



POSTI GROUP CORPORATION INTERIM REPORT, APRIL 25, 2019 AT 9:00 A.M. (EET)

Posti Group Corporation Interim Report Q1/2019



Posti Group Q1/2019: Net sales on the same level as last year in the declining postal market - divestment of OpusCapita completed

Posti Group Corporation Interim Report Q1/2019

Financial highlights

- The Group's net sales increased by 0.4% to EUR 396.6 (394.9) million.
- The Group's adjusted EBITDA increased to EUR 41.3 (29.2) million, 10.4% (7.4%).
- The Group's EBITDA increased to EUR 36.4 (29.6) million, 9.2% (7.5%).
- The adjusted operating result declined to EUR 12.9 (13.2) million, or 3.2% (3.3%) of net sales.
- The operating result declined and amounted to EUR 8.0 (13.4) million, representing 2.0% (3.4%) of net sales.
- Net debt to adjusted EBITDA was 1.8x (0.1x). Due to the adoption of IFRS 16 the assets and liabilities increased by EUR 207.9 million.
- Posti has adopted IFRS 16 leases -standard on its effective date January 1, 2019 prospectively, thus the previous periods are not restated. The standard affects primarily the accounting by lessees and as a result Posti has recognized almost all leases in the balance sheet. Due to IFRS 16 adoption the operating lease expense has been replaced with depreciation and interest, which has improved the EBITDA and EBIT. The adoption of the IFRS 16 improved the EBITDA by EUR 14.5 million and the operating result by EUR 0.6 million.

Operational highlights

- **Posti's structural transformation continued:**
 - Posti divested OpusCapita Solutions Oy to a fund managed by Providence Equity Partners L.L.C. Closing of the transaction took place on 31 March 2019. Following the transaction, OpusCapita segment is presented as discontinued operation for the review period and comparative periods. Interim report presents separately continuing operations and discontinued operations.
 - Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti's logistics services growth strategy and Posti has become a significant operator in logistics outsourcing solutions in Finland.
- Posti renewed its organization and operating model to better correspond to Posti's strategy. Since March 2019, the business groups are: Postal Services, Parcel & eCommerce, Logistics Solutions and Itella Russia.
- During Q1/2019, Parcel & eCommerce and Logistics Solutions (EUR 194.4 million) grew to exceed Postal Services (EUR 183.5 million) in net sales.
- The parcel volume of Finland and the Baltic countries increased 8% (11%), Posti's domestic freight measured in waybills, excluding food logistics, grew by 1% (2%). The number of addressed letters decreased by -14% (-9%) in Finland.
- Mail items covered by the universal service obligation accounted for 3.6% (4.0%) of all Posti's mail items.
- The delivery speed of ordinary letters changed on March 1, 2019 and from that day onwards Posti's consumer letters have mainly been delivered within four workdays.
- Posti Group Corporation's Annual General Meeting which was held in Helsinki on March 25, 2019 decided to distribute a dividend of EUR 28.4 million. The following persons were elected as members of the Board of Directors: Markku Pohjola (chair), Suvi-Anne Siimes (vice chair), Eero Hautaniemi, Frank Marthaler, Anna Martinkari, Per Sjärdell, Minna Pajumaa and Arja Talma. Pertti Miettinen continues as an employee representative.

Key figures of Posti Group

| | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|---|----------|----------|-----------|
| Net sales*, EUR million | 396.6 | 394.9 | 1,559.3 |
| Adjusted EBITDA*, EUR million | 41.3 | 29.2 | 110.8 |
| Adjusted EBITDA margin*, % | 10.4 | 7.4 | 7.1 |
| EBITDA*, EUR million | 36.4 | 29.6 | 104.5 |
| EBITDA margin*, % | 9.2 | 7.5 | 6.7 |
| Adjusted operating result*, EUR million | 12.9 | 13.2 | 47.0 |
| Adjusted operating result margin*, % | 3.2 | 3.3 | 3.0 |
| Operating result*, EUR million | 8.0 | 13.4 | 39.3 |
| Operating result margin*, % | 2.0 | 3.4 | 2.5 |
| Result for the period*, EUR million | 5.6 | 10.6 | 34.6 |
| Return on equity (12 months), % | 7.6 | -14.5 | 0.1 |
| Return on capital employed (12 months), % | 6.6 | -11.8 | 1.3 |
| Net debt, EUR million | 242.1 | 9.4 | -31.3 |
| Net debt / adjusted EBITDA | 1.8x | 0.1x | -0.3x |
| Equity ratio, % | 37.6 | 46.7 | 48.6 |
| Adjusted free cash flow | 40.4 | -9.5 | 29.9 |
| Gross capital expenditure*, EUR million | 59.7 | 14.3 | 62.1 |
| Personnel, end of period* | 20,983 | 19,388 | 18,185 |
| Personnel on average*, FTE | 16,493 | 16,525 | 16,425 |
| Earnings per share, basic, EUR | 0.27 | -0.53 | 0.02 |
| Dividend per share, EUR | | | 0.71 |
| Dividends, EUR million | | | 28.4 |

* Continuing operations

Heikki Malinen, President and CEO

The accelerating mail volume decline continued. In Q1/2019, the decline reached its steepest level so far encountered in Finland as the number of addressed mail delivery declined by 14% compared to the same period last year.

Finland is increasingly moving into a digital society, which development is speeded up by the public sector's digitization projects and changes in customer preferences. To meet the challenge, Posti is determined to reduce its costs by EUR 150-200 million over the next three years. It is needed to ensure financial sustainability and competitiveness. Posti also hopes for quick decisions from the new Government, if it wishes to secure the newspapers delivery in sparsely populated areas in the future when the mail volumes have further declined. Respectively with the decline of mail volumes, Posti's delivery obligation applicable to the universal service obligation must be adjusted to avoid unnecessary costs. There is a need to find out solutions in how to support newspaper delivery.

Despite the mail decline, the Group's adjusted operating result was EUR 12.9 million, and was almost at last year's level. We are pleased with the result we have achieved in this difficult operating environment. The economic impact of declining volumes has been reduced by successful efficiency measures, cost savings and price changes.

The consumer driven e-commerce continued to grow strongly in the first quarter and the parcels volume delivered by Posti increased by 8% compared to the same period last year. In accordance with consumers' demand, Posti continues to increase the number of parcel lockers. Next summer, we plan to have already 1,500 parcel lockers available for customers. Compared to competitors our nationwide service point network is the largest in Finland.



We are also very pleased to see that Posti's mobile application, OmaPosti, has gained great popularity among our customers. It has over 250,000 active monthly users and the number of users has grown by 57% compared to same period last year. We will continue to develop the OmaPosti platform in order to improve our customer everyday life when dealing with Posti. In Q1 we launched payment of invoices in the application as well as the ability to track letters when using the new "plus sticker".

Posti has continued its strong strategic transformation. Starting from the beginning of first quarter we were fully operational according to our new organization. In January, the acquisition of in-house logistics company Finnish Transval Group Oy was approved. The acquisition strengthened Posti's position as a key player in outsourcing logistics solutions in Finland. Transval is one of the pillars for Posti's future growth and it increased revenue of Logistics Solutions to EUR 93.3 million in January-March.

In March, Posti divested OpusCapita Solutions Oy to a fund managed by Providence Equity Partners L.L.C. The divestment supports Posti's strategy of focusing on core business, postal, parcel, e-commerce and logistics services. For OpusCapita Solutions, the divestment will provide a better starting point for its international growth.

