel emissions increased approximately 60%. The COVID-19 pandemic limited business travel in 2021, which was reflected in lower emissions. By contrast, the largest value chain category in terms of emissions, i.e., subcontracted transport decreased around 2%. Posti's total greenhouse gas emissions in Finland in 2022 amounted to 237,247 (244,276) tCO_2e.

As a large company, it is essential for Posti to understand its impacts related to biodiversity. Posti conducted a pre-study on biodiversity in 2021 and 2022. Reducing greenhouse gas emissions and deploying sustainable energy solutions are examples of how Posti can contribute to the mitigation of biodiversity loss.

Social responsibility and personnel

Posti's goal is to be a safe and healthy workplace for everyone, and to support the work ability and functional capacity of employees through occupational health cooperation. Posti pursues this goal by developing increasingly proactive occupational health services and operating models by targeting services and support with a needs-driven and low-threshold approach. Occupational safety is managed systematically and the occupational safety competence, activity and awareness among the personnel is increased. Working methods are also systematically developed. Social responsibility risks are assessed on a regular basis. Examples of risks related to social responsibility include labor availability, well-being, and safety.

Posti has introduced a number of digital occupational health services with the aim of providing support at the earliest possible stage. Since the beginning of the COVID-19 pandemic, Posti has focused on safeguarding the health and safety of its personnel and customers. In 2022, the Group's sick leave rate was 5.9% (5.5%).

COVID-19 infections and other upper respiratory illnesses were a much more prominent factor in short-term absences. Musculoskeletal diseases constitute the most significant risks to work ability and the continuation of work. In 2022, Posti's in-house resources were increased to provide support for supervisors and the personnel in challenging situations related to work ability. In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity. The ongoing major changes in Posti's operating environment pose a challenge to the work ability of Posti employees.

An extensive assessment of the current state of the occupational safety culture and occupational safety management was carried out in Posti's Finnish operations in 2022. The most significant development program launched in response to the results of the assessment is the specification of a Group-wide occupational safety management system. A Group-wide network of occupational safety specialists, which became operational in spring 2022, aims to ensure that the common occupational safety management system is consistently applied. The network also shares best practices and lessons learned across the boundaries between business units. The occupational safety reporting tool was developed further and the opportunity to use the tool was expanded to Posti's operating countries in the Baltics.

The deployment of the occupational safety management system began late in the year and will continue in Posti's business areas in 2023. The key development areas that were highlighted also included establishing accurate situational awareness and developing the effective monitoring of data with the help of our tools. Posti uses a certified ISO 45001 safety management system, which covered 80% of the Group's personnel in 2021 and 92% at the end of 2022. Posti's HSEQ policy provides the framework for safety management and demonstrates Posti's commitment to the continuous improvement of occupational safety.

In Posti's labor-intensive sector, the most significant occupational safety risks arise from the movement of the personnel, traffic, and work ergonomics. These risks are managed by means of continuous monitoring and risk assessment, employee training, communication, and various safety improvement projects. Making safety observations and implementing corrective actions in response to the observations is part of day-to-day management and continuous improvement. All occupational accidents and hazardous situations are investigated at Posti.

In terms of occupational safety, the year 2022 was marred by a serious incident of violence against a Posti employee in early-morning delivery services. The victim passed away due to the injuries sustained in the assault. We acted to further develop the safety of delivery operations following the incident. We reviewed our instructions and best practices concerning unaccompanied work and nighttime work. We also engaged in cooperation with the authorities.

The Group-level LTA1 figure was 23 (24). One business area managed to improve its accident frequency in line with the targets. Days of absence due to accidents decreased slightly (Finland). Posti has previously used LTA1 (lost time accidents per million working hours) as the indicator of occupational accidents leading to absences.

As part of our effort to develop our safety culture, we decided in fall 2022 to also start monitoring LTA0 (TRIF) in addition to LTA1. This means that close calls and safety observations are also included in Group-level monitoring. In 2022, the LTA1 figure was 24 (26) for Finland and 23 (24) for the Group as a whole. The figures include occupational accidents that occurred during working hours and resulted in an absence of at least one day. The figures do not include accidents involving partners or temporary employees. Serious occupational accidents leading to an absence of more than a month increased in Finland by 28% compared to the previous year.

Posti has a Group-wide employee survey that was conducted three times in 2022. The average survey response rate was 66% (62%), with an average of 30,000 open responses received per survey. The employee survey regularly provides Posti with a comprehensive overview of the employee experience and potential development areas.

Respecting human rights and preventing bribery and corruption

Posti is committed to respecting human rights in all of its operations and requires the same from its partners and suppliers. Posti adheres to the UN Global Compact principles in realizing the Group's responsibility for human rights. The Group also considers the UN Guiding Principles on Business and Human Rights in its key sustainability documents: the Code of Conduct and the Supplier Code of Conduct. Posti also has a Group-level guidance on gifts and hospitality as part of the Group's compliance program. Posti has a zero-tolerance policy with regard to human rights violations, corruption, and bribery.

Posti's steering group on data protection and cyber security aims to ensure that processes, practices, and risk management measures pertaining to data protection and cyber security are appropriately implemented in all of Posti's business groups. The processing of personal data is governed by the EU General Data Protection Regulation (GDPR). Posti has paid attention to areas such as data protection preparedness and documentation, employee communications and the protection of processes and systems. Basic-level data protection training has been organized for all employees. In addition, more in-depth data protection training has been organized for personnel groups engaged in expert work.

In 2021 and 2022, 80% of the Group's personnel completed the basic-level training. The figure does not include Aditro Logistics. The figure is monitored on the basis of the cumulative results for two calendar years. In addition, approximately 360 employees in expert work completed more in-depth data protection training in 2022. Data protection and cyber security training are aimed at preventing risks related to data protection and information security, including data protection violations concerning customer data and cyber security threats related to critical IT infrastructure.

Posti's Code of Conduct and Supplier Code of Conduct cover legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility.

The Code of Conduct also sets out the principles concerning the consequences of misconduct. It also specifies the whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. Reports can be submitted anonymously through Posti's whistleblowing channel, which is offered by an independent external service provider. If a person submitting a report wishes to include their contact details, they may do so via the whistleblowing channel. The reporting process and instructions for reporting misconduct or other problems are described in separate instructions aimed at Posti's employees.

The other risks identified in this area are related to potential human rights violations, supplier management, failure of internal control and corruption. Posti prevents these risks by providing Code of Conduct training to all of its employees. The content of the Code of Conduct is the same for all employees, and it is included in the employee orientation for new recruits.

The content of the training is based on the Code of Conduct and practical examples collected from various business areas. At the end of 2022, 83% (76%) of the Group's employees had completed the new or old training on the Code of Conduct. This figure does not include the employees of Aditro Logistics and Transval. More in-depth training on the subject matter is also organized for the most significant target groups, such as management and the sales and sourcing functions.

Potential risks related to human rights and the prevention of corruption and bribery in the supply chain are prevented by monitoring suppliers' sustainability performance by means of a self-assessment tool and also by conducting sustainability audits when necessary. Financial management monitoring tools and confirmation processes are also used to support the management of corruption risks.

Posti's sustainability indicators for 2022 have been subject to external assurance by PricewaterhouseCoopers Oy with regard to energy consumption (GRI 302-1 and 302-2), greenhouse gas emissions (Scope 1–3 and GRI 305-1, 305-2 and 305-3) and the LTA1 accident frequency indicator for occupational safety. The information has been subject to assurance at the Posti Group and limited assurance levels and in accordance with the ISAE3000 (revised) and ISAE3410 standards.

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

On December 31, 2022, Posti leadership team consists of

Turkka Kuusisto (President and CEO), Yrjö Eskola (SVP, Postal Services), Arttu Hollmérus (SVP, eCommerce and Delivery Services), Timo Karppinen (CFO), Sakari Kiiskinen (SVP, Transval), Timo Koskinen (SVP, Human Resources), Petteri Naulapää (SVP, ICT and Digitalization), Anna Salmi (SVP, Brand, Communications and Sustainability), Kaarina Ståhlberg (SVP, General Counsel and M&A) and Per Zandrén (CEO, Aditro Logistics).

General Meetings

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 28, 2022. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 32.0 million based on the result in 2021. The dividend was paid in two parts during the year 2022.

The meeting adopted the 2021 financial statements and discharged the members of the Supervisory Board, Board of Directors and President and CEO from liability.

As per Annual General Meeting decision, Sanna Suvanto-Harsaae continued as the Chair of the Board of Directors and Per Sjödell as the Deputy Chair. The following persons continued as members of the Board of Directors: Raija-Leena Hankonen, Harri Hietala, Frank Marthaler, Satu Ollikainen (employee representative), Minna Pajumaa, Hanna Vuorela and Kari-Pekka Laaksonen. The following person was elected as new member of the Board of Directors: Jukka Leinonen, EVP and Head of Nordics, Telenor ASA. Sirpa Huuskonen left her position in the Board of Directors.

Annual General Meeting elected Kimmo Kiljunen (Social Democratic Party) as the new Chair of the Supervisory Board. The previous Chair, Aki Lindén left his position at the Supervisory Board. Heli Järvinen (the Greens in Finland) continued as the Deputy Chair of the Supervisory Board.

As per Annual General Meeting decision, the following persons continued as members of the Supervisory Board: Sari Essayah (MP, Christian Democrats), Eeva Kalli (MP, Centre Party), Mia Laiho (MP, National Coalition Party), Rami Lehto (MP, Finns Party), Pia Lohikoski (MP, Left Alliance), Mari Rantanen (MP, Finns Party), Veronica Rehn-Kivi (MP, Swedish People's Party), Ari Torniainen (MP, Centre Party), Paula Werning (MP, Social Democratic Party). The following person was elected as a new member of the Supervisory Board: Seppo Eskelinen (MP, Social Democratic Party).

The fees of the members of the Board of Directors and the Supervisory Board remained unchanged. Members of the Board of Directors received a monthly remuneration and a meeting fee. The meeting fee was paid in double for the Board members residing outside Finland. The employee representative and members of the Supervisory Board received a meeting fee.

PricewaterhouseCoopers Oy (PwC), authorized public accountants, continued as Posti Group Corporation's auditor, with Authorized Public Accountant Mikko Nieminen as the principal.

The Extraordinary General Meeting of Posti Group was held on November 21, 2022, in Helsinki.

The General Meeting elected Aki Lindén as the Chair and member of the Supervisory Board by the General Meeting. Furthermore, the General Meeting accepted the resignation of MP Kimmo Kiljunen from the Chair of the Supervisory Board and the resignation of the MP Seppo Eskelinen as the member of the Supervisory Board.

On December 31, 2022, the Supervisory Board comprises the following members: Aki Lindén (Chair), Heli Järvinen (Deputy Chair) and Sari Essayah, Eeva Kalli, Kimmo Kiljunen, Mia Laiho, Rami Lehto, Pia Lohikoski, Mari Rantanen, Veronica Rehn-Kivi, Ari Torniainen and Paula Werning.

Employees

The Group's personnel

	2022	2021
Personnel at the end of the period*	19,996	21,128
Finland*	17,642	18,571
Other countries of operation*	2,354	2,557
Personnel on average, FTE */**	14,985	15,042

* Continuing operations
** Full-time equivalent personnel on average

In January–December, the Group's personnel expenses amounted to EUR 700.8 (682.0) million, growing by 2.8% from the previous year. The personnel expenses included EUR 3.0 (1.5) million of restructuring costs.

Acquisitions and divestments

On January 1, Transval closed the sale of Humanlink Estonia store services business and Humanlink Baltic Latvia SIA shares to the operative management of the company.

On January 17, Posti announced that it had signed an agreement with the owners of the Swedish logistics company Veddestagruppen, under which Posti Group acquired the entire share capital of Veddestagruppen AB. The acquisition was completed on January 31. Veddestagruppen is integrated with Posti Group's Swedish subsidiary Aditro Logistics.

On March 31, Posti signed an agreement on the acquisition of the early-morning delivery operations of Mediatalo Keskisuomalainen Oyj's subsidiaries Jakelusepät Oy and Ilves Jakelu Oy in the areas of Pohjois-Savo, Päijät-Häme and Kanta-Häme. The transaction was aimed at strengthening the future of the delivery market and ensuring quality service for customers in early-morning delivery. The acquisition was completed on April 29, 2022.

On September 1, Posti announced that it has acquired the entire share capital of the Finnish e-commerce logistics company WebLog Finland Oy. The acquisition supports Posti's strategic goals and strengthens growth opportunities especially in small and midsize e-commerce segment.

On December 22, Transval closed the sale of its subsidiary KV Turva Oy's entire share capital to KST Vartiointi Oy.

Changes in the corporate structure

On January 13, Posti announced that it plans to merge its business groups Parcel & eCommerce and Freight Services into a new business group named eCommerce and Delivery Services. The change that came to force on April 1 enhances cross-business co-operation in line with Posti's strategy execution.

Posti Group has reformed its legal corporate structure, which came into effect on January 1, 2023. In the new structure parcel, eCommerce and logistics services were centralized under the same company in Finland, named Posti Ltd. Letter, publication, and direct marketing business continued under the current company, with the new name Posti Distribution Ltd. Posti Group subsidiary Posti Kiinteistöt 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 war initiated by Russia and the energy crisis have increased the complexity of the operating environment in a situation where there are already two exceptionally challenging years behind due to coronavirus pandemic. As a result of sanctions and countersanctions, the availability of many raw materials and industrial production supplies is poor, which exacerbates the bottlenecks in global production chains that have already arisen during the pandemic. There is a high degree of uncertainty about future developments. The consumer confidence as well as funds for consumption held by the consumers have decreased and there is a risk that they will have a negative impact on the consumer spending. The war, along with the weakened economic situation and its knock-on effects, including decreasing consumer purchasing power, have affected, and may affect in the future, Posti's operations in terms of rising costs as well as weakened demand.

Posti continues its transformation towards a modern delivery and fulfillment company and continuously adjusts its operating model in the declining postal business. Posti's success in the declining postal delivery market depends on implementing efficient operating and delivery models to decrease costs in line with the declining volumes. Flexible postal regulation is a key enabler in ensuring that universal postal service can be maintained in an economically sustainable way in the coming years and in adapting to the digital media environment.

The competition in the last mile and e-fulfillment is continuously increasing as new business models and new competition are emerging. Posti must be able to support its customers' ecommerce and omnichannel strategies and at the same time continuously improve and strengthen the customer and employee experience, digital capabilities, service offering, network and brand image among customers and consumers. Posti is continuously monitoring and reviewing the execution of its delivery and fulfillment strategy and related strategic risks through different development programs.

Key operational risks related to the continuity of business-critical operations remain under continuous scrutiny. Posti is actively working on addressing cyber risks and continuously increasing its maturity to protect its digital and physical infrastructure and capability to identify and respond to different risks and security incidents. Potential disruption in business continuity, security or privacy breaches could lead to financial losses and severe long-term reputational risks for Posti's brand and future business.

Aditro Logistics has an important role in achieving Posti's vision of becoming a modern delivery and fulfillment company operating in Finland, Sweden, and the Baltics. To support Posti's transformation into a fulfillment player within eCommerce, Aditro Logistics needs to carefully manage the execution of its strategic initiatives as an integral part of Posti Group.

Events after the reporting period

In January 2023, Parliament approved the long-prepared reform of the Postal Act, in which the universal service's five-day delivery obligation is reduced to three days throughout Finland. The amendment to the Postal Act and the new State Aid for newspaper delivery are responsible decisions that adapt the sector's regulation 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 these reforms enable maintaining full-time work in mail delivery, as well as significant emission reductions. Through reform Posti can also better meet to the changing needs of customers.

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 455,329,374,69 of which the profit for the financial year 2022 is EUR 117,351,939.97.

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 31.7 million, or a dividend of EUR 0.79 per share, be distributed for the financial year 2022.

Outlook for 2023

In 2023, Posti is expecting its net sales to increase 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 may impact consumer demand. The changes in consumer behavior affect Posti's business and could impact our 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.

Helsinki February 16, 2023

Posti Group Corporation
Board of Directors

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.

* Continuing operations

Operative free cash flow, reconciliation

	2022	2021
Cash flow from operating activities	150.8	160.9
Purchase of intangible assets and property, plant and equipment	-63.7	-82.3
Payments of lease liabilities	-58.7	-55.5
Operative free cash flow	**28.5**	**23.1**

Consolidated financial statements

Consolidated income statement

EUR million	Note	2022	2021
Net sales	1, 3	**1,651.6**	**1,595.0**
Other operating income	4	10.0	12.6
Materials and services	5	-484.3	-474.0
Employee benefits	6	-700.8	-682.0
Other operating expenses	7	-298.4	-271.1
Depreciation and amortization	8	-124.4	-119.5
Impairment losses	8	-2.7	-6.1
Operating result		**51.0**	**55.0**
Finance income	9	4.1	2.2
Finance expenses	9	-11.8	-8.9
Result before income tax		**43.3**	**48.3**
Income tax	10	-11.6	-9.6
Result for the period from continuing operations		**31.7**	**38.7**
Result for the period from discontinued operations		0.0	-54.7
Result for the period		**31.7**	**-15.9**
Earnings per share (EUR per share)			
Group total		0.79	-0.40
Continuing operations		0.79	0.97
Discontinued operations		0.00	-1.37

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	Note	2022	2021
Result for the period		**31.7**	**-15.9**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges		3.0	0.6
Translation differences		-4.6	93.6
Income tax relating to these items		-0.6	-0.1
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		-1.3	-4.2
Income tax relating to these items		0.3	0.8
Comprehensive income for the period		**28.5**	**74.8**

Consolidated balance sheet

EUR million	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Goodwill	11	223.7	189.9
Other intangible assets	11	88.2	84.3
Investment property	12	3.5	3.5
Property, plant and equipment	13	234.9	233.6
Right-of-use assets	14	255.0	239.2
Investments in associated companies	15	0.0	0.9
Other non-current investments	23	1.0	1.0
Non-current receivables	23	2.2	1.5
Deferred tax assets	16	15.1	25.7
Total non-current assets		**823.7**	**779.6**
Current assets			
Inventories	17	3.9	4.0
Trade and other receivables	18	286.9	296.4
Current income tax receivables		0.1	0.9
Current financial assets	23	33.2	64.5
Cash and cash equivalents	23	82.6	97.2
Total current assets		**406.6**	**462.9**
Total assets		**1,230.3**	**1,242.5**

EUR million	Note	Dec 31, 2022	Dec 31, 2021
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	19	70.0	70.0
General purpose reserve	19	142.7	142.7
Fair value reserve	19	1.7	-0.7
Translation differences	19	-5.2	-0.6
Retained earnings		271.8	273.1
Total shareholders' equity		**481.0**	**484.5**
Non-current liabilities			
Deferred tax liabilities	16	13.0	12.1
Non-current interest-bearing borrowings	23	60.0	60.4
Non-current interest-bearing lease liabilities	24	205.0	193.4
Other non-current payables	22	6.1	7.2
Advances received	22	7.6	12.9
Non-current provisions	21	2.4	3.0
Defined benefit pension plan liabilities	20	11.1	11.1
Total non-current liabilities		**305.2**	**300.1**
Current liabilities			
Current interest-bearing borrowings	23	0.0	0.9
Current interest-bearing lease liabilities	24	58.4	51.4
Trade and other payables	22	322.0	324.7
Advances received	22	62.9	80.1
Current income tax liabilities		0.6	0.3
Current provisions	21	0.2	0.5
Total current liabilities		**444.1**	**458.0**
Total liabilities		**749.3**	**758.0**
Total equity and liabilities		**1,230.3**	**1,242.5**

Consolidated statement of cash flows

EUR million	Note	2022	2021
Result for the period		**31.7**	**-15.9**
Adjustments for:			
Depreciation and amortization	8	124.4	119.5
Impairment losses	8	2.7	6.1
Gains on sale of intangible and tangible assets	4	-0.8	-1.3
Losses on sale of intangible and tangible assets	7	0.1	0.1
Finance income	9	-4.1	-2.2
Finance expense	9	11.8	8.9
Income tax	10	11.6	9.5
Other non-cash items, continuing operations		-1.0	-2.4
Other non-cash items, discontinued operations		-	54.7
Cash flow before change in net working capital		**176.4**	**176.9**
Change in trade and other receivables	18	15.1	-25.6
Change in inventories	17	0.1	0.1
Change in trade and other payables	22	-33.3	24.5
Change in net working capital		**-18.1**	**-1.0**
Cash flow before financial items and income tax		**158.3**	**175.9**
Interests paid	9	-7.5	-7.5
Interests received	9	0.8	1.1
Other financial items	9	0.0	-0.2
Income tax paid	10	-0.7	-8.5
Cash flow from financial items and income tax		**-7.5**	**-15.1**
Cash flow from operating activities		**150.8**	**160.9**
Purchase of intangible assets	11	-26.7	-27.6
Purchase of property, plant and equipment	13	-37.0	-54.7
Proceeds from sale of intangible and tangible assets	11,13	1.3	2.7
Business acquisitions, net of cash acquired	2	-44.3	-0.5
Proceeds from business disposals less cash and cash equivalents	2	0.0	68.0
Cash flow from financial assets	23	31.5	5.1
Cash flow from other investments		2.6	0.4
Cash flow from investing activities		**-72.5**	**-6.6**
Repayment of current loans	23	-0.9	-0.2
Repayment of non-current loans	23	-0.5	-61.2
Payments of lease liabilities	23, 24	-58.7	-55.5
Dividends paid		-32.0	-31.3
Cash flow from financing activities		**-92.1**	**-148.1**
Change in cash and cash equivalents		**-13.8**	**6.2**
Cash and cash equivalents at the beginning of the period		**97.2**	**91.0**
Effect of exchange rates changes		-0.8	0.0
Cash and cash equivalents at the end of the period		**82.6**	**97.2**

Group statement of cash flows includes both continuing and discontinued operations.

Consolidated statement of changes in equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
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
Total comprehensive income for the period			**2.4**	**-4.6**	**30.7**	**28.5**
Transactions with equity holders						
Dividends paid					-32.0	-32.0
Equity Dec 31, 2022	**70.0**	**142.7**	**1.7**	**-5.2**	**271.8**	**481.0**
Equity Jan 1, 2021	**70.0**	**142.7**	**-1.2**	**-94.2**	**323.7**	**441.1**
Comprehensive income						
Result for the period					-15.9	-15.9
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.5			0.5
Translation differences				93.6		93.6
Remeasurements of post-employment benefit obligations, net of tax					-3.4	-3.4
Total comprehensive income for the period			**0.5**	**93.6**	**-19.3**	**74.8**
Transactions with equity holders						
Dividends paid					-31.3	-31.3
Equity Dec 31, 2021	**70.0**	**142.7**	**-0.7**	**-0.6**	**273.1**	**484.5**

Notes to the consolidated financial statements

Company information

Posti Group Corporation and its subsidiaries ("Posti" or "the Group") is one of the leading delivery and fulfillment companies in Finland, Sweden and the Baltics. Core business includes parcels, freight, postal services, and logistics solutions. Posti operates in 7 countries. The Group's parent company, Posti Group Corporation ("the Company"), is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Group accounting policies

Posti's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and related interpretation of the IFRS interpretation committee (IFRICs). The consolidated financial statements are also in compliance with Finnish accounting and company legislation.

The consolidated financial statements are prepared under the historical cost convention, with the exception of below mentioned items valued at fair value as required by the standards. All amounts in the consolidated financial statements are presented in millions of euros, unless otherwise stated. The figures are rounded and thus the sum of individual figures may be different than the total presented. These policies have been consistently applied to all the years presented, unless stated otherwise.

Application of new or amended IFRS standards

The amendments to IFRS standards effective from January 1, 2022, had no impact on Group's financial statements.

COVID-19 pandemic impacts on financial statements

Since the outbreak of the COVID-19 pandemic in early 2020, Posti Group has paid special attention to accounting estimates and judgements that might be impacted by the short-term and longer-term consequences of the pandemic. Credit risks have been subject to enhanced monitoring, and the estimated credit loss calculation parameters have been adjusted to reflect the potential risks caused by the pandemic. Goodwill has been assessed during the year for potential impairment needs. The impairment tests for the financial year-end are reflecting the Group's strategic long-term forecasts.

Russia-Ukraine war impacts on financial statements

Russia's invasion of Ukraine effects Posti through market situation and business environment. Posti has no operations nor investments in Russia, Ukraine or Belarus after the divestment of Russian operations in 2021. Therefore, the war in Ukraine has no direct effect on Posti's financial position. The suspension of letter and parcel traffic between Finland, Russia and Belarus has no material financial impact for the Group.

Discontinued operations

The Group presents discontinued operations as a separate line item in income statement and other comprehensive income. Comparative amounts of income statement and related notes are restated to reflect continuing operations.

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company, Posti Group Corporation, and all its subsidiaries. Subsidiaries are entities over which the Group has control. Control exists, directly or indirectly, if the Group has decision-making powers, is exposed to, and has rights to, variable returns, and is able to use its decision-making powers to affect the amount of the variable returns. Subsidiaries are consolidated from the date on which the Group is able to exercise control and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations.

All intercompany transactions, assets and liabilities, distribution of profits and unrealized gains on transactions between group companies are eliminated in the consolidated accounts.

Associated companies

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 percent and 50 percent of the voting rights. Also, entities where the

Group has a lower ownership, but it exercises significant influence are disclosed as associated companies. Investments in associated companies are accounted for using the equity method of accounting, under which the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee.

The Group's share of associates' results is presented before operating profit in the consolidated income statement.

Joint operations

Posti has investments in mutual real estate companies. These investments are accounted for as joint operations. Posti's direct share of the assets, liabilities, income and expenses in these arrangements is recognized in the consolidated financial statements under the appropriate headings.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group.

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate at the date of the transaction. Monetary items in the balance sheet denominated in foreign currencies are translated into functional currency using the exchange rate at the balance sheet date and non-monetary items using the exchange rate at the transaction date, excluding items measured at fair value in a foreign currency which are translated using the exchange rate at the date when the fair value was determined. Foreign exchange gains and losses arising from business operations are presented in the income statement under the respective items above operating profit. Foreign exchange gains and losses that relate to financing activities are presented in the income statement within financial income and financial expenses except for the long-term intercompany loans that are attributable to the net investment in foreign entities of which exchange rate differences are recognized in other comprehensive income.

Subsidiaries

If the subsidiaries' functional currency differs from the Group's presentation currency, their income statements and statement of comprehensive income are translated into euros using the average exchange rates for the financial year, and their balance sheets using the exchange rates at the closing rate at the balance sheet date. All resulting translation differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment, including net investment loans to the subsidiary, are recognized in other comprehensive income. When a foreign entity is disposed of, the associated translation differences are reclassified through profit or loss, as part of gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated into euros using the rate at the balance sheet date.

Revenue recognition

Group's revenue is mostly generated by rendering of short-term postal, warehouse and logistics services. Revenue of the performance obligations is recognized either over time or at a point in time, depending on how Posti transfers control to the customer as it satisfies performance obligations of the customer contracts.

Net sales comprise the revenue generated by the sale of goods and services net of value added taxes, discounts, service level related and other refunds to customers and foreign exchange differences.

At contract inception, the Group assesses the services promised in the contract with a customer to identify performance obligations. Performance obligation can be either a promise to transfer to the customer a distinct good or service or a series of distinct goods or services.

Some contracts include variable considerations of transaction price, such as volume discounts or service level penalty fees. Variable consideration is included to transaction price using the expected value or most likely amount method, to the extent that it is highly probable that a significant reversal will not occur.

Posti applies the practical expedient where no adjustments to the transaction prices are made for the time value of money, since the period between the transfer of the promised services to the customer and payment by the customer does not exceed one year.

eCommerce and Delivery Services

Revenue for eCommerce and Delivery services is recognized over time as Posti satisfies performance obligations. For the services not completed at the end of the reporting period, the progress of performance is estimated. For freight services in Finland and services in the Baltic countries the revenue is recognized when the delivery is received to Group's delivery network. Difference between the applied method and a method measuring progress towards complete satisfaction is considered immaterial for the Group.

Fulfillment and Logistics Services

Fulfillment and Logistics Services include reception of goods, handling and storage of goods, order picking and dispatch of goods, and warehouse accounting. Revenue is recognized as the service is being provided, calculated based on the number of occurrences and the space allocated to the customer's goods. Based on the Groups assessment, its customer contracts do not contain a lease contract as these contracts do not include identified assets. Revenue for staffing services is recognized according to the usage of outsourced resources by the clients.

Postal Services

Postal services include Corporate messaging, Media, Retail and Consumer mail services. As a rule, revenue for postal services is recognized over time as the Group satisfies performance obligations.

Revenue for Corporate messaging products (other than prepaid services) is recognized when the products are received for processing. Revenue for Media and retail products is recognized when the products are received to the Group's delivery network. Due to the short delivery times of these products, difference to the recognition over performance obligation is not material. Corporate messaging revenue recognition for prepaid services is described below.

Revenue for certain prepaid services, including stamps, franking machines, and prepaid envelopes, is recognized based on their estimated usage. Estimated usage is based on statistical model that incorporates sales and production volumes and price changes. The unperformed services are accrued as deferred revenue liability on the balance sheet. Deferred revenue is presented on the balance sheet as current and non-current. The portion of the prepaid services that are estimated to be performed within the next 12 months is presented as a current liability. The rest of the liability is presented as non-current. The Group is using external specialists to develop, assess and update the statistical revenue recognition model.

The commissions to the retailers are recognized as expense when Posti has performed the prepaid service. Accordingly, the sales commissions estimated to relate to unused stamps which are paid in advance to the retailers are recognized as receivables on the balance sheet and recognized as expense when the related revenue is recognized in net sales.

The Group acts as a principal for outbound international mail and parcel services under a universal service obligation. Revenue is recognized gross, while terminal dues payable to third parties (other postal administrations) are reported as operating costs.

Other revenue

Revenue for the sale of goods comprising of various packaging materials, stationary products and office supplies sold in retail outlets is recognized when the customer makes the purchase.

Contract costs

Incremental costs of obtaining a contract, for example sales commissions are capitalized if they expect to be recovered. Incremental costs with amortization period of one year or less are expensed.

Costs to fulfill a contract are capitalized in balance sheet and recognized as expense during the contract period if criteria for capitalization is met. Costs need to relate directly to a contract, to generate or enhance resources to be used in satisfying performance obligations of the contract and to be recovered. General or administrative costs are not capitalized.

Government grants

Government grants are mostly research and business development grants, recognized as income and presented in other operating income when management has reasonable assurance that the grants will be received, and the Group will comply with all attached conditions. Some product and business development grants are presented in the statement of financial position by deducting the grant from the carrying amount of the asset.

Employee benefits

The Group has several pension plans of which the majority relates to defined contribution plans. For the defined contribution plans, the Group pays contributions to pension insurance plans on a statutory or contractual basis. The contributions are recognized as employee benefit expenses in the income statement when occurred. The Group has no further payment obligations once the contributions have been paid.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. More information on the Group's defined benefit pension plans is presented in note Pension liabilities.

Income taxes

Income tax expense in the consolidated income statement includes Group companies' current income tax calculated on their taxable profit for the financial year using the applicable corporate income tax rate for each jurisdiction based on local tax laws enacted or substantively enacted at the balance sheet date, as well as any tax adjustments for previous financial years and changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred taxes are calculated on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Largest temporary differences arise from depreciation of property, plant and equipment, defined benefit pension plans, unused tax losses and fair value adjustments related to acquisitions. Deferred taxes are determined using the tax rates enacted or substantially enacted by the balance sheet date and which are expected to be applied when the related deferred tax asset is realized, or deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference and losses can be utilized.

Deferred tax is not recorded on undistributed profits of subsidiaries, unless the distribution of profits is probable in the foreseeable future and thus causes tax consequences.

Where uncertain positions are taken in tax returns, transfer pricing or other tax related issues they are subject to interpretation and uncertainty. Each uncertain tax treatment is considered separately or together depending on which approach predicts the uncertainty the best way. All these effects of uncertainties are reflected in the tax accounting when it is not probable that the tax authorities or courts will accept treatments.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Intangible assets

Business combinations and goodwill

Acquisition method of accounting is used to account for all business combinations. The purchase consideration for the acquisition of a subsidiary or business operation comprises the fair values of cash consideration and contingent consideration arrangements. Any contingent consideration for a business combination is estimated by calculating the present value of the future expected cash flows. Contingent consideration is classified as a financial liability and presented in other payables. It is subsequently remeasured to fair value with changes in fair value recognized in the profit or loss.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the purchase consideration over the Group's interest in the fair value of the net identifiable assets acquired is recognized in the balance sheet as goodwill.

After initial recognition, goodwill is carried at cost less any accumulated impairment losses. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of impairment testing goodwill is allocated to the cash generating units. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. For more information on impairment testing see below Impairment testing and note Intangible assets.

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved software products, service applications and enterprise resource planning systems are capitalized as intangible assets. Asset is capitalized only if it is technically and commercially feasible, the Group has the intention and resources to complete the intangible asset and use or sell it, the expenditure attributable to the product during its development can be reliably measured and it is probable that the development asset will generate future economic benefits. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives 3–5 years from the moment that they are ready for use.

Other intangible assets

Separately acquired intangible assets, such as software licenses and applications, are initially recognized at cost. Intangible assets acquired through business combinations, such as customer portfolios, trademarks, acquired technology, are recognized at fair value at the acquisition date comprising the amortizable acquisition cost. Intangible rights in the balance sheet mainly comprise software licenses and customer portfolios and trademarks acquired through business combinations. The Group's intangible rights have finite useful lives, over which period they are amortized. The expected useful lives are as follows:

Software solutions and licenses	3–10 years
Customer portfolios	5–10 years
Trademarks	3–5 years
Acquired technology	5 years

Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses. The initial cost of an asset includes the expenditure that is directly attributable to the acquisition of the items such as purchase price, costs of bringing the asset into working condition and installation costs. PPE are depreciated on a straight-line basis over their expected useful lives or in case of leased right-of-use asset, over the lease term. Land and water are not depreciated. Useful lives are reassessed, and adjusted, if necessary if estimates over their useful lives change.

The Groups PPE comprises land and water areas, production and office buildings and structures, machinery and equipment such as letter and parcel sorting machines, conveyors, vehicles and forklifts as well as other tangible assets consisting of e.g., storage shelves and storage systems and parcel lockers.

The expected useful lives of PPE are as follows:

Production buildings	15–40 years
Office buildings	25–40 years
Structures	5–15 years
Production equipment	3–13 years
Vehicles	3–5 years
Storage shelves and systems	5–13 years
Parcel lockers	3–7 years
Other tangible assets	3–10 years

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

Assets held for sale

When an asset's carrying amount is expected to be recovered principally through a sale rather than through continuing use, it is classified as held for sale. An asset is classified as held for sale if its sale is highly probable and it is available and ready for immediate sale. Furthermore, the company's management must be committed to a plan to sell the asset within 12 months of classification as held for sale. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. They are not amortized or depreciated while classified as held for sale.

Investment property

Investment property refers to land or buildings, or part thereof that Posti holds for rental income or capital appreciation. It is measured at cost less accumulated depreciation and impairment losses. Investment property buildings are depreciated over a period of between 30 to 40 years using the straight-line method and land is not depreciated. The fair value disclosed in the notes is determined by external, independent and qualified valuers and is used for impairment testing purposes. Impairment losses are recognized in accordance with the principles described under the section Impairment testing.

Impairment testing

Goodwill and intangible or tangible assets not yet in use (e.g., capitalized development projects not yet completed) are not subject to amortization and are tested annually for impairment. Testing can be performed more frequently if events or changes in circumstances indicate that the asset might be impaired. Other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Value in use refers to estimated future net cash flows from an asset or a cash generating unit, discounted to their present value. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

For purposes of assessing impairment of goodwill, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Posti's cash generating units that form the basis for goodwill impairment testing are presented in note Intangible assets.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Leases

A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time and also economic benefits will be transferred to lessee.