We have continued to focus on improving quality and customer experience in all our business operations and this work has brought success. The early morning delivery of newspapers quickly recovered from the difficult snow season and we have been able to raise the delivery quality to an excellent level. We have also won back customers from our competitors. I would like to thank all employees of Posti for their great work.

APPENDICES

Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Tom Jansson, CFO
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FINANCIAL CALENDAR IN 2019

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

DISTRIBUTION

Key media
www.posti.com/financials

IMAGES AND LOGOS

www.posti.com/media

Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics solutions. We have the widest network coverage in Finland, and we visit about three million households and companies every weekday. We manage the flow of everyday life in 10 countries. Our net sales in 2018 amounted to EUR 1.6 billion and we had approximately 21,000 employees. www.posti.com.

Change in the reporting structure

Posti has changed its organizational model and Posti Group's business is divided into four business groups: 1) Postal Services, 2) Parcel & eCommerce 3) Logistics Solutions 4) Itella Russia

Posti signed an agreement on March 8, 2019, to sell the entire share capital of OpusCapita Solutions Oy. The transaction was finalized on March 31, 2019. Following the transaction, the OpusCapita business group is presented as a discontinued operation in this interim report. The figures for the comparative periods have been adjusted accordingly.

Due to these changes, Posti is changing its reporting structure from January 1, 2019. **Posti reports the results of its operations for the following reportable segments:**

- Mail, Parcel and Logistics Services
- Itella Russia.

In addition, the company discloses net sales of the following business groups of Mail, Parcel and Logistics Services segment:

- Postal Services
- Parcel & eCommerce
- Logistics Solutions

Posti has adopted IFRS 16 leases -standard on its effective date of January 1, 2019 prospectively, and therefore, the previous periods are not restated. The standard affects primarily the accounting by lessees and as a result Posti has recognized almost all of the leases on the balance sheet. Due to the adoption of IFRS 16 the assets and liabilities increased by 207.9 EUR million. Operating lease expense has been replaced with depreciation and interest, which has especially improved EBITDA.

Market situation and business environment, January–March 2019

The Finnish economy is expected to grow, but more moderately than in the past two years and at a considerably slower pace than prior to the onset of the financial crisis in 2008. According to the Bank of Finland the Finnish GDP is expected to grow to 1.9%, before abating further and converging toward its long-term potential rate, at just under 1.5%. Economic growth has continued for almost three years, fueled in particular by the recovery in Finnish goods and services exports. Household consumption has also increased, as growth in disposable income and low interest rates have encouraged household spending.

The economic outlook is also reflected in Finnish consumers' expectations. The consumer confidence indicator (CCI), published by Statistics Finland in March, stated that the figures in February and March 2019 were decreasing with regards to the public and personal economy compared with the corresponding period last year.

eCommerce has continued its growth. In 2018, digital purchases by Finns grew by about six percent, and growth is expected to strengthen - especially on mobile, according to the Finnish Commerce Federation. The growth in e-commerce is expected to reflect favorably in Posti's parcel volumes.

Volume of goods transported by lorries continued to decrease in the last quarter of 2018. The slowdown has occurred especially during the last six months, according to the Statistics Finland.

Global economic growth is expected to remain somewhat slower in 2019 than the previous year. According to the Bank of Finland (BOFIT Forecast for Russia), Russian GDP is forecasted to grow by 1.5 percent this year. During the next few years, the growth is expected to remain at the level of 1.5 percent.

Net sales and profit performance, January–March 2019

The number of workdays in the first quarter was 63, which is the same as in the previous year. The number of working days affects the Group's net sales and result. The Group's net sales increased by 0.4% to EUR 396.6 (394.9) million. Net sales grew by 2% in Finland and declined by 18% in other countries. International operations accounted for 8.1% (9.9%) of net sales.

The increase in the net sales was attributable to the positive development of Mail, Parcel and Logistics -segment. However, within the segment, development was two-dimensional. Net sales decreased both in Postal Services and in Parcel and eCommerce. Logistic Solutions saw positive development: net sales increased 22%. Growth was primarily attributable to the Transval acquisition. Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy on January 25, 2019 and it was included to Posti's reporting in February. Transval acquisition had a significant impact on the Group's net sales already in the first quarter. Posti has continued its growth in logistics according to its strategy. The net sales of Parcel and eCommerce and Logistic Solutions represent almost 50 percent of the Group's net sales.

Net sales decreased in Itella Russia by 24.4% largely due to the impact of currency exchange rate changes and the divestment of MaxiPost and Connexions.

The Group's adjusted EBITDA increased to EUR 41.3 (29.2) million, 10.4% (7.4%). EBITDA increased to EUR 36.4 (29.6) million, 9.2% (7.5%). The adoption of IFRS 16 improved the EBITDA by EUR 14.5 million. The adjusted operating result declined to EUR 12.9 (13.2) million, or 3.2% (3.3%) of net sales, primarily because of the weakened results of Itella Russia and Logistic Solutions. Special items affected the adjusted operating result for the first quarter by EUR -4.9 (-0.2) million. The special items include EUR 2.2 million personnel restructuring costs and EUR 2.7 million other costs reported as special items.

The operating result was EUR 8.0 (13.4) million, or 2.0% (3.4%) of net sales. The adoption of IFRS 16 improved the operating result by EUR 0.6 million.

Operations under the universal service obligation amounted to EUR 27.0 (30.9) million, or 6.8% (7.6%) of the Group's net sales and 3,6% (4.0%) of delivery volumes.

Mail, Parcel and Logistics Services

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

- Addressed letters: -14% (-9%)
- Parcels in Finland and the Baltics: 8% (11%)
- Freight volumes* measured in waybills: 1% (2%)

* The reported figure for freight excludes food logistics

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 12.1 (11.2) million parcels. The figure does not include letter-like e-commerce items.

The net sales of Mail, Parcel and Logistics Services increased to EUR 376.4 (368.3) million. Net sales are itemized below.

Net sales of Mail, Parcel and Logistics Services:

| Net sales, EUR million | 1–3 2019 | 1–3 2018 | Change |
|-------------------------------|-----------------|-----------------|---------------|
| Postal Services | 183.5 | 190.4 | -3.6% |
| Parcel and eCommerce | 101.2 | 102.7 | -1,5% |
| Logistics Solutions | 93.3 | 76.4 | 22.1% |
| Other and eliminations | -1.5 | -1.1 | |
| Total | 376.4 | 368.3 | 2.2% |

The Postal Services net sales decrease was driven by a decline in volume, which was largely mitigated by pricing, product mix and delivery speed changes. The delivery speed of ordinary letters changed on March 1, 2019 and from that day onwards Posti's consumer letters will mainly be delivered within four workdays. This change was pursuant to the Finnish Postal Act that entered into force in 2017. At the beginning of the year, changes were made to the pricing and delivery speeds of letter items for business customers. The prices of letter items were increased and regional changes to pricing and delivery speeds were also made. Suitable delivery speeds for each of the products have been agreed on. Even though letter volumes have decreased, these measures have allowed us to stabilize net sales and maintain profitability.

The net sales development was also supported by extra seasonal mail deliveries, such as Finnish parliamentary elections. The Media and retail revenue increased slightly. The results were driven by a positive development in addressed marketing services in Magazines.