As per the main rule, Posti recognizes tangible asset leases in balance sheet to be right-of-use assets (right to use the leased asset) and the lease liability corresponds to future lease payments. Liability is divided in long-term and short-term parts. For those leases which are not recognized in balance sheet, lease expense is recorded as incurred.

Posti distinguishes between service contracts and lease contracts. Service contracts are not recognized in the balance sheet.

For leases recognized in balance sheet, lease payments are recognized as interest expense and decrease of lease liability. Right-of-use assets are depreciated during the lease term or if shorter, during the actual term of use.

Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). These leases are not recognized in balance sheet. 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. Some key premises with short-term lease contracts but with longer term use plans are, however, recognized in the balance sheet by using a longer lease term than agreed in the lease contract.

For those leases recognized in the balance sheet, the lease liability is 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 geographic area, contract term, and asset type. Incremental borrowing rate illustrates the interest rate that a lessee would have to pay to borrow funds necessary to obtain an asset of a similar value to the right-of-use asset.

Posti uses euro interest rate swap rates from the markets. Posti has defined three lease term length range baskets and accordingly three market reference rates are applied. Additional legal entity related margin reflects the financial standing of each lessee in the Group. Leased asset type is also reflected as incremental borrowing rate is adjusted down in lease contracts for premises.

As a main rule discount rate used to lease contract is applied during entire life cycle of lease contract. Exception for this main rule are certain lease contract modifications or reassessments during the life cycle of lease.

Termination or extension option can be related to a lease contract. Matter is presented below in chapter Critical accounting estimates and judgments in applying accounting policies.

Cash payments for the principal portion of the lease liability are classified within cash flow from financing activities and only the payments that reflect interest are presented as cash flows from operating activities. For those leases which are not recognized in balance sheet, lease expense is classified within cash flow from operating activities.

Especially in case of long-term premise lease contracts, the accounting values are subject to changes if the lease contract terms are changed or otherwise Posti makes reassessments to the contents of the lease contract. Changed rental payments, changed length of the lease term or changed assessment of lease term or other essential changes are adjusted in accounting in lease liability and right-of-use asset.

The majority of the balance sheet value generated from leasing arrangements are leasing contracts for premises. These contracts are typically related with annual lease amount increases. By number of lease contracts, most lease contracts are connected to leased vehicles in which the monthly lease amount is typically stable during the entire lease contract term.

Future lease amount increases are recognized in lease liability only at that time as they occur. Also corresponding adjustment is made to right-of-use asset.

Vehicles' lease contracts often include service fee components in addition to capital rent. Service fees are not recognized in balance sheet value of lease contracts but only the pure capital rent is included. Service fees are recognized as incurred.

Inventories

Group's inventories comprise stamps, packaging materials, retail goods and production material, such as paper and envelopes. Inventories are valued on a weighted average cost basis and carried at the lower of cost or net realizable value. Cost includes all direct expenditure attributable to the inventories. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Financial assets and liabilities

Financial assets

The Group classifies its financial assets into the following categories: measured at amortized cost and measured at fair value through profit or loss. The classification is based on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets, whose business model is to hold the assets until maturity for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Other financial assets are measured at fair value through profit or loss.

Financial assets are recognized and derecognized at the settlement date. The Group derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside the Group. Any gain or loss arising on derecognition of a financial asset is recognized directly in profit or loss and presented in finance income or expenses (or in other operative income or expenses for trade receivables), together with foreign exchange gains and losses.

Financial assets at amortized cost

Financial assets at amortized cost include investments in bonds and money-market investments, fixed-term bank deposits as well as trade receivables and other receivables. Interest income from these financial assets is included in financial income using the effective interest rate method.

The Group assesses the expected credit losses associated with its debt instruments carried at amortized 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, the Group applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

For trade receivables, the Group applies a simplified loss allowance matrix approach whereby the impairment loss is measured over the life of the asset unless the asset is already written off. Write-offs are based on indicators that there is no reasonable expectation of recovery, for example, due to a failure to make contractual payments or bankruptcy. The changes in loss allowance and loss from write-offs are presented in other operating expenses.

Financial assets at fair value through profit or loss

The Group classifies investments in equity instruments as financial assets at fair value through profit or loss. This category includes unlisted shares. The changes in the fair value of investments in equity instruments are recognized in financial income or expenses at each balance sheet date.

Also, derivatives for which hedge accounting is not applied are included in the financial assets at fair value through profit or loss. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

Financial liabilities

The Group classifies its financial liabilities either into financial liabilities at amortized cost or financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Non-derivative financial liabilities are classified as financial liabilities at amortized cost. They are initially recognized at fair value based on the consideration received. Transaction costs are included in the initial carrying amount of financial liabilities. Subsequently, financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives for which hedge accounting is not applied. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

Derivative contracts and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date. Gain or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The income effect of the value changes of derivative contracts, which constitute effective hedging instruments, and which are subject to hedge accounting, is shown consistently with the hedged item. The Group recognizes derivative contracts as hedges of highly probable future transactions (cash flow hedge) or as other hedges, to which hedge accounting is not applied.

When hedge accounting is applied, the Group documents at the inception of the hedging transaction the relationship between the hedged item and the hedge instruments as well as the objectives of the Group's risk management and the strategy for carrying out the hedging transaction. The Group also documents and assesses prospectively at inception of the hedge and at each reporting date the effectiveness of the hedging relationship by inspecting the hedge instruments' ability to offset the changes in fair values or cash flows of hedged items.

Effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in other comprehensive income. Possible ineffective portion is recognized through profit or loss according to its nature either in other operating income or expenses or financial items. Amounts accumulated in equity are reclassified into profit or loss when the hedged item is recognized through profit or loss. The Group applies cash flow hedging for hedging against interest-rate risk of a loan with variable interest-rate. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accumulated fair value gain or loss is retained in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accumulated fair value gain or loss is recognized trough profit or loss immediately.

For certain derivative instruments while entered into for risk management purposes, hedge accounting is not applied. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. For these contracts, the changes in their fair value are recognized through profit or loss and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that can be easily exchanged for a pre-determined amount of cash and which are subject to an insignificant risk of changes in value. The money-market investments classified as the Group's cash and cash equivalents have a maximum maturity of three months at the acquisition.

Fair Value Measurement

The Group measures derivatives, investments in equity assets as well as assets and liabilities acquired through a business combination at fair value.

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

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

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

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

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

Provisions and contingent liabilities

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities also include obligations that will most likely not require the fulfillment of a payment obligation or the amount of which cannot be reliably determined. Contingent liabilities are disclosed in the notes to the consolidated financial statements.

Critical accounting estimates and judgments in applying accounting policies

Preparing the consolidated financial statements in compliance with IFRS requires that the Group's management makes certain estimates and judgments in applying the accounting policies. These estimates and assumptions are based on the management's best knowledge of current events and circumstances, but the actuals may differ from the estimates and assumptions stated in the financial statements. The areas involving a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong are disclosed below.

Goodwill impairment testing

Goodwill, as well as other assets, are tested for impairment annually or more often if indicators of potential impairment exist.

The determination of impairments of goodwill and other intangible assets involves the use of estimates that include, but are not limited to, the cause, timing, and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in Posti's businesses, increased cost of capital, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions, and other changes in circumstances that indicate an impairment exists. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives, and residual values. When determining the values in use for the cash generating units, additional planning uncertainties are factored in that reflect the risks of macroeconomic development, which could adversely affect future results of operations. The most significant assumptions in goodwill impairment testing comprise of growth in net sales, development of operative result, determination of the discount rate (WACC), and long-term growth rate used after the forecast period.

Uncertainty regarding deferred tax assets

Deferred tax assets are recognized to the extent that it probable that future taxable amounts will be available to utilize the underlying temporary differences and losses. Significant judgement is required to determine the amount that can be recognized and depends foremost on the expected timing and level of taxable profits as well as potential tax planning opportunities. The judgements relate primarily to tax losses carried forward in previous years in some of Posti's foreign operations and utilized in parent company or other Posti companies. Posti assesses at each balance sheet date the expected utilization of deferred tax assets considering the likelihood of (a) expected future taxable profits and (b) positions taken in tax returns being sustained.

When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered as convincing evidence unless the entity has demonstrated the ability of generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. Uncertainty related to new transactions and events and the interpretation of new tax rules may also affect these judgements.

Provisions

Provisions for onerous contracts by Posti are determined based on the net present value (NPV) of Posti's total estimated unavoidable costs for onerous contracts. The estimates are based on future estimated level of losses considering the estimated revenue from these contracts and related directly attributable expenses. The estimates include the effect of inflation, cost-base development, the exchange rate development and discounting. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision and the carrying amounts of provisions are regularly reviewed and adjusted to reflect any changes in estimates.

Lease term determination and assessments on termination and extension options

If lease contract does not contain option clause, Posti will not make judgements on lease contract extension or early termination. In case the contract includes a termination or extension option, Posti considers 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 makes judgement as per each lease contract to exercise or not to exercise the option and related recognition to increase or decrease the accounting lease liability.

Leases and short-term judgement

Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). These leases are not recognized in balance sheet. 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.

Some key premises with short-term lease contracts but with longer term use plans, are, however, recognized in the balance sheet by using a longer lease term than agreed in the lease contract.

Changes in standards not yet effective

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

Changes to the IAS 12 Income Taxes standard (effective January 1, 2023) clarifies the initial recording of deferred tax related to assets and liabilities arising from a single transaction. The exception does not apply, and entity must record deferred taxes on obligations arising from lease agreements and decommissioning, both for the asset and the liability. However, according to Posti's understanding, the change does not affect the netting rules after the initial recognition, so the effect is to be seen mainly in the notes.

Other IFRS standards or IFRIC interpretations coming into force in the future are not estimated to have a material impact on the group's financial statements.

1. Operating segments

As of January 1, 2022 Posti has three reportable segments: eCommerce and Delivery Services, Fulfillment and Logistics Services and Postal Services. Fulfillment and Logistics Services consists of two operating segments: Transval and Aditro Logistics.

Until the end of 2021, Posti had two reportable segments: Mail, Parcel and Logistics Services and Aditro Logistics. Mail, Parcel and Logistics Services included operating segments Postal Services, Parcel and eCommerce, Freight services and Transval.

Operating segments Postal Services and Parcel and eCommerce are separated into two reportable segments, since they do no longer have similar economic characteristics, for example growth prospects. Due to operational change, Parcel and eCommerce and Freight services are combined into a single operating segment, eCommerce and Delivery Services.

Transval and Aditro Logistics will continue as 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.

The chief operating decision maker primarily uses adjusted EBITDA to assess the performance of the operating segments. As of January 1, 2022, Posti aligned its segment reporting with the strategy and presents segments' profitability at the EBITDA level. Both EBITDA and adjusted EBITDA are disclosed by segment. The chief operating decision maker also receives information about the segments' net sales and assets on a monthly basis. Balance sheet items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating assets and liabilities are items the segment uses in its operations or that may be reasonably allocated to the segments. Capital expenditure consists of additions of tangible and intangible assets including additions of right-of-use assets and business acquisitions.

The measurement and recognition principles used in the internal management reporting comply with Group's accounting principles. Transactions between the segments are carried out at market prices.

Divestment of Itella Russia business group

In December 2021 Posti Group completed the divestment of Itella Russia business group. After the divestment Posti has no operations in Russia. Following the divestment, Itella Russia segment 2021 result, including result of the divestment and previously sold real estate companies, is presented as discontinued operations.

eCommerce and Delivery Services

eCommerce and Delivery Services offers parcel, transportation and e-commerce services to corporate and private customers in Finland, Sweden and Baltics. eCommerce and Delivery Services also develops Posti's digital services for an improved customer experience.

Fulfillment and Logistics Services

Transval

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, shops or production sites.

Aditro Logistics

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

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

Other and unallocated

In addition to operating segments, Posti has group headquarters, centralized support functions as well as real-estate company Posti Kiinteistöt Oy which owns the facilities in Finland and offers facility management services to the businesses. These centralized Group functions and related corporate level costs including financing are reported under "Other and unallocated".

Adjusted EBITDA and adjusted operating result

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, which exclude effects of significant items of income and expenses that are considered to incur outside of the ordinary course of business ("special items"). The chief operating decision maker assesses the performance of the segments primarily based on adjusted EBITDA. 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.

2022

EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Segments total	Other and unallocated	Group total
Net Sales	693.3	366.1	617.7	1,677.1		1,677.1
Net Sales, internal	-3.0	-18.9	-3.6	-25.4		-25.4
Net Sales, external	**690.4**	**347.1**	**614.1**	**1,651.6**		**1,651.6**
Adjusted EBITDA	**75.1**	**34.8**	**84.2**	**194.1**	**-10.3**	**183.8**
Special items (impacting EBITDA)	-0.8	-1.9	-2.7	-5.4	-0.2	-5.6
EBITDA	**74.3**	**32.9**	**81.5**	**188.7**	**-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, continuing operations						**31.7**
Result for the period, discontinued operations						0.0
Result for the period						**31.7**
Capital Expenditure, continuing operations	39.5	36.0	40.6	116.2	63.9	180.1
Personnel, end of period	3,647	6,868	8,866	19,381	615	19,996
Net Assets	254.0	337.9	44.4	636.3	-155.3	481.0

2021

EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Segments total	Other and unallocated	Group total
Net Sales	681.1	330.0	610.9	1,621.9		1,621.9
Net Sales, internal	-2.6	-20.3	-4.0	-26.9		-26.9
Net Sales, external	**678.5**	**309.7**	**606.9**	**1,595.0**		**1,595.0**
Adjusted EBITDA	**62.0**	**32.6**	**99.1**	**193.7**	**-12.0**	**181.6**
Special items (impacting EBITDA)	0.1	-0.5	-2.3	-2.8	1.6	-1.1
EBITDA	**62.0**	**32.1**	**96.8**	**190.9**	**-10.4**	**180.5**
Depreciation & amortization						-119.5
Impairment losses						-6.1
Adjusted operating result						**59.8**
Special items (impacting EBIT)						-4.8
Operating result						**55.0**
Financial income & expenses						-6.7
Taxes						-9.6
Result for the period, continuing operations						**38.7**
Result for the period, discontinued operations						-54.7
Result for the period						**-15.9**
Capital Expenditure, continuing operations	41.5	14.5	14.3	70.4	46.0	116.4
Personnel, end of period	3,790	7,616	9,144	20,550	578	21,128
Net Assets	263.8	287.2	9.3	560.3	-75.9	484.5

Net sales of Fulfillment and Logistics Services

Net Sales, EUR million	2022	2021
Transval	232.0	219.8
Aditro Logistics	134.1	110.2
Total	**366.1**	**330.0**

Geographical areas

The group operates in the following geographical areas: Finland, Sweden, the Baltics, and Other countries. The net sales of the geographical areas are determined by the geographical location of the Group's external customer. Assets are presented according to their geographical location, and they include non-current assets except Group goodwill, deferred tax assets and financial instruments. The Group's customer base consists of a large number of customers over several market areas, and net sales to any single customer does not represent a significant part of the Group's net sales.

2022

EUR million	Finland	Sweden	Baltics	Other countries	Total
Net sales	1,346.6	161.4	37.4	106.2	**1,651.6**
Non-current assets	429.1	127.5	23.9	2.1	**582.6**

2021

EUR million	Finland	Sweden	Baltics	Other countries	Total
Net sales	1,305.7	151.2	36.2	102.0	**1,595.0**
Non-current assets	441.8	97.6	20.1	3.1	**562.5**

Revenue streams

EUR million	2022	2021
Sales of services	1,648.3	1,591.2
Sales of goods	3.3	3.8
Total	**1,651.6**	**1,595.0**

2. Acquired and divested businesses and discontinued operations

Acquired businesses 2022

On January 2022 Posti acquired all the shares in Swedish logistics company Veddestagruppen AB. Veddestagruppen has been consolidated from February on and is integrated to Aditro Logistics. Aditro Logistics is a forerunner of delivery and fullfilment services in Sweden and with Veddestagruppen we can expand and strengthen our capabilities even further to better serve our customers. In 2021, Veddestagruppen had net sales of around EUR 23 million. Veddestagruppen employs around 300 people. A goodwill of EUR 18.5 million was recognized in the acquisition. Acquisition supports Posti's strategic goals of growing through parcel business and logistics in Finland, Sweden and the Baltics. Acquisition-related costs of EUR 0.3 million were recognized in other operating expenses.

On March 31, Posti signed an agreement on the acquisition of the early-morning delivery operations of Mediatalo Keskisuomalainen Oyj's subsidiaries Jakelusepät Oy and Ilves Jakelu Oy in the areas of Pohjois-Savo, Päijät-Häme and Kanta-Häme. The transaction is aimed at strengthening the future of the delivery market and ensuring quality service for customers in early-morning delivery in Postal Services. Acquisition was completed during April. Approximately 730 employees transferred to Posti as existing employees. A goodwill of EUR 20.0 million was recognized in the acquisition, reflecting expected synergies from combining delivery networks. The goodwill is deductible for tax purposes. Acquisition-related costs of EUR 0.4 million were recognized in other operating expenses.

In September 1, 2022 Posti acquired of all shares in WebLog Finland Oy. Acquisition supports Posti's strategic targets and strengthens our growth opportunities especially within segment of small and medium sized e-commerce. Acquisition did not have material impact in Posti Group consolidated income statement or balance sheet.

The assets and liabilities recognized as a result of the acquisitions are as follows

Effect on assets EUR million	Veddesta- gruppen	Other	Total fair value
Intangible assets	6.7	1.3	8.0
Property, plant and equipment	0.3	0.3	0.5
Right-of-use assets	22.2	0.0	22.2
Receivables	4.8	0.5	5.3
Cash and cash equivalents	2.9	0.2	3.1
Effect on assets	**36.8**	**2.2**	**39.0**
Effect on liabilities EUR million			
Deferred tax liability	1.8	0.1	1.8
Interest bearing liabilities	22.2	0.1	22.3
Trade payables and other liabilities	3.5	2.1	5.5
Effect on liabilities	**27.4**	**2.3**	**29.7**
Net assets acquired	**9.4**	**0.0**	**9.3**
Components of acquisition cost EUR million			
Cash considerations	27.9	17.4	45.3
Purchase price debt	-	3.0	3.0
Additional purchase price accrual	-	0.6	0.6
Total cost of acquisition	**27.9**	**21.0**	**48.9**
Fair value of net assets acquired	9.4	0.0	9.3
Goodwill	**18.5**	**21.1**	**39.6**
Cash flow effect of the acquisition EUR million			
Purchase price paid in cash	27.9	17.4	45.3
Cash and cash equivalents of the acquired subsidiary	2.9	0.2	3.1
Cash flow	**25.0**	**17.2**	**42.2**

Business divestments in 2022

In December 2022, the Group completed the sale of the entire shareholding of Transval's subsidiary KV Turva Oy. In connection to the sale goodwill impairment loss of EUR 1.6 million was recognized in Fulfillment and Logistics Services -segment. KV Turva Oy net liabilities totalled EUR 0.3 million. The sale did not have material impact in Posti Group consolidated income statement or balance sheet.

Acquired businesses 2021

No business acquisitions were carried out during 2021.

Discontinued operations 2021

In December, 2021 Posti Group completed the divestment of the Itella Russia business group. The divestment of Itella Russia supports Posti's strategy of seeking growth from its parcel and e-commerce as well as logistics businesses in Finland, Sweden and the Baltics. After the divestment Posti has no operations in Russia. Following the divestment, Itella Russia's segment result, including the result of the divestment and previously sold real estate companies, is presented as discontinued operations. The comparison period 2020 is restated accordingly.

The result from discontinued operations includes translation losses of EUR 90.3 million, accumulated over the period of ownership and previously reported as changes in equity according to IFRS. The disposal or real estate entities resulted in tax-deductible losses, for which deferred tax asset was recognized. The change of deferred tax is reported as part of discontinued operations. Consideration received on the sale was all cash and did not include any contingent consideration.

Result for the period from discontinued operations

EUR million	2021	2020
Net sales	49.3	58.9
Other operating income	10.6	13.2
Materials and services	-23.7	-25.7
Employee benefits	-13.7	-15.9
Sale result net of sale costs excluding translation differences	2.8	1.3
Translation differences from equity to sale result	-90.3	-5.9
Other operating expenses	-15.9	-13.9
Depreciation, amortization and impairment losses	-4.4	-7.5
Operating result	**-85.4**	**4.5**
Finance expenses	1.4	-3.0
Income tax	29.3	2.4
Result for the period from discontinued operations	**-54.7**	**3.8**

Cash flow from discontinued operations

EUR million	2021	2020
Cash flow from operating activities	5.4	8.3
Cash flow from investing activities	72.6	0.2

Net assets sold

Sold assets EUR million	2021
Intangible assets	0.8
Property, plant and equipment	50.7
Deferred tax asset	0.6
Receivables	14.8
Cash and cash equivalents	7.2
Assets total	**74.1**

Sold liabilities EUR million	2021
Deferred tax liability	6.0
Interest bearing liabilities	7.5
Trade payables and other liabilities	7.7
Liabilities total	**21.2**
Net assets sold	**52.9**

3. Revenue from contracts with customers

The majority of the Group's revenue is generated by rendering short-term postal and logistics services. Revenue recognition policies are described in Accounting policies. A disaggregation of revenue and services provided by operating segments are presented in note Operating segments.

Assets and liabilities related to contracts with customers

The Group has recognized the following assets and liabilities related to contracts with customers:

EUR million	2022	2021	2020
Contract assets on terminal dues*	18.0	20.8	25.7
Other contract assets	5.0	3.5	3.5
Contract assets total	**23.0**	**24.4**	**29.3**
Contract liabilities on stamps	12.1	18.2	21.4
Contract liabilities on other prepaid services	3.6	3.7	5.1
Other contract liabilities	2.7	2.8	2.0
Contract liabilities total	**18.4**	**24.7**	**28.4**

* Contract assets on terminal dues (from other postal administrations) relate to inbound international mail. According to international multilateral contracts, such as Universal Postal Convention, the party with a net receivable has the right to receive an advance payment for the estimated annual receivable position (outbound mail liability is deducted). As a consequence, the net receivable position resulting from the terminal dues at year-end is materially paid in advance. Advances received are included in the short-term liabilities. More information on terminal dues is presented in note Financial instruments and financial risk management under heading Offsetting of financial instruments.

Revenue recognized in relation to contract liabilities

Revenue recognized that was included in the contract liability balance at the beginning of the period:

EUR million	2022	2021
Stamps and other prepaid services	9.0	13.2
Other contract liabilities	2.8	2.0
Total	**11.8**	**15.2**

Payment terms

The revenue is typically invoiced when the performance obligation is satisfied. For stamps, franking machines and prepaid envelopes as well as for sales taking place at post offices, revenue is invoiced at the time of purchasing event. The Group follows market practices for payment terms, which most commonly vary between 14 and 30 days. Payment terms on terminal dues related to international mail are in accordance with international multilateral contracts and a settlement system, where prepayments are made during the financial year and final settlement of yearly payables and receivables is performed in the following year.

Remaining performance obligations

The Group expects to recognize as revenue the contract liability on the balance sheet date related to stamps within five years, of which EUR 4.5 million within the following financial year.

Other contract liabilities related to unsatisfied performance obligations are expected to be recognized as revenue within the following financial year.

Assets recognized from costs incurred to obtain a contract

In addition to the contract balances disclosed above, the Group has also recognized an asset of EUR 0.5 (1.3) million in relation to sales commissions to stamp retailers. This is presented within other assets in the balance sheet and recognized as expense when the related revenue is recognized in net sales.

4. Other operating income

EUR million	2022	2021
Gains on disposals of property, plant and equipment	0.3	1.3
Rental income	1.9	1.8
Rents from investment property	1.4	1.2
Gains on sale of subsidiaries and businesses	0.5	0.2
Other admin and IT related services and fees	3.7	6.0
Government grants	0.4	0.1
Other items	1.9	2.1
Total	**10.0**	**12.6**

Rental income consists mainly of rent income from buildings and condominiums owned by Posti. Other admin and IT related services and fees relates mainly to Posti Messaging business. Other items include income from the sale of services and materials. Other items also include Posti's share of associated company result.

5. Materials and services

EUR million	2022	2021
Production materials	30.1	25.9
Subcontracting and external services	133.6	144.4
Mail transport and delivery services	257.0	247.7
Freight and transport	63.6	55.6
Other production cost	0.0	0.5
Total	**484.3**	**474.0**

External services consist mainly of purchased subcontracting services for production such as freight, forwarding and transport services.

6. Employee benefits

EUR million	2022	2021
Wages and salaries	570.8	556.3
Pensions (defined contribution plans)	93.7	90.7
Pensions (defined benefit plans)	0.1	0.0
Other social expenses	36.2	35.0
Total	**700.8**	**682.0**

Employee benefits

More detailed information on defined benefit pension plans is presented in note Pension liabilities.

Employee benefit expense includes EUR 3.0 million (2021: 1.5) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and the Group's profitability improvement programs.

The Group's senior management, different operational management and specialist roles are involved in the cash-settled short-term bonus plan. The bonus is based on the Group's, the unit's and the team's financial and strategic indicators. Posti confirms annually the threshold values for these indicators.

Decisions concerning long-term incentive schemes are made by the Board of Directors on the recommendation of the Personnel Committee. Long-term incentive schemes are rolling 3-year programs, which are settled in cash. The schemes include the Leadership Team as well as key employees per scheme named by the Personnel Committee. The schemes have been implemented in accordance with the valid guidelines by the state-owner concerning the remuneration of executive management.

For key management compensation, see note Related Parties.

7. Other operating expenses

EUR million	2022	2021
Rents and leases	40.3	32.2
Voluntary employee expenses	16.3	14.3
Losses on disposal of businesses and property, plant and equipment	0.1	0.1
IT operating costs	76.0	79.7
Facility maintenance	35.1	30.1
Other production costs	53.6	45.6
Office, marketing and travel	34.3	26.4
Other operating items	42.6	42.7
Total	**298.4**	**271.1**

Other operating expenses include expenses on short-term or low-value leased premises, vehicles and other equipment not recognized in balance sheet, voluntary personnel expenses, IT operating costs and facility maintenance expenses related to premises and vehicles. It also includes other operating expenses containing expenses related to fuels and lubricants and other production expenses, sales commissions paid to non-employees as well as other sales and marketing costs, administration, traveling and entertainment expenses.

Posti Group other operating expenses and employee benefits include EUR 5.7 (2021: 3.8) million of research and development costs. Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 11.9 (2021: 9.3) million.

Office expenses includes auditor fees as follows:

EUR million	2022	2021
Auditor fees		
Audit	0.6	0.5
Other services	0.1	0.2
Total	**0.7**	**0.7**

8. Depreciation, amortization and impairment losses

EUR million	2022	2021
Amortization on intangible assets		
Development costs	13.2	8.8
Intangible rights	15.5	19.0
Total	**28.7**	**27.8**
Impairment losses on intangible assets		
Impairment losses on intangible rights	0.4	4.5
Impairment losses on goodwill	1.6	-
Total	**2.0**	**4.5**
Depreciation on property, plant and equipment		
Buildings and structures	8.4	7.7
Machinery and equipment	25.8	25.7
Other tangible assets	0.2	0.2
Total	**34.3**	**33.6**
Impairment losses on property, plant and equipment		
Impairment losses on machinery and equipment	0.1	0.3
Impairment losses on buildings	0.0	0.7
Impairment losses on other tangible assets	-	0.0
Total	**0.1**	**1.0**
Depreciation on right-of-use assets	**61.4**	**58.1**
Impairment losses on right-of-use assets	**0.6**	**-**
Impairment losses on associated companies	**-**	**0.6**
Total depreciation, amortization and impairment losses	**127.1**	**125.5**

In connection to the sale of Transval's subsidiary KV Turva Oy a goodwill impairment loss of EUR 1.6 million was recognized in Fulfillment and Logistics Services -segment.

Goodwill is not amortized but is tested for impairment annually and whenever there are indications for impairment.

More information about impairment testing of goodwill is presented in note Intangible assets.

In 2021, Posti's largest impairment loss on intangible rights was an EUR 2.4 million impairment of warehouse management system in Transval.

9. Financial income and expenses

Financial income

EUR million	2022	2021
Dividend income	0.0	0.0
Interest income		
Financial assets at amortised cost	0.9	0.8
Exchange rate gains		
Interest-bearing receivables and liabilities	0.5	0.2
Currency derivatives, non-hedge accounting	2.7	1.2
Other financial income		0.0
Total	**4.1**	**2.2**

Financial expenses

EUR million	2022	2021
Interest expenses		
Financial lease liabilities at amortised cost	6.3	5.6
Other financial liabilities at amortised cost	1.6	1.5
Exchange rate losses		
Interest-bearing receivables and liabilities	3.0	0.6
Currency derivatives, non-hedge accounting	0.7	0.9
Other financial expenses	0.3	0.4
Total	**11.8**	**8.9**

10. Income tax

EUR million	2022	2021
Current tax expense	0.9	11.6
Taxes for previous years	0.0	-0.4
Deferred tax	10.7	-1.6
Total	**11.6**	**9.6**

Continuing operations

Reconciliation of tax charge at Finnish tax rate (20%)

EUR million	2022	2021
Profit or loss before tax	43.3	48.3
Income tax at parent company's tax rate of 20%	8.7	9.7
Difference in foreign subsidiaries tax rates	-0.3	-0.9
Non-deductible expenses and other differences	1.9	0.9
Other deductible expense not recognized in income statement	-0.2	-0.1
Tax-exempt income	-0.1	-0.4
Adjustments in taxes from previous years	0.0	-0.4
Unrecognized deferred tax asset on losses for the period	1.7	0.8
Income tax	**11.6**	**9.6**
Effective tax rate	26.7%	19.9%

Discontinued operations

Reconciliation of tax charge at Finnish tax rate (20%)

EUR million	2022	2021
Profit or loss before tax	**-**	**-84.0**
Income tax at parent company's tax rate of 20%	-	-16.8
Tax-exempt income	-	-0.5
Non-deductible expenses and other differences	-	0.4
Other deductible expense not recognized in income statement	-	-12.4
Income tax	**-**	**-29.3**

Effective tax rate increased to 26.7% (2021: 19.9%) which was mainly caused by foreign tax losses where deferred taxes were not recognized and non-deductible expenses. Non-deductible expenses were related to loss of subsidiary sales and related impairments. Totally these items increased Group's effective tax rate EUR 3.6 million (2021: 1.7).

During comparable period 2021 Posti recognized significant deferred tax assets for taxable losses in connection of sales of Russian real estate companies for discontinued operations. In 2022 Group utilized tax losses about EUR 11 million and this is recognized in change of deferred taxes. Posti estimates that it will be able to utilize fully these losses by 2024.

11. Intangible assets

2022

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	253.1	270.4	69.6	22.7	362.8
Translation differences and other adjustments	-4.1	-1.6	-0.4	0.0	-1.9
Acquired businesses	39.6	8.0			8.0
Additions		7.9	20.2	-1.4	26.7
Disposals		-20.0	-0.8		-20.8
Transfers between items		0.0	-0.6	0.2	-0.3
Acquisition cost December 31	**288.6**	**264.8**	**88.1**	**21.6**	**374.4**
Accumulated amortization and impairment losses January 1	-63.2	-230.5	-44.6	-3.4	-278.5
Translation differences and other adjustments		0.7	0.2		0.9
Acquired businesses			0.0		0.0
Amortization for the financial period, continuing operations		-15.3	-13.2		-28.6
Impairments, continuing operations*	-1.6	-0.4			-0.4
Accumulated amortization on disposals and transfers		19.8	0.5		20.3
Accumulated amortization and impairment losses December 31	**-64.9**	**-225.7**	**-57.1**	**-3.4**	**-286.1**
Carrying amount on January 1	**189.9**	**39.9**	**25.0**	**19.4**	**84.3**
Carrying amount on December 31	**223.7**	**39.1**	**31.0**	**18.2**	**88.2**

* Goodwill impairment of EUR 1.6 million was recognised in a connection to a sale of Transval's subsidiary KV Turva Oy. Sale was completed in December 2022.

2021

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	253.9	291.4	59.5	14.8	365.7
Translation differences and other adjustments	-0.8	-0.6	-0.1	0.0	-0.8
Business divestments		-3.1		0.0	-3.1
Additions		2.5	16.9	8.2	27.6
Disposals		-19.7	-6.1		-25.8
Transfers between items		0.0	-0.6	-0.2	-0.9
Acquisition cost December 31	**253.1**	**270.4**	**69.6**	**22.7**	**362.8**
Accumulated amortization and impairment losses January 1	-63.2	-231.1	-41.5	-3.4	-275.9
Translation differences and other adjustments		0.1	0.0		0.1
Business divestments		2.4			2.4
Amortization for the financial period, continuing operations		-18.6	-8.8		-27.4
Impairments, continuing operations		-3.9	-0.6		-4.5
Amortization and impairments, discontinued operations		-0.3			-0.3
Accumulated amortization on disposals and transfers	0.0	21.0	6.2		27.1
Accumulated amortization and impairment losses December 31	**-63.2**	**-230.5**	**-44.6**	**-3.4**	**-278.5**
Carrying amount on January 1	**190.7**	**60.3**	**18.0**	**11.4**	**89.7**
Carrying amount on December 31	**189.9**	**39.9**	**25.0**	**19.4**	**84.3**

Intangible rights include customer portfolios acquired in business combinations as well as licenses and applications.

Goodwill impairment testing

Goodwill is tested for impairment annually or more often if indicators of impairment exist. Goodwill impairment testing involves the use of estimates and is one of the critical accounting policies where the management makes estimates and judgments. This has been described in the Accounting policies under the section Critical accounting estimates and judgments in applying accounting policies.

Allocation of goodwill to the Group's cash generating units is presented in the table below.

EUR million Cash generating unit	Reportable segment	2022	2021
eCommerce and Delivery Services	eCommerce and Delivery Services	75.6	74.7
Transval	Fullfillment and Logistics Services	60.5	62.2
Aditro Logistics	Fullfillment and Logistics Services	52.3	37.9
Postal Services	Postal Services	35.2	15.2
Total		**223.7**	**189.9**

The result of the goodwill impairment testing in 2022

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. No impairment losses were recognized based on the goodwill impairment tests in 2022.

Impairment testing and sensitivity analysis 2022

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

The terminal value beyond three years is based on a terminal growth rate expectation of 1.5% (2021: 1.5%) for eCommerce and Delivery Services, Transval and Aditro Logistics. Posti expects 1.5% growth rate to simulate potential growth in the addressable markets. For Postal Services the estimated terminal growth rate used is -11.8% (2021: -11.4%) which is assessed on base of forecasted net sales and expenses of Postal Services. Posti anticipates that the decline of traditional postal services continues and the business is impacted by the rapid transformation.

Weighted average cost of capital (WACC) before taxes with IFRS 16 capital structure, determined for each cash generating unit, has been used as discount rate. Discount rates reflect specific risks relating to the relevant cash generating unit. Discount rates in testing 2022 have increased significantly in comparison to testing 2021. The most essential factor is the increase in long-term risk-free rates.

The key outcomes and the parameters used in testing 2022

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %"	Discount rate, %	Terminal year EBIT margin, %
eCommerce and Delivery Services	357	5.6	1.5	7.7	6.0
Transval	35	3.4	1.5	7.7	5.7
Aditro Logistics	19	1.8	1.5	7.0	4.4
Postal Services	85	5.0	-11.8	6.9	3.7

A sensitivity analysis is presented below for those cash generating units where the Group estimates that a reasonably possible change in the key assumptions could cause recognition of an impairment loss. The analysis was done by determining which key parameter values would produce a carrying amount that would equal the value-in-use. The parameters used in the analysis were the discount rate and the terminal year EBIT margin. The analysis was carried out by changing the values of a single parameter while leaving the others constant. The table below indicates the limits within which the carrying amount and value-in-use are equal.