Parcel and eCommerce net sales decreased slightly because of the negative development in cross-border transit volumes to Russia. However, volume development continued still at a good level – growth was 8 %. The renewal of the service point network has proceeded as planned. The parcel locker is an effective way to complete the “last mile” of the item's delivery. By increasing the number of parcel lockers, Posti can meet consumers' needs, tackle the challenges posed by the rapid growth in e-commerce and it also helps to raise self-service degree, which also reduces costs. The number of items delivered via parcel lockers increased around 27% in the quarter.

At the end of March, Posti had a total of 2,062 service points in Finland, of which 1,178 were parcel lockers. Posti's parcel locker network is among the largest ones in Europe. This year Posti aims to increase the number of parcel lockers to 1,500. To meet the target, Posti started cooperation with R-kiosk in January. About 150 parcel lockers will be introduced at the kiosks during the spring season.

Logistic Solutions saw positive development: net sales increased 22%. Growth was mainly driven by the Transval acquisition. Posti has continued its growth in logistics according to its strategy. The net sales increased especially in Supply Chain Outsourcing, such as in transport, warehousing, in-house logistics on the customer's premises and the flexible use of professionals. The net sales of Parcel and eCommerce and Logistic Solutions represent almost 50 percent of the Group's net sales.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 40.5 (26.6) million, 10.8% (7.2%). EBITDA increased to EUR 36.7 (27.1) million. The adjusted operating result increased to EUR 17.8 (16.0) million, 4.7% (4.3%). This is due to the increased net sales as well as strict management of production costs. The changes made to letter items for both consumer and business customers have affected the work rhythm both in mail sorting and delivery. As a result, Posti has been able to take measures such as increasing the level of automation in mail handling. Furthermore, the new changes meant that road transport replaced flights in the delivery of postal items to Northern Finland at the beginning of January. These changes have had a positive effect on production costs. However, the adverse weather conditions in January and February contributed negatively to the production costs. The large amount of snow slowed down delivery throughout Finland.

Special items affected the operating result for the first quarter by EUR 3.8 (-0.5) million. The special items include EUR 1.7 million personnel restructuring costs and EUR 2.0 million other costs reported as special items.

The operating result declined to EUR 14.0 (16.4) million.



Itella Russia

Itella Russia's net sales measured in local currency decreased by 19.0%. Reported euro-denominated net sales decreased by 24.4% to EUR 20.2 (26.8) million due to currency translation effects. Net sales were affected by the closing of warehouses in the regions. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation. In addition, the divestment of Maxipost in Q2/2018 and Connexions in Q4/2018 had a downward effect on net sales.

The adjusted EBITDA was EUR 1.6 (1.0) million, 7.8% (3.8%). EBITDA was EUR 1.6 (1.9) million. Itella Russia continues to implement measures to improve its EBITDA.

The average fill rate for warehouses in Moscow was 76% (85%), while in other regions it was 39% (78%).

The adjusted operating result declined and was EUR -1.0 (-0.6) million. The operating result was EUR -1.0 (0.1) million. The result was affected especially by contract logistics and road transport.

Key figures for segments, continuing operations

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|-------------------------------------|---------------|---------------|----------------|
| Net sales | | | |
| Mail, Parcel and Logistics Services | 376.4 | 368.3 | 1,457.2 |
| Itella Russia | 20.2 | 26.8 | 103.9 |
| Other and unallocated | 0.5 | 1.2 | 4.2 |
| Intra-Group sales | -0.6 | -1.4 | -6.0 |
| Posti Group | 396.6 | 394.9 | 1,559.3 |
| Net sales change-% | | | |
| Mail, Parcel and Logistics Services | 2.2 % | 1.2 % | 0.6 % |
| Itella Russia | -24.4 % | -2.7 % | -12.8 % |
| Posti Group | 0.4 % | -4.6 % | -5.3 % |
| Adjusted EBITDA | | | |
| Mail, Parcel and Logistics Services | 40.5 | 26.6 | 95.6 |
| Itella Russia | 1.6 | 1.0 | 8.6 |
| Other and unallocated | -0.8 | 1.6 | 6.5 |
| Posti Group | 41.3 | 29.2 | 110.8 |
| Adjusted EBITDA, % | | | |
| Mail, Parcel and Logistics Services | 10.8 % | 7.2 % | 6.6 % |
| Itella Russia | 7.8 % | 3.8 % | 8.3 % |
| Posti Group | 10.4 % | 7.4 % | 7.1 % |
| EBITDA | | | |
| Mail, Parcel and Logistics Services | 36.7 | 27.1 | 96.0 |
| Itella Russia | 1.6 | 1.9 | 4.9 |
| Other and unallocated | -1.9 | 0.7 | 3.5 |
| Posti Group | 36.4 | 29.6 | 104.5 |

| | | | |
|-------------------------------------|--------------|--------------|--------------|
| EBITDA, % | | | |
| Mail, Parcel and Logistics Services | 9.8 % | 7.3 % | 6.6 % |
| Itella Russia | 7.8 % | 7.0 % | 4.8 % |
| Posti Group | 9.2 % | 7.5 % | 6.7 % |

Key figures for segments, continuing operations

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|-------------------------------------|--------------|--------------|--------------|
| Adjusted operating result | | | |
| Mail, Parcel and Logistics Services | 17.8 | 16.0 | 53.9 |
| Itella Russia | -1.0 | -0.6 | 2.6 |
| Other and unallocated | -3.9 | -2.2 | -9.5 |
| Posti Group | 12.9 | 13.2 | 47.0 |
| Adjusted operating result, % | | | |
| Mail, Parcel and Logistics Services | 4.7 % | 4.3 % | 3.7 % |
| Itella Russia | -5.1 % | -2.1 % | 2.5 % |
| Posti Group | 3.2 % | 3.3 % | 3.0 % |
| Operating result | | | |
| Mail, Parcel and Logistics Services | 14.0 | 16.4 | 53.0 |
| Itella Russia | -1.0 | 0.1 | -1.2 |
| Other and unallocated | -5.0 | -3.1 | -12.5 |
| Posti Group | 8.0 | 13.4 | 39.3 |
| Operating result, % | | | |
| Mail, Parcel and Logistics Services | 3.7 % | 4.5 % | 3.6 % |
| Itella Russia | -5.1 % | 0.3 % | -1.2 % |
| Posti Group | 2.0 % | 3.4 % | 2.5 % |

Financial position and investments

The consolidated cash flow from operating activities was EUR 51.1 (2.7) million, the cash flow from investing activities EUR -40.7 (3.8) million and cash flow from financing activities EUR -56.6 (-43.0) million following the dividend payment totaling EUR 28.4 (40.0) million.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 54.2 (16.0) million.

At the end of March, liquid assets amounted to EUR 95.6 (88.0) million, and undrawn committed credit facilities totaled EUR 150.0 (210.0) million. The Group's interest-bearing liabilities were EUR 337.7 (117.0) million. The net debt totaled EUR 242.1 (9.4) million. Interest-bearing liabilities and, therefore also net debt increased EUR 207.9 million due to the adoption of IFRS 16. The equity ratio was 37.6% (46.7%), the decrease is primarily as a result of the initial application of IFRS 16.

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 25, 2019. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 28.4 million based on the result in 2018.

The meeting adopted the 2018 financial statements and discharged the members of the Supervisory Board, Board of Directors and President and CEO from liability.