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Transval	8.7	4.8
Aditro Logistics	7.6	3.7

The result of the goodwill impairment testing in 2021

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. No impairment losses were recognized based on the goodwill impairment tests in 2021.

Impairment testing and sensitivity analysis 2021

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

The terminal value beyond three years is based on a terminal growth rate expectation of 1.5% (2020: 1.5%) for Parcel and eCommerce, Transval and Aditro Logistics. Posti expects 1.5% growth rate to simulate potential growth in the addressable markets. For Postal Services the estimated terminal growth rate used is -11.4% (2020: -11.4%) which is assessed on base of forecasted net sales and expenses of Postal Services. Posti anticipates that the decline of traditional postal services continues and the business is impacted by the rapid transformation.

Weighted average cost of capital (WACC) before taxes with IFRS 16 capital structure, determined for each cash generating unit, has been used as discount rate. Discount rates reflect specific risks relating to the relevant cash generating unit.

The key outcomes and the parameters used in testing 2021

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	154	6.3	-11.4	5.2	4.2
Parcel and eCommerce	664	8.1	1.5	5.9	7.9
Transval	40	1.1	1.5	5.7	3.6
Aditro Logistics	68	-0.3	1.5	6.0	4.4

A sensitivity analysis is presented below for those cash generating units where the Group estimates that a reasonably possible change in the key assumptions could cause recognition of an impairment loss. The analysis was done by determining which key parameter values would produce a carrying amount that would equal the value-in-use. The parameters used in the analysis were the discount rate and the terminal year EBIT margin. The analysis was carried out by changing the values of a single parameter while leaving the others constant. The table below indicates the limits within which the carrying amount and value-in-use are equal.

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Transval	6.6	2.7
Aditro Logistics	7.9	1.9

12. Investment property

EUR million	2022	2021
Acquisition cost January 1	5.2	5.2
Acquisition cost December 31	**5.2**	**5.2**
Accumulated depreciation and impairment losses January 1	-1.6	-1.6
Accumulated depreciation and impairment losses December 31	**-1.6**	**-1.6**
Carrying amount on January 1	**3.5**	**3.5**
Carrying amount on December 31	**3.5**	**3.5**

Investment property includes three properties that Posti has leased out to external parties. Two of the properties are land areas and one is a building. In 2022, rental income from investment property totaled EUR 1.4 million (2021: 1.2) and maintenance charges amounted to EUR 0.4 (2021: 0.4) million. The fair value of investment properties totals EUR 10.8 (2021: 10.8) million. Fair values are based on an external real estate agents' appraisals.

13. Property, plant and equipment

2022

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	46.2	287.8	372.6	10.7	34.4	751.8
Translation differences and other adjustments	0.0	-0.1	-0.7	0.0	-0.4	-1.1
Acquired businesses			1.0			1.0
Additions	0.6	24.8	32.3	0.6	-22.0	36.2
Disposals		-0.1	-34.1			-34.1
Transfers between items			0.5			0.5
Acquisition cost on December 31	**46.8**	**312.5**	**371.7**	**11.3**	**12.0**	**754.2**
Accumulated depreciation and impairment losses January 1	-0.6	-219.4	-289.2	-9.0		-518.1
Translation differences and other adjustments		0.0	0.1	0.0		0.2
Acquired businesses			-0.5			-0.5
Depreciation for the period, continuing operations		-8.4	-25.7	-0.2		-34.2
Impairment, continuing operations		0.0	-0.1			-0.1
Accumulated depreciation on disposals and transfers		0.0	33.4			33.5
Accumulated depreciation and impairment losses December 31	**-0.6**	**-227.6**	**-281.9**	**-9.3**		**-519.3**
Carrying amount on January 1	**45.7**	**68.4**	**83.4**	**1.7**	**34.4**	**233.6**
Carrying amount on December 31	**46.2**	**84.8**	**89.8**	**2.0**	**12.0**	**234.9**

2021

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	54.7	372.2	403.8	12.7	9.5	852.9
Translation differences and other adjustments	1.1	4.1	1.4	0.2	0.0	6.7
Business divestments	-14.6	-87.7	-20.0	-2.7	-0.1	-125.1
Additions	5.3	1.7	18.1	0.7	26.9	52.8
Disposals	-0.3	-2.6	-32.4	-0.1		-35.3
Transfers between items	0.0	0.0	1.7		-1.9	-0.2
Acquisition cost on December 31	**46.2**	**287.8**	**372.6**	**10.7**	**34.4**	**751.8**
Accumulated depreciation and impairment losses January 1	-0.6	-257.9	-310.1	-10.8		-579.3
Translation differences and other adjustments		-1.2	-1.0	-0.1		-2.3
Business divestments		49.4	17.2	2.1		68.7
Depreciation for the period, continuing operations		-7.7	-25.7	-0.2		-33.6
Impairment, continuing operations		-0.7	-0.3	-0.0		-1.0
Depreciation and impairment, discontinued operations		-3.2	-0.7	-0.1		-4.1
Accumulated depreciation on disposals and transfers		1.9	31.5	0.1		33.4
Accumulated depreciation and impairment losses December 31	**-0.6**	**-219.4**	**-289.2**	**-9.0**		**-518.1**
Carrying amount on January 1	**54.1**	**114.3**	**93.7**	**1.9**	**9.5**	**273.6**
Carrying amount on December 31	**45.7**	**68.4**	**83.4**	**1.7**	**34.4**	**233.6**

14. Right-of-use assets

2022

EUR million	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	291.8	13.3	59.5	364.6
Translation differences and other adjustments	-8.7	-1.4	0.0	-10.1
Acquired businesses	20.5	1.2	0.6	22.2
Additions	37.6	3.1	22.7	63.4
Disposals	-3.9	-1.2	-6.3	-11.4
Acquisition cost on December 31	**337.2**	**15.1**	**76.5**	**428.8**
Accumulated amortization and impairment losses January 1	-94.2	-5.2	-26.1	-125.4
Translation differences and other adjustments	1.5	1.2	0.0	2.7
Depreciation for the financial period	-43.7	-3.2	-13.8	-60.7
Impairment for the financial period	-0.6			-0.6
Accumulated depreciation on disposals and transfers	2.9	1.1	6.1	10.1
Accumulated depreciation and impairment losses December 31	**-134.0**	**-6.1**	**-33.7**	**-173.8**
Carrying amount on January 1	**197.6**	**8.2**	**33.4**	**239.2**
Carrying amount on December 31	**203.2**	**8.9**	**42.9**	**255.0**

2021

EUR million	Land	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	0.4	295.5	11.8	47.7	355.4
Translation differences and other adjustments	0.0	-1.9	0.2	0.0	-1.8
Additions	0.0	13.4	3.1	20.2	36.7
Disposals	-0.4	-15.3	-1.8	-8.3	-25.7
Acquisition cost on December 31	**0.0**	**291.8**	**13.3**	**59.5**	**364.6**
Accumulated amortization and impairment losses January 1	-0.3	-66.0	-3.2	-23.1	-92.6
Translation differences and other adjustments	0.0	0.3	-0.2	0.0	0.1
Depreciation for the financial period, continuing operations	-0.1	-43.9	-3.4	-10.5	-58.0
Accumulated depreciation on disposals and transfers	0.4	15.4	1.7	7.6	25.1
Accumulated depreciation and impairment losses December 31	**0.0**	**-94.2**	**-5.2**	**-26.1**	**-125.4**
Carrying amount on January 1	**0.1**	**229.6**	**8.6**	**24.5**	**262.8**
Carrying amount on December 31	**0.0**	**197.6**	**8.2**	**33.4**	**239.2**

15. Investments in associated companies

The Group's share of the result, asset items and liabilities of the associates is presented below.

EUR million	2022	2021
Carrying amount on January 1	0.9	1.9
Impairments	-	-0.6
Share of result in associated company	0.0	-0.3
Other	-0.9	-0.1
Carrying amount on December 31	**-**	**0.9**

None of the transactions between Posti Group and Stella Care Oy, either on stand-alone or aggregated basis are considered material.

On December 21, 2021, Posti announced that Posti Group associate company Stella Care is selling its business activities to the healthcare service company 9Lives. Through the transaction, Posti will divest its entire ownership of Stella Care after a transfer period.

During 2022, the arrangement has been dismantled and Posti has no ownership of Stella Care. In connection of dismantling in 2022 Posti received cash return of million EUR 0.9 million.

16. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2022

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other compre-hensive income	31 Dec
Unused tax losses	18.7	0.8		-11.3		8.2
Pension obligations	2.2			-0.2	0.3	2.3
Leasing contracts	1.2	0.0		0.5		1.6
Temporary differences from business transactions	1.0			-0.4		0.6
Impairment on real estate shares	0.8					0.8
Restructuring provision	0.7			-0.2		0.5
Difference between accounting depreciation and tax depreciation	0.9			0.1		1.0
Other temporary differences	0.3				-0.2	0.1
Total	**25.7**	**0.8**	**-**	**-11.5**	**0.1**	**15.1**

Deferred tax liabilities 2022

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other compre-hensive income	31 Dec
Intangible and tangible assets	5.1			0.5		5.6
Fair value measurement of intangible and tangible assets in acquisition	4.0	-0.2	1.4	-1.3		3.9
Accumulated depreciation in excess of plan	2.9	0.0		-0.2		2.7
Other temporary differences	0.1	-0.3	0.4	0.2	0.4	0.8
Total	**12.1**	**-0.5**	**1.8**	**-0.8**	**0.4**	**13.0**

Deferred tax assets 2021

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other compre-hensive income	31 Dec
Unused tax losses	0.6			18.1		18.7
Pension obligations	1.5			-0.1	0.8	2.2
Leasing contracts	0.7			0.4		1.2
Temporary differences from business transactions	1.4			-0.4		1.0
Impairment on real estate shares	1.4		-0.5	-0.1		0.8
Restructuring provision	0.9			-0.3		0.7
Other temporary differences	1.1	-0.6		0.6		1.2
Total	**7.7**	**-0.6**	**-0.5**	**18.2**	**0.8**	**25.7**

Deferred tax liabilities 2021

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	31.12.
Intangible and tangible assets	5.6		-0.5	0.0	5.1
Fair value measurement of intangible and tangible assets in acquisition	11.3	0.3	-5.7	-1.9	4.0
Accumulated depreciation in excess of plan	3.0			-0.1	2.9
Other temporary differences	0.0	-0.2		0.3	0.1
Total	**20.0**	**0.1**	**-6.2**	**-1.8**	**12.1**

Deferred tax assets are recognized to the extent that it is probable that future taxable amounts will be available to utilize the underlying temporary differences and losses. Significant judgment is required to determine the amount that can be recognized. This judgment is described in the accounting principles under the section Critical accounting estimates and judgments in applying accounting policies.

Decrease of deferred tax assets were mainly caused by utilization of unused tax losses in Finland.

On December 31, 2022, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 33.6 (2021: 27.1) million, since it is not considered probable that future taxable amounts will be generated. These losses are mainly arising from businesses outside Finland and a majority of them do not expire.

A deferred tax liability is recognized on undistributed profits of subsidiaries located in countries where corporate income taxes are applied to distributed dividends, when it is likely that dividends will be distributed in the foreseeable future. Posti had EUR 22.3 million undistributed profits at 31.12.2022 in those countries (2021: 20.8 million) for which deferred tax liability has not been recognized.

17. Inventories

EUR million	2022	2021
Materials and supplies	1.0	1.0
Goods	2.8	2.9
Advance payments for inventories	0.0	0.1
Total	**3.9**	**4.0**

Inventories include stamps, packaging materials and paper supplies which Posti sells in its service points.

18. Trade and other receivables

EUR million	2022	2021
Trade receivables	230.9	240.7
Accrued income and prepayments	45.0	48.3
Other receivables	11.0	7.4
Total	**286.9**	**296.4**

More information on trade receivables is provided in note Financial instruments and financial risk management.

The largest item under accrued income and prepayments is EUR 18.0 million (2021: 20.8) accrued terminal due receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

Other receivables mainly include credit card receivables from banks and financing companies.

19. Equity

EUR million	2022	2021
Share capital	70.0	70.0
General purpose reserve	142.7	142.7
Fair value reserve	1.7	-0.7
Translation differences	-5.2	-0.6
Retained earnings	271.8	273.1
Total shareholders' equity	**481.0**	**484.5**

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2022. All of the shares are held by the Finnish State. The shares do not have a nominal value. Posti Group Corporation's share capital amounts to EUR 70,000,000 for all periods presented. All issued shares have been paid in full.

General purpose reserve

The general purpose reserve amounts to EUR 142.7 million and includes reserves transferred from the share premium to the reserve. The reserve is included in the distributable funds of the Group's parent company.

Fair value reserve

Changes in the fair value derivatives hedging interest rate risk (cash flow hedge) are recognized in the fair value reserve.

Translation difference

Translation differences include the differences resulting from the translation of foreign units' financial statements and net investments in foreign currencies.

Consolidated statement of changes in equity contains additional information on changes in equity items.

Distributable funds

The distributable funds of the Group's parent company Posti Group Corporation:

EUR million	2022	2021
General purpose reserve	142.7	142.7
Retained earnings	313.6	228.3
Capitalised development costs	-1.0	-0.8
Total distributable funds	**455.3**	**370.1**

Dividend distribution

The Board of Directors proposes the Annual General Meeting a dividend distribution of EUR 31.7 million (0.79 per share) for the year 2022. Dividends distributed for the year 2021 totaled EUR 32.0 million (0.80 per share). The dividend was paid in two parts during the year 2022.

20. Pension liabilities

Main characteristics of the defined benefit pension plans

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

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

Defined benefit pension liabilities in the balance sheet

EUR million	2022	2021
Present value of funded obligation	50.6	62.1
Fair value of plan assets	-39.5	-51.0
Deficit	**11.1**	**11.1**

Defined benefit pension expenses in the income statement

EUR million	2022	2021
Current service cost	0.0	0.0
Interest expense	0.1	0.0
Total	**0.1**	**0.0**

Statement of comprehensive income

EUR million	2022	2021
Remeasurement gains (-) and losses (+)	1.3	4.2

Changes in the present value of the pension obligation

EUR million	2022	2021
Obligation at the beginning of the period	62.1	64.4
Current service cost	0.0	0.0
Interest expense	0.3	0.0
Paid benefits	-4.9	-4.9
Actuarial gains (-) and losses (+) on changes in financial assumptions	-9.7	1.9
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	0.0
Experience-based gains (-) and losses (+)	2.8	0.6
Obligation at the end of the period	**50.6**	**62.1**

Changes in the fair value of the plan assets

EUR million	2022	2021
Fair value of the plan assets at the beginning of the period	51.0	57.2
Interest income	0.2	0.0
Paid benefits	-4.9	-4.9
Employer contributions	1.3	0.3
Actual return on plan assets less interest income	-8.2	-1.7
Fair value of the plan assets at the end of the period	**39.5**	**51.0**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 1.4 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 8.1 years.

The plan assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution within categories is not possible to provide.

Key actuarial assumptions and sensitivity analysis

EUR million	2022	2021
Discount rate (%)	3.10–3.20	0.38–0.86
Future pension increase expectation (%)	2.8	2.2–2.3

		Change in defined benefit liability			
EUR million	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-0.3	-2.8%	0.3	2.9%
Pension increase rate	0.25%	0.9	7.8%	-0.8	-7.6%

EUR million	Increase by one year		Decrease by one year	
Life expectancy at birth	1.0	8.6%	-0.7	-5.9%

The above analysis is based on only changing one assumption while holding all other assumptions constant.

21. Provisions

2022

EUR million	Restructuring provision	Other	Total
Carrying amount 1 Jan	3.3	0.2	3.5
Increase in provisions	0.7	0.3	1.0
Used provisions	-1.4	-0.4	-1.8
Unused amounts reversed	-0.3	0.1	-0.2
Carrying amount 31 Dec	**2.4**	**0.1**	**2.5**

2021

EUR million	Restructuring provision	Other	Total
Carrying amount 1 Jan	4.7	0.4	5.1
Translation difference and transfers between items	0.0	0.0	0.0
Increase in provisions	1.6	0.4	1.9
Used provisions	-1.3	-0.5	-1.8
Unused amounts reversed	-1.7	0.0	-1.8
Carrying amount 31 Dec	**3.3**	**0.2**	**3.5**

EUR million	2022	2021
Long-term provisions	2.4	3.0
Short-term provisions	0.2	0.5
Total	2.5	3.5

Restructuring provisions

Restructuring provisions are primarily related to the statutory labor negotiations conducted in recent years. A significant portion of the long-term personnel expense provisions in the Group's Finnish companies is the employer's liability component within the unemployment insurance contribution towards the Unemployment Insurance Fund.

22. Trade and other payables

Other non-current payables

EUR million	2022	2021
Advances received and deferred revenue	7.6	12.9
Other liabilities	0.9	0.5
Derivative contracts	0.0	0.9
Other accrued expenses	5.2	5.8
Total	**13.7**	**20.1**

Current trade and other payables

EUR million	2022	2021
Derivative contracts	0.1	0.0
Trade payables	82.1	79.9
Advances received and deferred revenue	62.9	80.1
Accrued personnel expenses	140.7	140.5
Other accrued expenses	47.9	53.4
Other liabilities	51.3	50.9
Current trade and other payables	**384.9**	**404.8**

Advances received include deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section Revenue recognition. The total amount of non-current and current liability is EUR 15.7 (2021: 21.9) million.

The most significant item within other accrued expenses is estimated payables for terminal due payments to other Postal administrations, totaling EUR 4.5 (2021: 6.1) million. The remaining items comprise ordinary accruals of expenses.

23. Financial instruments and financial risk management

Financial assets and liabilities

2022

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Non-current financial assets						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		0.0		0.0	0.0	2
Interest-rate derivatives			2.2	2.2	2.2	2
Non-current financial assets	**1.0**	**0.0**	**2.2**	**3.2**	**3.2**	
Current financial assets						
Trade and other receivables		274.1		274.1	274.1	
Currency derivatives	1.0			1.0	1.0	2
Money market investments		7.9		7.9	8.0	2
Investments in quoted bonds		19.5		19.5	19.6	1
Investments in unquoted bonds		4.8		4.8	4.8	2
Current financial assets	**1.0**	**306.3**		**307.3**	**307.4**	
Money market investments		21.9		21.9	21.9	2
Cash and bank		60.8		60.8	60.8	
Cash and cash equivalents	**0.0**	**82.6**		**82.6**	**82.6**	
Total financial assets	**1.9**	**389.0**	**2.2**	**393.1**	**393.1**	

EUR million	At fair value through profit or loss	Measured at amortised cost	Carrying value	Fair value	Level
Non-current financial liabilities					
Loans from financial institutions		60.0	60.0	60.1	2
Lease liabilities		205.0	205.0	205.0	2
Other borrowings		0.0	0.0	0.0	2
Other liabilities	0.3		0.3	0.3	3
Non-current financial liabilities	**0.3**	**265.0**	**265.2**	**265.4**	
Current financial liabilities					
Lease liabilities		58.4	58.4	58.4	2
Currency derivatives	0.1		0.1	0.1	2
Trade payables and other liabilities	0.4	129.9	130.3	130.3	
Current financial liabilities	**0.4**	**188.3**	**188.7**	**188.7**	
Total financial liabilities	**0.7**	**453.3**	**454.0**	**454.1**	

2021

EUR million	At fair value through profit or loss	Measured at amortised cost	Carrying value	Fair value	Level
Non-current financial assets					
Other non-current investments	1.0		1.0	1.0	3
Non-current receivables		1.5	1.5	1.5	2
Non-current financial assets	**1.0**	**1.5**	**2.5**	**2.5**	
Current financial assets					
Trade and other receivables		281.7	281.7	281.7	
Currency derivatives	0.6		0.6	0.6	2
Money market investments		29.4	29.4	29.5	2
Investments in quoted bonds		19.7	19.7	19.9	1
Investments in unquoted bonds		4.8	4.8	4.8	2
Debt certificates		10.0	10.0	10.0	
Current financial assets	**0.6**	**345.6**	**346.2**	**346.4**	
Money market investments		11.5	11.5	11.5	2
Cash and bank		85.7	85.7	85.7	
Cash and cash equivalents	**0.0**	**97.2**	**97.2**	**97.2**	
Total financial assets	**1.6**	**444.3**	**445.8**	**446.1**	

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Total financial assets	**1.6**	**444.3**		**445.8**	**446.1**	
Non-current financial liabilities						
Loans from financial institutions		60.0		60.0	60.1	2
Lease liabilities		193.4		193.4	193.4	2
Other borrowings		0.4		0.4	0.4	2
Interest-rate derivatives			0.9	0.9	0.9	2
Non-current financial liabilities		**253.8**	**0.9**	**254.7**	**254.9**	
Current financial liabilities						
Lease liabilities		51.4		51.4	51.4	2
Other borrowings		0.9		0.9	0.9	2
Currency derivatives	0.0			0.0	0.0	2
Trade payables and other liabilities		132.1		132.1	132.1	
Current financial liabilities	**0.0**	**184.4**	**0.0**	**184.4**	**184.4**	
Total financial liabilities	**0.0**	**438.2**	**0.9**	**439.0**	**439.2**	

Hierarchy levels

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

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

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

The fair values of currency forward contracts are calculated by valuing forward contracts at the present value of the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of zero interest rate floors related to interest rate swaps are based on the generally used option pricing models.

The fair values of investments in money market instruments are based on the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information such as interest yield and issuer's credit spread (Level 2). The fair values of the loans from financial institutions and lease liabilities are calculated by discounting the forecast cash flows with the market rates on the reporting date. Due to the short-term nature of the trade and other current receivables and trade payables and other current liabilities, their carrying amount is considered to be the same as their fair value.

No transfers between fair value hierarchy levels were made during 2022 or 2021. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

Reconciliation of Level 3 financial assets

2022

EUR million	Shares
Carrying amount 1 Jan	**1.0**
Exercises	0.0
Carrying amount 31 Dec	**1.0**

2021

EUR million	Shares
Carrying amount 1 Jan	**1.0**
Exercises	-
Carrying amount 31 Dec	**1.0**

Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

Financial risk management

Principles of risk management

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

Risk management organization

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

Market risks

Foreign Currency risk

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks in the balance sheet related to financial operations. Unhedged exposure is permitted within the limits specified in the Group's treasury policy. Loans granted by the parent company to subsidiaries are in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. Due to high hedging costs of Russian ruble the Group has not hedged the ruble-denominated receivables of the parent company during the presented financial years. In November 2021, the Group divested the companies forming the Itella Russia business group. After the divestment, the Group has no operations in Russia. The Group may hedge contract based operative cash flows at maximum to 100 percent of the following 12 months cash flows. On the balance sheet dates December 31, 2022, or December 31, 2021, the Group did not have highly probable operative cash flows defined as hedged items or related hedging currency derivatives under hedge accounting. On the balance sheet date, the Group had currency derivatives with a nominal value of EUR 41.3 (2021: 23.2) million in total used to hedge against the currency risk associated with loans, receivables and commitments.

The Group is also exposed to translation risks in connection with the net investments in subsidiaries outside the euro area. The objective of translation risk management is to ensure that exchange rate fluctuations do not cause any material changes in the Group's gearing. On the balance sheet date, the Group had not hedged against translation risk of any of its foreign net investments.

Foreign exchange rates

Average rate	2022	2021
SEK	10.629	10.145
NOK	10.109	10.164
SDR	0.786	0.831

Closing rate	2022	2021
SEK	11.122	10.250
NOK	10.514	9.989
SDR	0.799	0.808

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

Major transaction risk positions on the balance sheet date

2022

EUR-companies

EUR million	SEK	USD	SDR	RUB
Trade receivables and payables	0.2	0.0	-12.5	1.3
Loans and bank accounts*	25.8	0.0		
Derivatives	-25.7			
Open position	0.3	0.0	-12.5	1.3

2021

EUR-companies

EUR million	SEK	USD	SDR	RUB
Trade receivables and payables	-0.1	-0.2	-11.5	1.2
Loans and bank accounts*	22.6	0.0		
Derivatives	-22.7			
Open position	-0.3	-0.2	-11.5	1.2

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

The sensitivity analysis on currency risk is based on the items denominated in other than functional currencies of the group companies on the balance sheet date. Strengthening of the euro by 10 percent against all other currencies would have an impact of EUR +0.9 (2021: +1.0) million on the Group's profit before taxes.

Major translation risk positions on the balance sheet date

Net investments

EUR million	SEK	NOK	PLN
2022	66.9	1.3	6.8
2021	62.1	1.3	6.8

The net investment positions have been unhedged on each balance sheet date presented.

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. According to the treasury policy the interest rate risk of the debt portfolio is managed by balancing the proportion of the floating and fixed rate debt in the debt portfolio, taking into account the number, the maturity and the value of the debt instruments as well as the market conditions. The proportion of the fixed interest rate debt is to be at minimum 20% of the debt portfolio, including the interest rate derivatives. The interest rate risk of the interest bearing financial assets is managed by investing the assets into different investment classes, interest periods and maturities. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged with interest rate derivatives within the limits defined in treasury policy.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 323.4 (2021: 306.1) million and interest-bearing receivables to EUR 114.9 (2021: 161.1) million. On the balance sheet date, the Group had a long-term floating rate loan EUR 60.0 (2021: 60.0) million which had been hedged by an interest rate swap to a fixed rate. The Group has applied hedge accounting to the interest rate swap hedging the loan. The interest rate swap has identical critical terms as the hedged loan, such as notional amount, reference rate, reset dates, interest rate floor, interest periods and maturity. As all critical terms matched during the year, there is an economic relationship and the hedge is expected to be 100% effective. The amount of the fair value recognized in other comprehensive income is presented in a statement of changes in equity.

The effects of the interest rate swap on the Group's financial position and performance are as follows:

EUR million	2022	2021
Carrying amount (non-current asset/ liability)	2.2	-0.9
Notional amount	60.0	60.0
Maturity date	2024	2024
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instrument during the year	3.1	0.6
Change in value of hedged item used to determine hedge effectiveness	-3.1	-0.6

Interest-bearing receivables and debt according to interest rate fixing

2022

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Liquid funds and debt certificates	-95.0	-19.8		-114.9
Loans from financial institutions	60.0			60.0
Lease liabilities	59.2	146.4	57.8	263.4
Net debt	24.1	126.6	57.8	208.5
Impact of interest rate swaps	-60.0	60.0		
Total	**-35.9**	**186.6**	**57.8**	**208.5**

2021

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Liquid funds and debt certificates	-138.4	-22.7		-161.1
Loans from financial institutions	60.0			60.0
Lease liabilities	53.1	143.3	48.5	244.8
Other liabilities	1.3			1.3
Net debt	-24.1	120.6	48.5	145.0
Impact of interest rate swaps	-60.0	60.0		
Total	**-84.1**	**180.6**	**48.5**	**145.0**

The sensitivity analysis on interest rate risk includes interest-bearing receivables, loans and interest rate derivatives. An increase of 1 percentage point in the interest rates at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.3 (2021: +0.4) million and other items of equity by EUR +0.6 (2021: +0.8) million before taxes.

Electricity price risk

The electricity price risk management aims to reduce the volatility in the Group's profit and cash flows caused by electricity price fluctuations. The Group employs price-secured electricity products to reduce the price risk related to electricity procurement.

Derivative contracts

2022

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	41.3	0.9	1.0	-0.1
Interest rate swaps, hedge accounting	60.0	2.2	2.2	-

2021

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	23.2	0.6	0.6	0.0
Interest rate swaps, hedge accounting	60.0	-0.9	-	-0.9

Offsetting of financial instruments

Derivative assets	2022	2021
Derivative assets, reported as gross amount	3.1	0.6
Related derivative liabilities subject to master netting agreements	0.1	0.0
Net amount	**3.1**	**0.6**

Derivative liabilities	2022	2021
Derivative liabilities, reported as gross amount	0.1	0.9
Related derivative assets subject to master netting agreements	0.1	0.0
Net amount	**0.0**	**0.9**

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

Terminal due assets	2022	2021
Terminal due assets, reported as gross amount	49.5	67.7
Related terminal due liabilities subject to offsetting rules	42.9	61.3
Net amount	**6.5**	**6.4**

Terminal due liabilities	2022	2021
Terminal due liabilities, reported as gross amount	60.4	79.6
Related terminal due assets subject to offsetting rules	42.9	61.3
Net amount	**17.5**	**18.3**

Terminal dues related to international mail are subject to offsetting rules defined in international multilateral contracts, such as Universal Postal Convention. Terminal dues have not been offset in the balance sheet. Terminal due assets are included in balance sheet line trade and other receivables and contain invoiced and accrued receivables as well as advances paid. Terminal due liabilities are included in balance sheet lines trade and other payables and advances received and contain invoiced and accrued payables as well as advances received. Advances paid and received are not included in financial assets and liabilities.

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150.0 million, maturing in 2025, and a non-binding commercial paper program of EUR 200.0 million.

On the balance sheet date, the Group had liquid funds of EUR 114.9 (2021: 151.1) million and unused committed credit facilities of EUR 150.0 (2021: 150.0) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200.0 (2021: 200.0) million.

EUR million	2022	2021
Cash and cash equivalents	82.6	97.2
Money market investments and investments in bonds	32.3	53.9
Liquid funds	**114.9**	**151.1**

Contractual cash flows from financial liabilities and derivatives including interest payments

2022

EUR million	2023	2024	2025	2026	2027-	Total
Loans from financial institutions	1.8	60.8				62.6
Lease liabilities	64.3	56.0	45.6	33.1	87.0	286.0
Other non-current liabilities		0.3				0.3
Trade payables and other current liabilities	130.3					130.3
Derivatives:						
Interest rate derivatives (net settled)	-1.0	-0.5				-1.5
Currency derivatives, cash flows payable	40.3					40.3
Currency derivatives, cash flows receivable	-41.2					-41.2
Total	**194.5**	**116.7**	**45.6**	**33.1**	**87.0**	**476.8**

2021

EUR million	2022	2023	2024	2025	2026-	Total
Loans from financial institutions	0.4	0.4	60.2			60.9
Lease liabilities	57.4	50.5	43.3	34.1	78.7	264.1
Other non-current liabilities	0.4	0.9				1.3
Trade payables and other current liabilities	132.1					132.1
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.2			1.1
Currency derivatives, cash flows payable	22.7					22.7
Currency derivatives, cash flows receivable	-23.2					-23.2
Total	**190.2**	**52.2**	**103.7**	**34.1**	**78.7**	**458.9**

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

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with good creditworthiness, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The credit and counterparty risk related to investing of liquid funds and derivative contracts are managed by the limits set for the counterparties. The assessment method for expected credit losses of investments is described in Accounting principles in section Financial assets and liabilities. During the financial year the Group has not recognized impairment losses of investments. On the balance sheet date December 31, 2022, the recognized expected credit loss was insignificant.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The Group applies a simplified provision matrix approach for expected credit losses on trade receivables. Terminal due receivables form a separate category in trade receivables, since the expected credit loss on terminal due receivables is minor due to netting arrangement and customer base. Trade receivables include EUR 31.5 (2021: 46.9) million terminal due receivables. More than 180 days overdue receivables include EUR 10.2 (2021: 19.4) million terminal due receivables. Credit losses recognized were EUR 0.7 (2021: 1.3) million.

Aging of trade receivables

EUR million	2022	2021
Not yet due	209.0	218.4
1–30 days overdue	9.2	1.4
31–60 days overdue	2.0	1.0
61–90 days overdue	0.3	0.6
91–180 days overdue	0.9	1.4
181– days overdue	11.3	19.4
Trade receivables gross	**232.6**	**242.2**
Expected credit loss	-1.8	-1.5
Trade receivables net	**230.9**	**240.7**

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2022 and 2021. The Group's loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing net debt to adjusted EBITDA and equity ratio.

Net debt	**2022**	**2021**
Interest-bearing liabilities	323.4	306.1
Cash and cash equivalents	82.6	97.2
Investments in maturities over 3 months	32.3	53.9
Debt certificates	-	10.0
Total	**208.5**	**145.0**
Net debt / Adjusted EBITDA	1.1x	0.8x
Equity ratio, %	41.5	42.1

Reconciliation of net debt 2022

EUR million		**Interest bearing borrowings**	**Interest bearing lease liabilities**	**Interest bearing borrowings total**	**Liquid funds**	**Debt certificates**	**Net debt total**
Carrying amount on	**Jan 1**	**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 rate 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 on	**Dec 31**	**60.0**	**263.4**	**323.4**	**114.9**	**0.0**	**208.5**
Fair value on	**Dec 31**	**60.1**	**263.4**	**323.5**			

2021

EUR million		**Interest bearing borrowings**	**Interest bearing lease liabilities**	**Interest bearing borrowings total**	**Liquid funds**	**Debt certificates**	**Net debt total**
Carrying amount on	**Jan 1**	**122.6**	**266.2**	**388.8**	**160.1**	**0.0**	**228.7**
Cash flows		-61.5	-55.5	-117.0	-9.0	10.0	-117.9
Acquired businesses		0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate changes		0.0	1.6	1.6	0.0	0.0	1.6
Other non-cash items		0.1	32.5	32.6	0.0	0.0	32.6
Carrying amount on	**Dec 31**	**61.3**	**244.8**	**306.1**	**151.1**	**10.0**	**145.0**
Fair value on	**Dec 31**	**61.4**	**244.8**	**306.3**			

24. Lease agreements

The Group leases mainly premises, vehicles and production machinery. The lease terms for premises vary up to more than 10 years. Leased premises consist of postal centers, warehouses, offices, parcel sorting centers, terminals, premises for retail as well as smaller local delivery sites. Typical vehicle lease term is from 3 to 6 years. Vehicle category includes larger and smaller trucks, cars and different vehicles for postal delivery purposes. Machinery category includes significant number of leased warehouse forklifts.

Extension options are included in many of the major premise lease contracts. Posti management reviews the options in lease contracts annually and based on business forecasts and circumstances on December 31, 2022, Posti has not recognized option periods in lease liability.

Posti's lease contracts do not include variable lease payments ,e.g., lease payments variable according to net sales. Generally lease contacts do not include lease incentive payments.

Some lease contracts for real estates and vehicles have clauses that contents of the lease contract can be renegotiated if Finnish state's shareholding decreases in Posti Group Corporation.

Posti has committed to some future real estate leasing contracts, in which the lease commencement date is later than December 31, 2022. The estimated increasing impact of these commitments to lease liability will be about EUR 23 million.

Right-of-use assets

EUR million	2022	2021
Buildings	203.2	197.6
Vehicles	42.9	33.4
Machinery and other	8.9	8.2
Total	**255.0**	**239.2**

Specification of right-of-use assets is presented in the note Right-of-use assets.

Lease liabilities

EUR million	2022	2021
Non-current lease liabilities	205.0	193.4
Current lease liabilities	58.4	51.4
Total	**263.4**	**244.8**

Lease liabilities maturity

EUR million	2022	2021
Less than 1 year	64.3	57.4
1–5 years	159.0	154.2
More than 5 years	62.8	52.4
Minimum lease payments total	286.0	264.1
Future interest expenses	-22.6	-19.3
Total	**263.4**	**244.8**

Income statement items for leases

EUR million	2022	2021
Depreciations		
Land	-	0.1
Buildings	44.3	44.0
Vehicles	13.8	10.5
Machinery and other	3.3	3.5
Total	**61.4**	**58.1**
Interest expense, leases	6.3	5.6
Incomes from subleasing right-of-use assets	2.1	2.7

Lease expenses not recognized in balance sheet

EUR million	2022	2021
Lease expenses in income statement, short-term leases	39.6	31.5
Lease expenses in income statement, low-value asset leases	0.6	0.7
Total	**40.3**	**32.2**

Total cash outflow of leases was EUR 106.0 (2021: 93.7) million.

Short-term lease expenses include lease contracts valid until further notice that the Group has assessed to not recognize on the balance sheet. Short-term lease expenses include also lease expenses arised from ad hoc leases for vehicles or machinery.