Annual General Meeting decided that the following persons will continue as members of the Board of Directors:

Markku Pohjola
Suvi-Anne Siimes
Eero Hautaniemi
Frank Marthaler
Per Sjödel
Arja Talma

National Chief Shop Steward **Pertti Miettinen** as an employee representative* (*pilot started in 2018)

Marja Pokela and **Petri Järvinen** informed that they are not available for re-election in the Board of Directors.

Anna Martinkari and **Minna Pajumaa** were elected as new members of the Board of Directors.

Annual General Meeting decided that the following persons will continue as members of the Supervisory Board:

Maria Guzenina, MP, Social Democratic Party
Kari Kulmala, MP, Blue Reform
Rami Lehto, MP, Finns Party
Eeva-Maria Maijala, MP, Centre Party
Silvia Modig, MP, Left Alliance
Mats Nylund, MP, Swedish People's Party of Finland
Juha Pylväs, MP, Centre Party
Sari Raassina, MP, National Coalition Party
Markku Rossi, MP, Centre Party
Satu Taavitsainen, MP, Social Democratic Party
Jani Toivola, MP, The Greens of Finland
Juhana Vartiainen, MP, National Coalition Party

Markku Rossi was re-elected as the Chair of the Supervisory Board and **Jani Toivola** as the Deputy Chair of the Supervisory Board.

PricewaterhouseCoopers Oy (PwC), a firm of authorized public accountants, was elected as Posti Group Corporation's auditor, with Authorized Public Accountant **Mikko Nieminen** as the principal auditor.

The fees of the members of the Board of Directors and Supervisory Board remained unchanged. Members of the Board of Directors receive a monthly remuneration and a meeting fee, and the meeting fee will be paid in double for the non-Finnish Board members. No Board remuneration be paid for the member of the Board of Directors employed by Posti Group.

Members of the Supervisory Board receive a meeting fee.

Changes in management

Patrik Sallner (M.Sc, MBA, MA), the CEO of OpusCapita Solutions Oy and a member of the Posti Group Corporation Executive Board left Posti Group Corporation on March 31, 2019 due to the divestment of OpusCapita.

Employees

| The Group's personnel | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|-----------------------------|----------|----------|-----------|
| Personnel at period-end* | 20,983 | 19,388 | 18,185 |
| Personnel on average, FTE** | 16,493 | 16,525 | 16,425 |

*Continuing operations

**Full time equivalent personnel on average

Personnel at the end of the period was:

- Finland: 18,570 (16,188) employees
- Other countries of operation: 2,413 (3,200) employees

The Group's personnel expenses amounted to EUR 175.2 (167.3) million, up 4.7% from the previous year. The personnel expenses included EUR 2.2 (0.5) million in restructuring costs. Excluding restructuring costs, the personnel expenses increased by 3.7% year-on-year.

The Uusi polku (New path) program March 31, 2019:

- Applications: 188
- Approved: 89

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

Discontinued operations

Posti signed an agreement on the sale of all shares of OpusCapita Solutions Oy on 8 March 2019. The closing of the transaction took place on March 31, 2019. Following the transaction, the OpusCapita segment is reported as discontinued operation. The figures for the comparative periods have been adjusted accordingly.

Cooperation negotiations

The cooperation negotiations concerning both administration and service production started on January 29, 2019. According to a preliminary estimate, the personnel reduction need was a maximum of 236 employees. Cooperation negotiations ended on March 21, 2019. The need for personnel reduction in administration was reduced to a maximum of 59 employees due to transfers to new positions within Posti and voluntary arrangements. The need for personnel reduction in service production was reduced to a maximum of 13 employees.

Acquisitions, divestments and changes in corporate structure

Posti divested OpusCapita Solutions Oy to a fund managed by Providence Equity Partners L.L.C (Providence). Closing of the transaction took place on March 31, 2019. The divestment was in line with Posti Group's strategy to focus on Postal, Parcel & eCommerce and Logistics Solutions.

Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti's logistics services growth strategy; as a result of the acquisition Posti has become a significant operator in logistics outsourcing solutions in Finland.

Business risks

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

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

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

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

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

Events after the review period

Posti announced on March 27, 2019 that Posti's in-house logistics company Flexo's operations will be transferred to be part of Transval's operations on April 1, 2019. The reorganization has no effect on customers' current contracts or services. There is also no need for personnel reductions in connection with the integration.

Posti announced on April 15, 2019 that Posti is planning a reorganization of work concerning the administration and supervisory positions of the Postal Services production due to the decline in mail volumes. Posti also announced that it would close some of its own shops. The plans apply to 21 of Posti shops in Helsinki, Vantaa, Espoo, Lahti, Turku, Pori, Tampere, Kouvola, Mikkeli, Lappeenranta, Lemi, Vaasa, Kuopio and Rovaniemi.

The cooperation negotiations related to the planned changes will begin in April. According to a preliminary estimate, the reduction need is a maximum of 244 permanent employees, of which 120 in Postal services and 124 in Posti's own shops.

Outlook for 2019

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

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

Helsinki, April 24, 2019

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Interim report tables

Calculation of key figures

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

| | | |
|-------------------------------|-------|--|
| EBITDA* | | Operating result excluding depreciation, amortization and impairment losses. |
| Adjusted EBITDA* | | EBITDA excluding special items. |
| Adjusted operating result* | | Operating result excluding special items. |
| Special items* | | Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations, changes in contingent purchase considerations originated from business combinations, costs for strategic key projects and other material items outside of ordinary course of business. |
| Gross capital expenditure* | | Additions to intangible assets and property, plant and equipment including additions through right-of-use assets as well as business acquisitions comprising of total amount of purchase considerations. |
| Equity ratio, % | 100 x | $\frac{\text{Total equity}}{\text{Total assets - advances received}}$ |
| Return on equity, % | 100 x | $\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$ |
| 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 borrowings. |
| Liquid funds | | Cash and cash equivalents + money market investments + investments in bonds. |
| Personnel on average, FTE* | | Full time equivalent personnel on average. |
| Adjusted free cash flow | | Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less cash flow impacts of personnel restructuring costs and costs of strategic key projects. |

* Continuing operations

Interim report tables January-March 2019

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

Continuing operations

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|---|--------------|--------------|----------------|
| Net sales | 396.6 | 394.9 | 1,559.3 |
| Other operating income | 3.9 | 5.9 | 22.3 |
| Materials and services | -117.3 | -122.6 | -500.6 |
| Employee benefits | -175.2 | -167.3 | -648.2 |
| Other operating expenses | -71.6 | -81.2 | -328.3 |
| Depreciation and amortisation | -28.4 | -15.9 | -63.6 |
| Impairment losses | 0.0 | -0.3 | -1.6 |
| Operating result | 8.0 | 13.4 | 39.3 |
| Finance income | 2.6 | 1.1 | 8.0 |
| Finance expenses | -1.8 | -2.0 | -8.5 |
| Result before income tax | 8.8 | 12.6 | 38.9 |
| Income tax | -3.1 | -2.0 | -4.2 |
| Result for the period from continuing operations | 5.6 | 10.6 | 34.6 |
| Result for the period from discontinued operations | 5.1 | -32.0 | -33.9 |
| Result for the period | 10.8 | -21.3 | 0.7 |
| Result for the period attributable to | | | |
| Parent company shareholders | 10.8 | -21.3 | 0.8 |
| Non-controlling interest | 0.0 | 0.0 | -0.1 |
| Earnings per share (EUR per share) | | | |
| Group total | 0.27 | -0.53 | 0.02 |
| Continuing operations | 0.14 | 0.27 | 0.87 |
| Discontinued operations | 0.13 | -0.80 | -0.85 |