Posti did not have gains or losses arising from sale and leaseback transactions during periods reported.

Posti had no lease expenses due to variable lease payments components.

Lease commitments not recognized in balance sheet

EUR million	2022	2021
Less than 1 year	11.5	10.9
1–5 years	0.9	0.5
Total	**12.4**	**11.4**

Leases as lessor

Posti Group operates also as a lessor to external parties. Some office or production premises are leased out in individual cases and Posti has assessed these to be operating leases. The Posti Group does not act as a lessor in finance lease contracts.

Lease payment receivables

EUR million	2022	2021
Less than 1 year	2.5	2.0
1–5 years	1.8	2.6
More than 5 years	1.7	1.9
Total	**5.9**	**6.5**

25. Commitments and other contingent liabilities

EUR million	2022	2021
Guarantees	10.8	13.6
Total	**10.8**	**13.6**

Litigation

The Group is party to some legal proceedings related to its customary business operations.

None of those proceedings, individually or collectively, have a significant impact on the Group's financial position.

Other contingent liabilities

The Group has a potential environmental liability of EUR 23.0 million, related to cleaning of the land area in Pohjois-Pasila. 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.

26. Related party transactions

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. Posti's related parties include the parent company Posti Group Oyj's subsidiaries, associates and joint operations as well as its sole shareholder, the State of Finland. Related parties also include the members of the Board of Directors, the President and CEO, the Posti Leadership Team and the close family members of these individuals and entities that are controlled or jointly controlled by a person identified as a related party. Also entities that are controlled or jointly controlled by, or are associates of the State of Finland, are related parties of Posti. Posti has group-wide procedures in place to assess potential conflicts of interest, and to ensure that any transactions with related parties can be considered as ordinary course of business, executed at arm's-length principles.

The key management consists of the members of the Board of Directors, President and CEO and members of the Posti Leadership Team.

Transactions with related parties

Transactions between group companies are eliminated in the group's consolidated financial statement. Posti Group had no material transactions with its associated company in the reporting periods.

No financial loans have been granted to the key management. Posti did not have significant business transactions with the key management or their related parties during the periods presented.

Posti has business relations with the government-related entities. During the periods presented, Posti did not carry out any business transactions with these entities that were individually or collectively significant quantitatively or qualitatively.

Management remuneration

EUR million	2022	2021
President and CEO	1.0	0.9
Posti Leadership Team (excl. CEO)	3.6	4.5
Board of Directors	0.4	0.4
Supervisory Board	0.0	0.0
Total	**5.0**	**5.8**

President and CEO or members in Posti Leadership Team do not have supplementary pension plans.

President and CEO

EUR million	2022	2021
Salary *	0.5	0.5
Short-term bonus	0.2	0.2
Long-term incentive	0.3	0.2
Total	**1.0**	**0.9**

Posti Leadership Team (excl. CEO)

EUR million	2022	2021
Salary *	2.1	3.1
Short-term bonus	0.8	0.7
Long-term incentive	0.7	0.7
Total	**3.6**	**4.5**

* Salary includes fringe benefits, holiday compensations, insurance coverage and possible special incentives. Salary presented in table excludes pension contributions. Costs under the Finnish statutory pension scheme for the President and CEO amounted to EUR 0.2 (2021: 0.2) million and for the Posti Leadership Team amounted to EUR 0.7 (2021: 0.8) million.

Salary decreases are explained by the fact that in 2021, salaries include one-time compensations for leaving management team members and overlapping salary payments for new and former management team members.

Board of Directors remuneration

EUR thousands	2022	2021
Sanna Suvanto-Harsaae (Chair)	75.0	79.8
Per Sjödell (Deputy chair)	48.6	52.2
Raija-Leena Hankonen-Nybom	38.4	39.0
Harri Hietala	34.8	34.8
Sirpa Huuskonen **	9.3	34.8
Kari-Pekka Laaksonen ***	46.8	33.9
Jukka Leinonen *	25.8	-
Frank Marthaler	51.6	55.2
Minna Pajumaa	35.4	37.8
Hanna Vuorela	35.4	37.2
Satu Ollikainen	7.2	6.6
	408.3	**411.3**

* Member of the Board since March 28, 2022
** Member of the Board until March 28, 2022
*** Member of the Board since April 9, 2021

27. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries Dec 31, 2022	Group's holding %	Country
Aditro Logistics AB	100	Sweden
Aditro Logistics Norge AS	100	Norway
Aditro Logistics Staffing AB	100	Sweden
Itella Estonia OÜ	100	Estonia
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
NLC International Corporation Ltd	100	Cyprus
Posti Fokus Oy	100	Finland
Posti Kiinteistöt Oy	100	Finland
Posti Kuljetus Oy	100	Finland
Posti Messaging GmbH	100	Germany
Posti Messaging Oy	100	Finland
Posti Messaging OÜ	100	Estonia
Posti Messaging SIA	100	Latvia
Posti Messaging Sp. z o.o.	100	Poland
Posti Oy	100	Finland
Posti Palvelut Oy	100	Finland
Posti Scandinavia AB	100	Sweden
Suomen Transval Group Oy	100	Finland
Suomen Transval Oy	100	Finland
Transval 3PL Contract Logistics Oy	100	Finland
Transval 3PL EteläSuomi Oy	100	Finland

Subsidiaries Dec 31, 2022	Group's holding %	Country
Transval 3PL Pääkaupunkiseutu Oy	100	Finland
Transval 4PL Contract Logistics Oy	100	Finland
Transval Action Oy	100	Finland
Transval Akatemia Oy	100	Finland
Transval Chain Oy	100	Finland
Transval Craft Oy	100	Finland
Transval Distribution Oy	100	Finland
Transval Espoo Oy	100	Finland
Transval Extra Oy	100	Finland
Transval Fast Oy	100	Finland
Transval Flex Oy	100	Finland
Transval Flow Oy	100	Finland
Transval Handling Oy	100	Finland
Transval Helsinki Oy	100	Finland
Transval Henkilöstöpalvelut Etelä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Itä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Keski-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Länsi-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Oy	100	Finland
Transval Kilo Oy	100	Finland
Transval Logistics 10 Oy	100	Finland
Transval Logistics Oy	100	Finland

Subsidiaries Dec 31, 2022	Group's holding %	Country
Transval Management Oy	100	Finland
Transval Motion Oy	100	Finland
Transval Move Oy	100	Finland
Transval Myymäläpalvelut Oy	100	Finland
Transval Rakennuslogistiikka Oy	100	Finland
Transval Services Oy	100	Finland
Transval Sigma Oy	100	Finland
Transval Solutions Oy	100	Finland
Transval Support Oy	100	Finland
Transval Terminal Oy	100	Finland
Transval Tuusula Oy	100	Finland
Transval Työmaapalvelut Oy	100	Finland
Transval Uusimaa Oy	100	Finland
Transval Vaasa Oy	100	Finland
Transval Vantaa Oy	100	Finland
Transval Warehousing Oy	100	Finland
Transval Wholesale Oy	100	Finland
Transval Works Oy	100	Finland
Valdoring Oy	100	Finland
Veddesta Distribution AB	100	Sweden
Vindea Oy	100	Finland
WebLog Finland Oy	100	Finland

28. Events after the reporting period

In January 2023, Parliament approved the long-prepared reform of the Postal Act, in which the universal service's five-day delivery obligation is reduced to three days throughout Finland. The amendment to the Postal Act and the new State Aid for newspaper delivery are targeted to adapt the sector's regulation to the sharply decreasing mail volumes and at the same time support the delivery of paper newspapers in sparsely populated areas.

Parent company's financial statements, FAS

Income statement of the parent company

EUR	Note	2022	2021
Net sales	1	**10,802,809.91**	**12,370,414.23**
Other operating income	2	237,772.22	778,441.32
Personnel expenses	3	-4,605,987.78	-6,009,071.13
Depreciation, amortization and impairment losses	4	-152,996.16	-476,702.01
Other operating expenses	5	-54,339,128.80	-17,917,287.49
Operating profit/loss		**-48,057,530.61**	**-11,254,205.08**
Financial income and expenses	7	109,665,288.20	90,208,243.01
Profit/loss before appropriations		**61,607,757.59**	**78,954,037.93**
Group contributions	8	67,100,000.00	8,520,000.00
Profit/loss before income tax		**128,707,757.59**	**87,474,037.93**
Income tax	9	-11,355,817.62	365,046.45
Profit/loss for the financial period		**117,351,939.97**	**87,839,084.38**

Balance sheet of the parent company

EUR	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Intangible assets	10	1,070,081.47	1,037,262.17
Tangible assets	11	1,498,854.84	1,488,047.07
Investments	12	528,554,850.59	514,557,172.85
Total non-current assets		**531,123,786.90**	**517,082,482.09**
Current assets			
Non-current receivables	13	84,155,346.19	79,239,965.57
Current receivables	14	82,687,631.68	79,623,405.49
Current investments	15	54,123,182.27	75,377,042.48
Cash and bank		1,432.47	1,816.42
Total current assets		**220,967,592.61**	**234,242,229.96**
Total assets		**752,091,379.51**	**751,324,712.05**

EUR	Note	Dec 31, 2022	Dec 31, 2021
EQUITY AND LIABILITIES			
Equity	16		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		1,736,688.66	-689,679.54
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		196,276,052.12	140,436,967.74
Profit/loss for the financial period		117,351,939.97	87,839,084.38
Total equity		**528,068,442.68**	**440,290,134.51**
Provisions	17	**283,902.00**	**274,923.00**
Liabilities			
Non-current	19	61,467,952.13	62,347,930.03
Current	20	162,271,082.70	248,411,724.51
Total liabilities		**223,739,034.83**	**310,759,654.54**
Total equity and liabilities		**752,091,379.51**	**751,324,712.05**

Cash flow statement of the parent company

EUR	2022	2021
Cash flow from operations		
Profit/loss before appropriations	61,607,757.59	78,954,037.93
Adjustments:		
Depreciation and amortization	152,996.16	476,702.01
Gains or losses on disposal of fixed assets	-15,681.81	129,856.81
Financial income (-) and expense (+)	-109,665,288.20	-66,740,241.01
Impairment losses on non-current investments	0.00	-23,468,002.00
Other adjustments	35,480,361.32	190,957.51
Cash flow before change in working capital	**-12,439,854.94**	**-10,456,688.75**
Interest-free current receivables, increase (-), decrease (+)	2,730,407.07	15,885,303.77
Interest-free current liabilities, increase (+), decrease (-)	-1,796,227.93	1,080,661.93
Interest-free non-current liabilities, increase (+), decrease (-)	-473,753.04	-1,146,454.02
Change in working capital	**460,426.10**	**15,819,511.68**
Cash flow from operating activities before financial items and taxes	**-11,979,428.84**	**5,362,822.93**
Interests paid	-1,257,994.24	-1,499,066.11
Interests received	3,210,536.47	3,080,816.59
Other financial items	2,315,771.53	23,489,794.30
Income tax paid	-16,475.36	-9,637,555.55
Cash flow from financial items and taxes	**4,251,838.40**	**15,433,989.23**
Cash flow from operating activities	**-7,727,590.44**	**20,796,812.16**

EUR	2022	2021
Investments in tangible and intangible assets	-196,623.23	-957,465.73
Other investments	-62,679,827.84	-7,139,318.14
Proceeds from sale of other investments	75,710.37	1,530,005.63
Loans granted	-31,649,203.45	-24,905,906.03
Repayments of loan receivables	27,874,150.34	11,728,817.21
Dividends received	107,014,132.28	65,000,000.00
Cash flow from investing activities	**40,438,338.47**	**45,256,132.94**
Increases in current loans	0.00	35,000,000.00
Repayment of current loans	-25,000,000.00	-166,500,000.00
Dividends paid	-32,000,000.00	-31,300,000.00
Group contributions received and paid	8,520,000.00	46,429,000.00
Cash flow from financing activities	**-48,480,000.00**	**-116,371,000.00**
Change in cash and cash equivalents	**-15,769,251.97**	**-50,318,054.90**
Change in group cash pool	-5,583,538.60	48,555,766.09
Cash and cash equivalents received in merger	98,546.41	1,530,005.63
Change in cash and cash equivalents	**-21,254,244.16**	**-232,283.18**
Cash and cash equivalents at the beginning of the financial period	**75,378,858.90**	**75,611,142.08**
Cash and cash equivalents at the end of the financial period	**54,124,614.74**	**75,378,858.90**

Accounting policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish accounting and company legislation.

Revenue recognition and net sales

Major part of Posti Group Corporation's revenues consists of management and administration services rendered to Posti Group's subsidiaries. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes and exchange rate differences.

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services.

Valuation of fixed assets

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

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

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

Land and water are not subject to depreciation.

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

Leasing

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

Cash in hand and at banks

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that can be easily exchanged for a pre-determined amount of cash and which are subject to an insignificant risk of changes in value. The money-market investments classified as the Group's cash and cash equivalents have a maximum maturity of three months at the acquisition.

Pension schemes

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

Provisions

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

Income taxes

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

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

Foreign currency transactions

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

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

Financial assets and liabilities

Financial assets

Posti Group Corporation classifies its financial assets into the following categories: measured at amortized cost and measured at fair value through profit or loss. The classification is based on Posti Group Corporation's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets, whose business model is to hold the assets until maturity for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Other financial assets are measured at fair value through profit or loss.

Financial assets are recognized and derecognized at the settlement date. Posti Group Corporation derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside Posti Group Corporation. Any gain or loss arising on derecognition of a financial asset is recognized directly in profit or loss and presented in finance income or expenses (or in other operative income or expenses for trade receivables), together with foreign exchange gains and losses.

Financial assets at amortized cost

Financial assets at amortized cost include investments in bonds and money-market investments, fixed-term bank deposits as well as trade receivables and other receivables. Interest income from these financial assets is included in financial income using the effective interest rate method.

Posti Group Corporation assesses the expected credit losses associated with its debt instruments carried at amortized cost on 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 Group Corporation applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

For trade receivables, Posti Group Corporation applies a simplified loss allowance matrix approach whereby the impairment loss is measured over the life of the asset unless the asset is already written off. Write-off is based on indicators that here is no reasonable expectation of recovery for example due to failure to make contractual payments or bankruptcy. The changes in loss allowance and loss from write-off are presented in other operating expenses.

Financial assets at fair value through profit or loss

Posti Group Corporation classifies investments in equity instruments as financial assets at fair value through profit or loss. This category includes unlisted shares. The changes in the fair value of investments in equity instruments are recognized in financial income or expenses at each balance sheet date.

Also, derivatives for which hedge accounting is not applied are included in the financial assets at fair value through profit or loss. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

Financial liabilities

Posti Group Corporation classifies its financial liabilities either into financial liabilities at amortized cost or financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost

Non-derivative financial liabilities are classified as financial liabilities at amortized cost. They are initially recognized at fair value based on the consideration received. Transaction costs are included in the initial carrying amount of financial liabilities. Subsequently, financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivatives for which hedge accounting is not applied. For these derivatives, realized and unrealized gains and losses from changes in fair values are recognized in the income statement in the period in which they have arisen.

Derivative contracts and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at each balance sheet date. Gain or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The income effect of the value changes of derivative contracts, which constitute effective hedging instruments, and which are subject to hedge accounting, is shown consistently with the hedged item. Posti Group Corporation recognizes derivative contracts as hedges of highly probable future transactions (cash flow hedge) or as economic hedges, to which hedge accounting is not applied.

When hedge accounting is applied, Posti Group Corporation documents at the inception of the hedging transaction the relationship between the hedged item and the hedge instruments as well as the objectives of Posti Group Corporation's risk management and the strategy for carrying out the hedging transaction. Posti Group Corporation also documents and assesses prospectively at inception of the hedge and at each reporting date the effectiveness of the hedging relationship by inspecting the hedge instruments' ability to offset the changes in fair values or cash flows of hedged items.

Effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognized in other comprehensive income. Possible ineffective portion is recognized through profit or loss according to its nature either in other operating income or expenses or financial items. Amounts accumulated in equity are reclassified into profit or loss when the hedged item is recognized through profit or loss. Posti Group Corporation applies cash flow hedging for hedging against interest-rate risk of a loan with variable interest-rate. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accumulated fair value gain or loss is retained in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accumulated fair value gain or loss is recognized trough profit or loss immediately.

For certain derivative instruments while entered into for risk management purposes, hedge accounting is not applied. Such derivatives include currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities. For these contracts, the changes in their fair value are recognized through profit or loss and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is calculated by valuing forward contracts at the present value of the forward rates on the reporting date and the fair value of interest-rate swaps is the present value of future interest cash flows. The fair values of interest rate swap related options are based on the generally used option pricing models.