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

Condensed consolidated Statement of Comprehensive Income

| | | | |
|--|-------------|--------------|-------------|
| Result for the period | 10.8 | -21.3 | 0.7 |
| Other comprehensive income | | | |
| Items that may be reclassified to profit or loss: | | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income | | | 0.0 |
| Change in fair value of cash flow hedges | -0.8 | 0.3 | 0.1 |
| Translation differences | 5.6 | -2.9 | -10.2 |
| Income tax relating to these items | 0.2 | -0.1 | 0.0 |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of post-employment benefit obligations | 1.1 | 0.2 | 1.6 |
| Income tax relating to these items | -0.2 | 0.0 | -0.3 |
| Comprehensive income for the period | 16.7 | -23.9 | -8.1 |
| Comprehensive income attributable to | | | |
| Parent company shareholders | 16.7 | -23.9 | -8.1 |
| Non-controlling interest | 0.0 | 0.0 | -0.1 |

Condensed consolidated Balance Sheet

Assets

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|----------------|--------------|----------------|
| Non-current assets | | | |
| Goodwill | 151.6 | 148.8 | 147.4 |
| Other intangible assets | 57.2 | 56.3 | 57.0 |
| Investment property | 3.8 | 8.9 | 3.9 |
| Property, plant and equipment | 319.1 | 327.3 | 318.1 |
| Right-of-use assets | 207.6 | 15.9 | 9.5 |
| Other non-current investments | 3.4 | 3.5 | 3.5 |
| Non-current receivables | 1.2 | 1.1 | 1.3 |
| Deferred tax assets | 9.4 | 11.3 | 9.2 |
| Total non-current assets | 753.2 | 573.1 | 549.8 |
| Current assets | | | |
| Inventories | 4.4 | 4.5 | 3.7 |
| Trade and other receivables | 371.8 | 298.3 | 288.2 |
| Current income tax receivables | 3.4 | 3.4 | 2.2 |
| Current financial assets | 35.2 | 58.5 | 54.7 |
| Cash and cash equivalents | 60.5 | 49.2 | 106.6 |
| Total current assets | 475.3 | 413.9 | 455.3 |
| Assets classified as held for sale | 5.4 | 2.6 | 0.0 |
| Total assets | 1,233.9 | 989.6 | 1,005.1 |

Equity and liabilities

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|----------------|--------------|----------------|
| Equity attributable to the shareholders of the parent company | | | |
| Share capital | 70.0 | 70.0 | 70.0 |
| General purpose reserve | 142.7 | 142.7 | 142.7 |
| Fair value reserve | -1.3 | -0.5 | -0.7 |
| Translation differences | -95.1 | -93.5 | -100.7 |
| Retained earnings | 315.6 | 309.0 | 332.4 |
| Total shareholders' equity | 432.0 | 427.6 | 443.7 |
| Non-controlling interests | 0.0 | 0.3 | 0.0 |
| Total equity | 432.0 | 427.9 | 443.7 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 20.8 | 22.6 | 19.8 |
| Non-current borrowings | 123.7 | 60.2 | 119.7 |
| Non-current lease liabilities | 160.0 | 7.2 | 0.4 |
| Other non-current payables | 10.8 | 11.7 | 10.3 |
| Advances received | 14.1 | 14.1 | 14.2 |
| Non-current provisions | 10.2 | 17.8 | 9.9 |
| Defined benefit pension plan liabilities | 8.7 | 11.5 | 10.0 |
| Total non-current liabilities | 348.3 | 145.2 | 184.4 |
| Current liabilities | | | |
| Current borrowings | 5.9 | 40.0 | 0.0 |
| Current lease liabilities | 48.1 | 9.5 | 9.5 |
| Trade and other payables | 314.5 | 296.6 | 278.7 |
| Advances received | 70.3 | 59.3 | 77.0 |
| Current income tax liabilities | 4.3 | 2.1 | 0.5 |
| Current provisions | 10.5 | 7.4 | 11.3 |
| Total current liabilities | 453.7 | 415.0 | 377.0 |
| Liabilities associated with assets classified as held for sale | 0.0 | 1.5 | 0.0 |
| Total liabilities | 802.0 | 561.7 | 561.4 |
| Total equity and liabilities | 1,233.9 | 989.6 | 1,005.1 |

Condensed consolidated Statement of Cash Flows

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|---|--------------|--------------|--------------|
| Result for the period | 10.8 | -21.3 | 0.7 |
| Adjustments to cash flow | 24.2 | 46.3 | 99.4 |
| Change in net working capital | 19.2 | -19.1 | -13.8 |
| Cash flow before financial items and income tax | 54.1 | 5.8 | 86.3 |
| Financial items (net) | -0.6 | 0.0 | -1.0 |
| Income tax paid | -2.4 | -3.1 | -5.5 |
| Cash flow from operating activities | 51.1 | 2.7 | 79.8 |
| Purchase of intangible assets | -6.5 | -3.4 | -19.2 |
| Purchase of property, plant and equipment | -6.7 | -10.3 | -39.2 |
| Proceeds from sale of intangible and tangible assets | 0.1 | 0.0 | 1.5 |
| Business acquisitions, net of cash acquired | -41.0 | -2.3 | -5.0 |
| Proceeds from business disposals less cash and cash equivalents | -5.3 | 1.1 | 5.6 |
| Cash flow from financial assets | 20.1 | 18.7 | 22.4 |
| Cash flow from other investments | -1.4 | -0.1 | 5.8 |
| Cash flow from investing activities | -40.7 | 3.8 | -28.1 |
| Repayment of current loans | -14.8 | | -40.0 |
| Increases in non-current loans | 0.3 | | 59.0 |
| Repayment of non-current loans | | -0.5 | |
| Payments of lease liabilities | -13.7 | -2.5 | -9.6 |
| Dividends paid | -28.4 | -40.0 | -40.0 |
| Cash flow from financing activities | -56.6 | -43.0 | -30.6 |
| Change in cash and cash equivalents | -46.2 | -36.5 | 21.1 |
| Cash and cash equivalents at the beginning of the period | 106.6 | 86.0 | 86.0 |
| Effect of exchange rates changes | 0.1 | -0.3 | -0.5 |
| Cash and cash equivalents at the end of the period | 60.5 | 49.2 | 106.6 |

Reconciliation of adjusted free cash flow

| | | | |
|---|-------------|--------------|-------------|
| Cash flow from operating activities | 51.1 | 2.7 | 79.8 |
| Purchase of intangible assets and property, plant and equipment | -13.2 | -13.7 | -58.4 |
| Free cash flow from operations | 37.9 | -11.0 | 21.4 |
| Cash flow impact of personnel restructuring costs | 2.5 | 1.3 | 5.3 |
| Cash flow impact of strategic project costs | | 0.1 | 3.2 |
| Adjusted free cash flow | 40.4 | -9.5 | 29.9 |

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

Consolidated Statement of Changes in Equity

| EUR million | Attributable to the owners of the parent company | | | | | | Non-controlling interests | Total equity |
|---|--|-----------------|--------------------|-------------------------|-------------------|--------------|---------------------------|--------------|
| | General share capital | purpose reserve | Fair value reserve | Translation differences | Retained earnings | Total | | |
| Jan 1, 2019 | 70.0 | 142.7 | -0.7 | -100.7 | 332.4 | 443.7 | | 443.7 |
| Comprehensive income | | | | | | | | |
| Result for the period | | | | | 10.8 | 10.8 | | 10.8 |
| Other comprehensive income: | | | | | | | | |
| Changes in the fair value of cash flow hedges, net of tax | | | -0.6 | | | -0.6 | | -0.6 |
| Translation differences | | | | 5.6 | | 5.6 | | 5.6 |
| Remeasurements of post-employment benefit obligations, net of tax | | | | | 0.9 | 0.9 | | 0.9 |
| Comprehensive income for the period | | | -0.6 | 5.6 | 11.6 | 16.7 | | 16.7 |
| Transactions with equity holders | | | | | | | | |
| Dividends paid | | | | | -28.4 | -28.4 | | -28.4 |
| Mar 31, 2019 | 70.0 | 142.7 | -1.3 | -95.1 | 315.6 | 432.0 | | 432.0 |

| | | | | | | | | |
|---|-------------|--------------|-------------|--------------|--------------|--------------|------------|--------------|
| Jan 1, 2018 | 70.0 | 142.7 | -0.8 | -90.6 | 370.9 | 492.3 | 0.3 | 492.6 |
| Change in accounting policies IFRS 9 and IFRS 15 | | | 0.0 | | -0.7 | -0.7 | | -0.7 |
| Jan 1, 2018, restated | 70.0 | 142.7 | -0.7 | -90.6 | 370.2 | 491.6 | 0.3 | 491.9 |
| Comprehensive income | | | | | | | | |
| Result for the period | | | | | -21.3 | -21.3 | 0.0 | -21.3 |
| Other comprehensive income: | | | | | | | | |
| Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax | | | 0.2 | | | 0.2 | | 0.2 |
| Translation differences | | | | -2.9 | | -2.9 | | -2.9 |
| Remeasurements of post-employment benefit obligations, net of tax | | | | | 0.1 | 0.1 | | 0.1 |
| Comprehensive income for the period | | | 0.2 | -2.9 | -21.2 | -23.9 | 0.0 | -23.9 |
| Transactions with equity holders | | | | | | | | |
| Dividends paid | | | | | -40.0 | -40.0 | | -40.0 |
| Mar 31, 2018 | 70.0 | 142.7 | -0.5 | -93.5 | 309.0 | 427.6 | 0.3 | 427.9 |

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

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 25, 2019. The Annual General Meeting decided to distribute a dividend of EUR 28.4 million based on the result for the year 2018.

Notes

1. Accounting Policies

The interim report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this interim report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2018 except for the adoption of new standard IFRS 16 Leases effective as of January 1, 2019. Other amendments to IFRS standards effective as of 1 January 2019 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim report is unaudited.

Application of new or amended IFRS standards

IFRS 16 Leases - impact of adoption

Posti has adopted IFRS 16 leases -standard on its effective date January 1, 2019 prospectively, thus the previous periods are not restated. The standard has affected primarily the accounting by lessees and as a result Posti has recognized almost all leases on balance sheet. The standard has removed the current distinction between operating and financing leases and requires recognition of a right-of-use asset (the right to use the leased item) and a lease liability representing obligation to make lease payments. The standard requires Posti to distinguish between service contracts and lease contracts.

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

Posti's balance sheet for IFRS 16 is essentially based on lease contracts for real estates. For these contracts an annual rent increase is typical. Numerically, the most of the Posti's lease contracts are related to leasing of vehicles in which the rent amount typically remains constant during the lease contract term.

Cash flow from operating activities is higher as 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 will continue to be presented as operating cash flows.

Posti's preparations for the implementation of the new standard have included the definition of accounting policies and management judgments, planning and developing the accounting processes, tools and related controls as well as training of finance organization and communication.

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

Posti 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). Also part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases. In case the contract includes termination or extension option, Posti 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.

Some lease contracts were treated as onerous leases as in the statement of financial position immediately before the date of adoption of IFRS 16 and a related provision has been recognized. Posti has chosen to rely on the earlier assessment made according to IAS 37. Judgement has been used to determine the amount of right-of-use assets in relation to the amount of provisions recognized in the balance sheet.

Balance sheet reconciliation 1 January 2019**EUR million**

| | |
|---|--------------|
| Operating lease obligation at 31 December 2018 | 218.2 |
| Minimum lease payments on finance lease liabilities at 31 December 2018 | 10.1 |
| Total lease liabilities before adjustments 1 January 2019 | 228.3 |
| Relief exemption for short-term and low value leases | -6.9 |
| Service components | -1.2 |
| *Other items | 8.3 |
| Gross lease liabilities at 1 January 2019 | 228.5 |
| Discounting | -10.7 |
| Lease liabilities at 1 January 2019 | 217.9 |

Of which:

| | |
|--|-------|
| Present value of finance lease liabilities at 31 December 2018 | 10.0 |
| Additional lease liabilities due to IFRS 16 adoption at 1 January 2019 | 207.9 |

*Other items consist of e.g. IFRS 16 capitalization of longer rent term periods than has been earlier presented in operating lease obligations.

The lease liabilities were discounted as at 1 January 2019 and the weighted average incremental borrowing discount rate was 2,1%.

Adjustment of IFRS 16 opening balances at 1 January 2019**EUR million**

| Assets | Dec 31, 2018 | IFRS 16 addition | 1 Jan 2019 |
|-------------------------------|---------------------|-------------------------|-------------------|
| Property, plant and equipment | 318.1 | - | 318.1 |
| Right-of-use assets | - | 207.9 | 207.9 |
| | | 207.9 | |

In addition to the information in table above, the IAS 17 property, plant and equipment EUR 9,5 million which were recognized in balance sheet as per 31.12.2018 are combined together with right-of-use assets.

Equity and liabilities

| | | | |
|-------------------------------|-------|-------|-------|
| Retained earnings | 332.4 | - | 332.4 |
| Non-current lease liabilities | - | 161.1 | 156.6 |
| Current lease liabilities | - | 46.8 | 46.8 |
| | | 207.9 | |

In addition to the information in table above, the IAS 17 borrowings EUR 10.0 million which were recognized in balance sheet as per 31.12.2018 are combined together with above presented lease liability items.

2. Foreign exchange rates

| Average rate | 1-3 2019 | 1-12 2018 |
|---------------------|---------------------|---------------------|
| RUB | 74.8842 | 74.0551 |
| SEK | 10.4223 | 10.2567 |
| NOK | 9.7418 | 9.6006 |
| Closing rate | Mar 31, 2019 | Dec 31, 2018 |
| RUB | 72.8564 | 79.7153 |
| SEK | 10.3980 | 10.2548 |
| NOK | 9.6590 | 9.9483 |

3. Operating segments

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

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

Postal Services is in charge of mail, press and marketing services as well as document sending and digitizing services. Parcel and eCommerce and Logistics Solutions are in charge of comprehensive supply chain solutions, parcel and eCommerce services, transport services for companies, as well as warehousing and supplementary services. Itella Russia offers comprehensive logistics services to both Russian and international companies.