Notes to the parent company financial statements

1. Net sales by geographical location

	2022	2021
Finland	10,802,809.91	11,860,591.15
Russia	0.00	509,823.08
Total	**10,802,809.91**	**12,370,414.23**

2. Other operating income

	2022	2021
Gains on sale of intangible and tangible assets	15,681.81	0.00
Rental income	71,019.77	67,169.10
Other operating income	151,070.64	711,272.22
Total	**237,772.22**	**778,441.32**

3. Personnel expenses

	2022	2021
Wages and salaries	5,351,042.26	5,697,364.10
Pension expenses	-918,751.63	165,424.35
Other social expenses	173,697.15	146,282.68
Total	**4,605,987.78**	**6,009,071.13**
Management remuneration		
President and CEO	990,271.00	910,993.00
Executive Board (excl. CEO)	1,594,183.00	1,562,342.00
Board of Directors	408,270.00	411,340.00
Supervisory Board	21,700.00	23,600.00
Total	**3,014,424.00**	**2,908,275.00**
Average number of personnel during the financial period		
Administrative employees	35	37
Total	**35**	**37**

4. Depreciation, amortization and impairment losses

	2022	2021
Intangible rights	128,155.10	428,337.84
Machinery and equipment	24,841.06	48,364.17
Total	**152,996.16**	**476,702.01**

5. Other operating expenses

	2022	2021
Rents and leases	314,830.90	282,418.96
Losses on sale of fixed assets	0.00	129,856.81
Personnel related costs	184,682.56	262,637.12
Travelling expenses	160,072.80	29,333.53
Marketing expenses	230,745.36	467,643.26
Entertainment expenses	37,882.69	33,854.25
Facility maintenance expenses	35,893.09	38,209.38
Office and administrative expenses	5,032,461.22	4,046,747.56
IT operating costs	11,468,588.34	11,198,020.86
Materials and services	18,568.76	300.47
Loss on merger	35,517,565.30	0.00
Other operating expenses	1,337,837.78	1,428,265.29
Total	**54,339,128.80**	**17,917,287.49**

6. Auditors' remuneration

	2022	2021
Audit	147,019.97	165,548.99
Tax advisory	0.00	2,000.00
Other services	91,207.50	32,577.00
Total	**238,227.47**	**200,125.99**

7. Financial income and expenses

Financial income	2022	2021
Dividend income from Group companies	107,014,132.28	65,000,000.00
Interest income from Group companies	2,637,095.34	2,172,476.02
Interest income from others	541,175.08	667,051.49
Exchange rate gains		
Receivables and liabilities	518,171.98	833,952.81
Currency derivatives, non-hedge accounting	2,677,687.91	1,206,836.92
Other financial income from Group companies	907,585.20	1,040,095.81
Total	**114,295,847.79**	**70,920,413.05**
Financial expense		
Interest expense to Group companies	426,205.82	308,346.01
Interest expense to others	863,720.65	1,252,715.76
Exchange rate losses		
Receivables and liabilities	2,367,127.77	469,769.83
Currency derivatives, non-hedge accounting	660,777.88	853,917.18
Impairment losses in Group companies	0.00	7,306.86
Reversals of impairment losses in Group companies	0.00	-23,561,000.00
Impairment losses on non-current investments	6,265.40	1,069,138.80
Other financial expences	306,462.07	311,975.60
Total	**4,630,559.59**	**-19,287,829.96**
Total financial income and expences	**109,665,288.20**	**90,208,243.01**

	2022	2021
Change in fair value of hedging interest rate derivatives recognized in the fair value reserve loss (-), gain (+)	2,170,860.83	-862,099.43
of which deferred tax	-434,172.17	172,419.89

8. Group contributions

	2022	2021
Group contributions received	74,200,000.00	69,700,000.00
Group contributions distributed	-7,100,000.00	-61,180,000.00
Total	**67,100,000.00**	**8,520,000.00**

9. Income tax

	2022	2021
Income tax on group contributions	13,420,000.00	1,704,000.00
Income tax on business activities	-13,420,000.00	-1,680,840.16
Income tax from previous years	-1,325.68	-383,708.09
Change in deferred tax assets	11,357,143.30	-4,498.20
Total	**11,355,817.62**	**-365,046.45**

10. Intangible assets

Intangible rights	**2022**	**2021**
Acquisition cost 1 Jan	8,056,217.58	10,503,767.44
Additions	0.00	116,060.80
Disposals	-1,802,810.57	-2,563,610.66
Acquisition cost 31 Dec	**6,253,407.01**	**8,056,217.58**
Accumulated amortization 1 Jan	7,860,360.34	9,865,776.35
Accumulated amortization on disposals	-1,802,810.57	-2,433,753.85
Amortization for the financial period	128,155.10	428,337.84
Accumulated amortization 31 Dec	**6,185,704.87**	**7,860,360.34**
Book value 31 Dec	**67,702.14**	**195,857.24**

Prepayments	**2022**	**2021**
Cost 1 Jan	841,404.93	0.00
Additions	160,974.40	841,404.93
Cost 31 Dec	**1,002,379.33**	**841,404.93**
Book value 31 Dec	**1,002,379.33**	**841,404.93**
Total intangible assets	**1,070,081.47**	**1,037,262.17**

11. Tangible assets

Land and water	2022	2021
Acquisition cost 1 Jan	891,396.01	891,396.01
Acquisition cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**

Machinery and equipment		
Acquisition cost 1 Jan	160,031.21	161,214.21
Disposals	0.00	-1,183.00
Acquisition cost 31 Dec	**160,031.21**	**160,031.21**
Accumulated depreciation 1 Jan	114,977.65	67,796.48
Depreciation for the financial period	24,841.06	48,364.17
Accumulated depreciation on disposals	0.00	-1,183.00
Accumulated depreciation 31 Dec	**139,818.71**	**114,977.65**
Book value 31 Dec	**20,212.50**	**45,053.56**

Other tangible assets		
Acquisition cost 1 Jan	551,597.50	551,597.50
Additions	35,648.83	0.00
Acquisition cost 31 Dec	**587,246.33**	**551,597.50**
Book value 31 Dec	**587,246.33**	**551,597.50**
Total tangible assets	**1,498,854.84**	**1,488,047.07**

12. Investments

Shares in Group companies	2022	2021
Acquisition cost 1 Jan	1,043,322,535.00	1,037,893,216.86
Additions	69,919,646.84	7,139,318.14
Disposals	-331,969,440.54	-1,710,000.00
Acquisition cost 31 Dec	**781,272,741.30**	**1,043,322,535.00**
Accumulated impairment losses 1 Jan	529,289,539.92	529,289,539.92
Reversals of impairments	-276,100,000.00	0.00
Book value 31 Dec	**528,083,201.38**	**514,032,995.08**

Other shares and holdings	2022	2021
Acquisition cost 1 Jan	961,889.89	961,889.89
Disposals	-52,528.56	0.00
Acquisition cost 31 Dec	**909,361.33**	**961,889.89**
Accumulated impairment losses 1 Jan	437,712.12	344,714.12
Impairment losses	0.00	92,998.00
Book value 31 Dec	**471,649.21**	**524,177.77**

Receivables from Group companies Capital loan receivables	2022	2021
Acquisition cost 1 Jan	0.00	23,561,000.00
Disposals	0.00	-23,561,000.00
Acquisition cost 31 Dec	**0.00**	**0.00**
Accumulated impairment losses 1 Jan	0.00	23,561,000.00
Reversal of impairment losses	0.00	-23,561,000.00
Book value 31 Dec	**0.00**	**0.00**
Total investments	**528,554,850.59**	**514,557,172.85**

13. Non-current receivables

Receivables from Group companies	2022	2021
Loan receivables	73,682,326.73	78,635,345.98
Total	**73,682,326.73**	**78,635,345.98**

Receivables from others		
Loan receivables	0.00	159,304.92
Other receivables	2,170,860.83	0.00
Deferred tax assets	8,302,158.63	445,314.67
Total	**10,473,019.46**	**604,619.59**
Total non-current receivables	**84,155,346.19**	**79,239,965.57**

14. Current receivables

Receivables from Group companies	2022	2021
Trade receivables	25,537.12	151.30
Interest receivables	597,914.39	408,431.83
Prepayments and accrued income	74,218,867.56	74,055,298.52
Total	**74,842,319.07**	**74,463,881.65**

Receivables from others		
Trade receivables	13,429.76	8,150.00
Loan receivables	136,888.40	752,829.89
Other receivables	3,172,037.75	7,920.32
Prepayments and accrued income	4,522,956.70	4,390,623.63
Total	**7,845,312.61**	**5,159,523.84**
Total current receivables	**82,687,631.68**	**79,623,405.49**

Key items in prepayments and accrued income		
Interest receivables	348,319.39	411,140.47
Other prepayments and accrued income	4,174,637.31	3,979,483.16
Total	**4,522,956.70**	**4,390,623.63**

15. Financial instruments and financial risk management

2022

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Non-current financial assets						
Other non-current investments	0.0			0.0	0.0	
Non-current receivables		73.7		73.7	73.7	
Interest-rate derivatives		0.0	2.2	2.2	2.2	2.0
Non-current financial assets	**0.0**	**73.7**	**2.2**	**75.9**	**75.9**	
Current financial assets						
Trade and other receivables		82.7		82.7	82.7	
Currency derivatives	1.0			1.0	1.0	2
Money market investments		7.9		7.9	8.0	2
Investments in quoted bonds		19.5		19.5	19.6	1
Investments in unlisted bonds		4.8		4.8	4.8	2
Current financial assets	**1.0**	**115.0**		**115.9**	**116.0**	
Money market investments		21.9		21.9	21.9	2
Cash and bank		0.0		0.0	0.0	
Cash and cash equivalents		**21.9**		**21.9**	**21.9**	
Total financial assets	**1.0**	**210.5**	**2.2**	**213.7**	**213.8**	
Non-current financial liabilities						
Loans from financial institutions		60.0		60.0	60.1	
Non-current borrowings		**60.0**		**60.0**	**60.1**	
Other non-current financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	
Current financial liabilities						
Liabilities to Group companies		154.8		154.8	154.8	2
Currency derivatives	0.1			0.1	0.1	2
Trade and other payables		7.5		7.5	7.5	
Current borrowings	**0.1**	**162.3**	**0.0**	**162.4**	**162.4**	
Total financial liabilities	**0.1**	**222.3**	**0.0**	**222.4**	**222.5**	

2021

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Non-current financial assets						
Other non-current investments	1.0			1.0	1.0	
Non-current receivables		78.8		78.8	78.8	
Non-current financial assets	**1.0**	**78.8**		**79.8**	**79.8**	
Current financial assets						
Trade and other receivables		79.6		79.6	79.6	
Currency derivatives	0.6			0.6	0.6	2
Money market investments		29.4		29.4	29.5	2
Investments in quoted bonds		19.7		19.7	19.9	1
Investments in unlisted bonds		4.8		4.8	4.8	2
Debt certificates		10.0		10.0	10.0	
Current financial assets	**0.6**	**143.5**		**144.1**	**144.3**	
Money market investments		11.5		11.5	11.5	2
Cash and bank				0.0	0.0	
Cash and cash equivalents		**11.5**		**11.5**	**11.5**	
Total financial assets	**1.6**	**233.8**		**235.3**	**235.6**	
Non-current financial liabilities						
Loans from financial institutions		59.9		59.9	60.1	
Non-current borrowings		**59.9**		**59.9**	**60.1**	
Interest-rate derivatives			0.9	0.9	0.9	2
Other non-current financial liabilities		**0.0**	**0.9**	**0.9**	**0.9**	
Current financial liabilities						
Liabilities to Group companies		239.0		239.0	239.0	2
Currency derivatives	0.0			0.0	0.0	2
Trade and other payables		9.2		9.2	9.2	
Current borrowings	**0.0**	**248.2**		**248.2**	**248.2**	
Total financial liabilities	**0.0**	**308.1**	**0.9**	**309.0**	**309.2**	

The financial risk management of the company has been described on the Note 23 of the consolidated financial statements.
The Company follows the Group's treasury policy and risk management principles.

16. Equity

	2022	2021
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	**70,000,000.00**	**70,000,000.00**
Fair value reserve 1 Jan	-689,679.54	-1,155,756.35
Profit or loss at fair value, interest-rate derivatives	2,426,368.20	466,076.81
Fair value reserve 31 Dec	**1,736,688.66**	**-689,679.54**
Restricted equity total	**71,736,688.66**	**69,310,320.46**
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	**142,703,761.93**	**142,703,761.93**
Retained earnings 1 Jan	228,276,052.12	171,736,967.74
Dividend distribution	-32,000,000.00	-31,300,000.00
Retained earnings 31 Dec	**196,276,052.12**	**140,436,967.74**
Profit/loss for the financial year 31 Dec	**117,351,939.97**	**87,839,084.38**
Total unrestricted equity	**456,331,754.02**	**370,979,814.05**
Total equity	**528,068,442.68**	**440,290,134.51**

Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	196,276,052.12	140,436,967.74
Development costs	-1,002,379.33	-841,404.93
Profit/loss for the financial period	117,351,939.97	87,839,084.38
Total	**455,329,374.69**	**370,138,409.12**

17. Provisions

	2022	2021
Pension provision	283,902.00	274,923.00
Total	**283,902.00**	**274,923.00**

18. Deferred tax assets and liabilities

Deferred tax assets	**2022**	**2021**
From provision	56,780.40	54,984.60
From impairments	87,542.42	87,542.42
From tax loss, transferred in the merger	8,041,483.27	0.00
Other items	116,352.54	302,787.65
Total	**8,302,158.63**	**445,314.67**

Deferred tax libilities	**2022**	**2021**
Other	434,172.17	0.00
Total	**434,172.17**	**0.00**

19. Non-current liabilities

	2022	2021
Loans from financial institutions	59,970,606.67	59,948,904.27
Interest-rate derivatives, hedge accounting	0.00	862,099.43
Other non-current liabilities	1,497,345.46	1,536,926.33
Total	**61,467,952.13**	**62,347,930.03**

20. Current liabilities

Amounts owed to Group companies	2022	2021
Trade payables	18,092.95	-178,182.26
Other liabilities	154,755,994.27	239,313,984.47
Total	**154,774,087.22**	**239,135,802.21**
Amounts owed to others		
Trade payables	65,235.86	1,076,467.22
Other liabilities	3,894,140.52	2,934,403.06
Accruals and deferred income	3,537,619.10	5,265,052.02
Total	**7,496,995.48**	**9,275,922.30**
Total current liabilities	**162,271,082.70**	**248,411,724.51**
Key items in other liabilities		
Payroll and related social costs	143,944.27	441,470.98
VAT-liability	1,801,631.82	2,453,915.68
Purchase price accrual	1,888,183.57	0.00
Other liabilities	60,380.86	39,016.40
Total	**3,894,140.52**	**2,934,403.06**
Key items in accruals and deferred income		
Payroll and related social costs	1,555,523.74	1,928,337.90
Accrued interests	283,253.33	105,921.67
Other accruals and deferred income	1,698,842.03	3,230,792.45
Total	**3,537,619.10**	**5,265,052.02**
Interest-bearing liabilities		
Non-current liabilities	59,970,606.67	59,948,904.27
Current liabilities	11,000,000.00	36,000,000.00
Total	**70,970,606.67**	**95,948,904.27**

21. Pledged assets, commitments and other liabilities

Pledges given for Group companies	2022	2021
Guarantees	134,717,188.00	152,070,315.00
Total	**134,717,188.00**	**152,070,315.00**
Lease contracts unpaid amounts		
Payable within one year	106,944.18	63,412.62
Payable in later years	166,582.38	33,050.39
Total	**273,526.56**	**96,463.01**
Currency forward contracts		
Fair value	897,890.89	554,957.91
Nominal value	41,270,153.28	23,225,577.73
Interest rate swaps		
Fair value	2,170,860.83	-862,099.43
Nominal value	60,000,000.00	60,000,000.00

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

22. Shares and holdings of Posti Group Corporation

Company name and domicile

Group companies	Number of shares	Ownership (%)	Book value
Posti Scandinavia AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics SIA, Riga	20	100.00	400,000.00
Itella Logistics UAB, Vilnius	1,000	100.00	3,418,147.59
Posti Kiinteistöt Oy, Helsinki	103,488	100.00	192,730,895.55
Posti Palvelut Oy, Helsinki	500	50.00	102,500.00
NLC International Corporation, Limassol	3,844	100.00	1.00
Posti Oy, Helsinki	2,538,295	100.00	137,968,533.95
Posti Messaging Oy, Helsinki	1,000	100.00	47,985,238.65
Suomen Transval Group Oy, Helsinki	75,460	100.00	52,492,089.27
Transval Henkilöstöpalvelut Oy, Helsinki	10	100.00	3,251,200.00
Aditro Logistics AB, Stockholm	1,910,200	100.00	89,732,814.06
Total			**528,083,201.38**

1 December 2022 Global Mail FP Oy and Posti Global Oy merged with Posti Group Oyj.

Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	1.00
Huhtakeskus Oy, Jyväskylä	328	3.28	1.00
Cooperative Vereiniging IPC, Amsterdam	5	0.05	6,040.80
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Golfsarfvik	1		28,560.00
Total			**471,649.21**

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2022, the parent company's distributable funds total EUR 455,329,374.69 of which the profit for the financial year accounts for EUR 117,351,939.97.

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

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 31,700,000.00 to be distributed and EUR 423,629,374.69 would be retained in the shareholders' equity.

Signatures of the Board of Directors' report and the financial statements

Helsinki, February 16, 2023

Sanna Suvanto-Harsaae
Chair of the Board of Directors

Raija-Leena Hankonen-Nybom

Frank Marthaler

Minna Pajumaa

Hanna Vuorela

Turkka Kuusisto
Managing Director

Harri Hietala

Kari-Pekka Laaksonen

Jukka Leinonen

Satu Ollikainen

Per Sjödell

The auditors' note

Our auditor's report has been issued today.
Helsinki, February 16, 2023

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen
Authorized Public Accountant

Auditor's report

(Translation of the Finnish Original)

To the Annual General Meeting of Posti Group Oyj

Report on the audit of the financial statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Posti Group Oyj (business identity code 1531864-4) for the financial period 1.1.-31.12.2022. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Goodwill valuation *Refer to Accounting policies and to note 11 in the consolidated financial statements for the related disclosures.* At 31 December 2022 the Group's goodwill balance is valued at 224 million euro and is allocated to the Group's four cash-generating units. The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying amount may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined by using a value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates. The goodwill allocated to Postal Services CGU amounts to 35 million euro, the goodwill allocated to eCommerce and Delivery Services CGU amounts to 76 million euro, the goodwill allocated to Transval amounts to 61 million euro and the goodwill allocated to Aditro Logistic amounts to 52 M€. Our work is focused on the risk that goodwill may be overstated in these CGU:s.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculation; • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors; • We tested the key underlying management assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period; • We compared the current year actual results in the impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; • We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and • The discount rates applied within the model were assessed by PwC business valuation specialists including comparison external benchmarks as appropriate. • We also considered the appropriateness of the related disclosures provided in note 11 in the financial statements.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting requirements

Information on our audit engagement

We were first appointed as auditors by the annual general meeting in 2012. Our appointment represents a total period of uninterrupted engagement of 11 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other statements

We support the proposal that the financial statements are adopted. The proposal by the Board of Directors regarding the distribution of profits is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 16.2.2023
PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)

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