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

1-3
2019

| EUR million | Mail, Parcel and Logistics Services | Itella Russia | Segments total | Other and unallocated | Elimi- nations | Group total |
|--|--|------------------|-------------------|--------------------------|-------------------|----------------|
| External sales | 376.2 | 20.2 | 396.5 | 0.1 | | 396.6 |
| Inter-segment sales | 0.2 | | 0.2 | 0.4 | -0.6 | |
| Net sales | 376.4 | 20.2 | 396.7 | 0.5 | -0.6 | 396.6 |
| EBITDA | 36.7 | 1.6 | 38.3 | -1.9 | | 36.4 |
| Special items included in EBITDA: | | | | | | |
| Personnel restructuring costs | 1.7 | | 1.7 | 0.4 | | 2.2 |
| Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+) | | | | | | |
| Other | 2.0 | | 2.0 | 0.7 | | 2.7 |
| Special items included in EBITDA total | 3.8 | | 3.8 | 1.1 | | 4.9 |
| Adjusted EBITDA | 40.5 | 1.6 | 42.1 | -0.8 | | 41.3 |
| Operating result | 14.0 | -1.0 | 13.0 | -5.0 | | 8.0 |
| Special items included in operating result: | | | | | | |
| Special items included in EBITDA | 3.8 | | 3.8 | 1.1 | | 4.9 |
| Impairment losses | | | | | | |
| Special items total | 3.8 | | 3.8 | 1.1 | | 4.9 |
| Adjusted operating result | 17.8 | -1.0 | 16.7 | -3.9 | | 12.9 |
| Financial income and expense | | | | | | 0.8 |
| Income tax | | | | | | 3.1 |
| Result for the period from continuing operations | | | | | | 5.6 |
| Result for the period from discontinued operations | | | | | | 5.1 |
| Result for the period | | | | | | 10.8 |

1-3
2018

| EUR million | Mail, Parcel and Logistics Services | Itella Russia | Segments total | Other and unallocated | Elimi- nations | Group total |
|--|--|------------------|-------------------|--------------------------|-------------------|----------------|
| External sales | 368.1 | 26.8 | 394.9 | 0.0 | | 394.9 |
| Inter-segment sales | 0.2 | | 0.2 | 1.2 | -1.4 | |
| Net sales | 368.3 | 26.8 | 395.1 | 1.2 | -1.4 | 394.9 |
| EBITDA | 27.1 | 1.9 | 28.9 | 0.7 | | 29.6 |
| Special items included in EBITDA: | | | | | | |
| Personnel restructuring costs | 0.5 | 0.0 | 0.5 | | | 0.5 |
| Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+) | -1.1 | | -1.1 | | | -1.1 |
| Onerous contracts | | -0.9 | -0.9 | | | -0.9 |
| Other | 0.2 | | 0.2 | 0.9 | | 1.0 |
| Special items included in EBITDA total | -0.5 | -0.8 | -1.3 | 0.9 | | -0.4 |
| Adjusted EBITDA | 26.6 | 1.0 | 27.6 | 1.6 | | 29.2 |
| Operating result | 16.4 | 0.1 | 16.5 | -3.1 | | 13.4 |
| Special items included in operating result: | | | | | | |
| Special items included in EBITDA | -0.5 | -0.8 | -1.3 | 0.9 | | -0.4 |
| Impairment losses | | 0.2 | 0.2 | | | 0.2 |
| Special items total | -0.5 | -0.6 | -1.1 | 0.9 | | -0.2 |
| Adjusted operating result | 16.0 | -0.6 | 15.4 | -2.2 | | 13.2 |
| Financial income and expense | | | | | | -0.8 |
| Income tax | | | | | | 2.0 |
| Result for the period from continuing operations | | | | | | 10.6 |
| Result for the period from discontinued operations | | | | | | -32.0 |
| Result for the period | | | | | | -21.3 |

1-12
2018

| EUR million | Mail, Parcel and Logistics Services | Itella Russia | Segments total | Other and unallocated | Elimi- nations | Group total |
|--|--|------------------|-------------------|--------------------------|-------------------|----------------|
| External sales | 1,455.4 | 103.9 | 1,559.2 | 0.1 | | 1,559.3 |
| Inter-segment sales | 1.8 | 0.0 | 1.8 | 4.2 | -6.0 | |
| Net sales | 1,457.2 | 103.9 | 1,561.1 | 4.2 | -6.0 | 1,559.3 |
| EBITDA | 96.0 | 4.9 | 100.9 | 3.5 | | 104.5 |
| Special items included in EBITDA: | | | | | | |
| Personnel restructuring costs | 0.7 | 0.3 | 1.0 | 0.0 | | 1.0 |
| Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+) | -2.0 | 1.3 | -0.7 | -1.7 | | -2.4 |
| Onerous contracts | 0.9 | 2.0 | 2.9 | | | 2.9 |
| Changes in contingent purchase considerations | -0.2 | | -0.2 | | | -0.2 |
| Other | 0.3 | | 0.3 | 4.7 | | 5.0 |
| Special items included in EBITDA total | -0.3 | 3.7 | 3.3 | 3.0 | | 6.3 |
| Adjusted EBITDA | 95.6 | 8.6 | 104.2 | 6.5 | | 110.8 |
| Operating result | 53.0 | -1.2 | 51.8 | -12.5 | | 39.3 |
| Special items included in operating result: | | | | | | |
| Special items included in EBITDA | -0.3 | 3.7 | 3.3 | 3.0 | | 6.3 |
| Impairment losses | 1.2 | 0.2 | 1.4 | | | 1.4 |
| Special items total | 0.8 | 3.8 | 4.7 | 3.0 | | 7.7 |
| Adjusted operating result | 53.9 | 2.6 | 56.5 | -9.5 | | 47.0 |
| Financial income and expense | | | | | | -0.5 |
| Income tax | | | | | | 4.2 |
| Result for the period from continuing operations | | | | | | 34.6 |
| Result for the period from discontinued operations | | | | | | -33.9 |
| Result for the period | | | | | | 0.7 |

Net sales of Mail, Parcel and Logistics Services

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|------------------------|--------------|--------------|----------------|
| Postal Services | 183.5 | 190.4 | 737.8 |
| Parcel and eCommerce | 101.2 | 102.7 | 407.6 |
| Logistics Solutions | 93.3 | 76.4 | 316.4 |
| Other and eliminations | -1.5 | -1.1 | -4.6 |
| Total | 376.4 | 368.3 | 1,457.2 |

Mar 31, 2019

| EUR million | Mail, Parcel and Logistics Services | Itella Russia | Segments total | Other and unallocated | Elimi- nations | Group total |
|--|--|--------------------------|---------------------------|----------------------------------|---------------------------|------------------------|
| Assets | 916.4 | 116.8 | 1,033.2 | 206.8 | -11.5 | 1,228.5 |
| Non-current assets classified as held for sale | | 5.4 | | | | 5.4 |
| Liabilities | 389.0 | 29.1 | 418.1 | 395.4 | -11.5 | 802.0 |
| Capital expenditure | 53.7 | 0.8 | 54.6 | 5.1 | | 59.7 |
| Depreciation and amortization | 22.7 | 2.6 | 25.3 | 3.1 | | 28.4 |
| Impairment losses | 0.0 | | 0.0 | 0.0 | | 0.0 |
| Personnel, end of period | 18,755 | 1,503 | 20,258 | 725 | | 20,983 |
| Personnel on average, FTE | 14,306 | 1,473 | 15,779 | 715 | | 16,493 |

Mar 31, 2018

| EUR million | | | | | | |
|---|--------|-------|--------|-------|------|---------------|
| Assets | 608.2 | 129.9 | 738.1 | 250.0 | -1.1 | 987.0 |
| Non-current assets classified as held for sale | | 2.6 | | | | 2.6 |
| Liabilities | 347.8 | 31.5 | 379.3 | 182.0 | -1.1 | 560.2 |
| Liabilities associated with non-current assets classified as held for sale | | 1.5 | | | | 1.5 |
| Capital expenditure | 7.1 | 0.0 | 7.1 | 7.2 | | 14.3 |
| Depreciation and amortization | 10.5 | 1.6 | 12.1 | 3.8 | | 15.9 |
| Impairment losses | 0.1 | 0.2 | 0.3 | 0.0 | | 0.3 |
| Personnel, end of period | 16,385 | 2,307 | 18,692 | 696 | | 19,388 |
| Personnel on average, FTE | 13,543 | 2,306 | 15,849 | 676 | | 16,525 |

Dec 31, 2018

| EUR million | | | | | | |
|-------------------------------|--------|-------|--------|-------|------|----------------|
| Assets | 607.3 | 113.1 | 720.3 | 292.8 | -8.0 | 1,005.1 |
| Liabilities | 348.9 | 26.8 | 375.7 | 193.7 | -8.0 | 561.4 |
| Capital expenditure | 33.6 | 2.2 | 35.8 | 26.4 | | 62.1 |
| Depreciation and amortization | 41.6 | 6.0 | 47.6 | 16.0 | | 63.6 |
| Impairment losses | 1.4 | 0.2 | 1.6 | 0.0 | | 1.6 |
| Personnel, end of period | 15,746 | 1,734 | 17,480 | 705 | | 18,185 |
| Personnel on average, FTE | 13,769 | 1,960 | 15,729 | 696 | | 16,425 |

4. Net sales by geographical location

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|------------------------|--------------|--------------|----------------|
| Finland | 332.2 | 318.9 | 1,270.8 |
| Other Nordic countries | 23.0 | 26.1 | 95.1 |
| Russia | 20.2 | 26.6 | 103.0 |
| Other countries | 21.2 | 23.2 | 90.4 |
| Total | 396.6 | 394.9 | 1,559.3 |

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

5. Acquired and divested businesses and discontinued operations

Discontinued operations

Posti Group Corporation has completed the divestment of OpusCapita Solutions Oy, its fully owned subsidiary, to a fund managed by Providence Equity Partners L.L.C on 31 March 2019. The acquisition was announced on March 8, 2019 and closing of the transaction was subject to approval by Germany's Federal Cartel Office. The approval has now been received and the transaction is completed. OpusCapita has 8 offices in Europe and in the United States, and has 350 employees and 3,000 customers globally.

Resulting from the divestment transaction OpusCapita-segment is presented in 2019 first quarter as discontinued operations and also comparison periods have been restated respectively. Posti has recognized a sales gain of EUR 6.3 million in first quarter result, which is presented among discontinued operations in income statement. Discontinued operations generate total result in 2019 January-March of EUR 5.1 million (-32.0).

Result for the period from discontinued operations

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|---|-------------|--------------|--------------|
| Net sales | 16.4 | 13.4 | 62.1 |
| Sale profit net of sale costs | 4.4 | | |
| Other operating income | 0.4 | -1.6 | -1.9 |
| Depreciation and amortisation | 1.0 | 30.8 | 34.2 |
| Other expenses | 15.3 | 12.9 | 59.6 |
| Operating result | 4.9 | -32.0 | -33.6 |
| Finance expenses | -0.1 | 0.0 | -0.3 |
| Income tax | -0.4 | | |
| Result for the period from discontinued operations | 5.1 | -32.0 | -33.9 |

Cash flow from discontinued operations

| EUR million | 1-3 2019 | 1-3 2018 | 1-12 2018 |
|-------------------------------------|-------------|-------------|--------------|
| Cash flow from operating activities | 1.3 | -1.5 | 3.0 |
| Cash flow from investing activities | -1.1 | -1.1 | -4.0 |

Business acquisitions and divestments in January-March 2019

At the end of first quarter Posti's subsidiary OOO NLC Ekaterinburg, which is reported in the Itella Russia segment, has been classified as held for sale in accordance with IFRS 5.

Posti completed the acquisition of the in-house logistics company Suomen Transval Group Oy on January 25, 2019. The acquisition was announced in September 2018. The acquisition was a step in Posti's logistics services growth strategy and Posti has become a significant operator in logistics outsourcing solutions in Finland.

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

| | Transval, preliminary |
|--|--------------------------|
| EUR million | Fair value |
| Effect on assets | |
| Intangible assets | 18.9 |
| Property, plant and equipment | 10.6 |
| Inventory | 0.9 |
| Receivables | 20.5 |
| Cash and cash equivalents | 9.2 |
| Effect on assets | 60.1 |
| Effect on liabilities | |
| EUR million | |
| Deferred tax liability | 3.9 |
| Interest bearing liabilities | 29.0 |
| Trade payables and other liabilities | 21.7 |
| Effect on liabilities | 54.6 |
| Net assets acquired | 5.5 |
| Components of acquisition cost | |
| EUR million | |
| Cash considerations | 50.2 |
| Total cost of acquisition | 50.2 |
| Fair value of net assets acquired | 5.5 |
| Goodwill | 44.8 |
| Cash flow effect of the acquisition | |
| EUR million | |
| Purchase price paid in cash | 50.2 |
| Cash and cash equivalents of the acquired subsidiary | 9.2 |
| Cash flow | 41.0 |

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

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

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|--------------|--------------|--------------|
| Carrying amount on Jan 1 | 318.1 | 328.0 | 328.0 |
| Acquired businesses | 5.9 | | |
| Additions | 4.0 | 11.9 | 46.3 |
| Business divestments | -1.1 | | -0.5 |
| Disposals and transfers between items | 0.0 | -0.2 | -1.2 |
| Depreciation | -10.9 | -10.4 | -42.2 |
| Impairment | 0.0 | | |
| Translation differences | 8.5 | -2.0 | -12.2 |
| Moved to assets classified as held for sale | -5.4 | -0.1 | |
| Carrying amount at the end of the period | 319.1 | 327.3 | 318.1 |

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

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|--------------|--------------|--------------|
| Carrying amount on Jan 1 | 9.5 | 18.4 | 18.4 |
| Adoption of IFRS 16 - Leases | 207.9 | | |
| Acquired businesses | 4.7 | | |
| Additions | 0.1 | 0.0 | 0.3 |
| Business divestments | -1.0 | | |
| Disposals and transfers between items | 0.0 | 0.0 | -0.1 |
| Depreciation | -13.8 | -2.4 | -9.1 |
| Impairment | | | |
| Translation differences | 0.2 | | |
| Carrying amount at the end of the period | 207.6 | 15.9 | 9.5 |

Specification of right-of-use asset:

| miljoonaa euroa | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|--------------|--------------|--------------|
| Land | 0.4 | | |
| Buildings | 179.1 | | |
| Vehicles | 23.6 | 15.9 | 9.5 |
| Machinery and other | 4.4 | | |
| Carrying amount at the end of the period | 207.6 | 15.9 | 9.5 |

7. Goodwill and other intangible assets

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

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|--------------|--------------|--------------|
| Carrying amount on Jan 1 | 204.4 | 237.7 | 237.7 |
| Acquired businesses | 63.6 | | |
| Additions | 6.5 | 3.4 | 19.2 |
| Business divestments | -60.9 | | -4.1 |
| Disposals and transfers between items | | -0.1 | -0.3 |
| Amortization | -3.7 | -3.7 | -15.9 |
| Impairment | 0.0 | -30.3 | -31.5 |
| Translation differences | -1.2 | -0.7 | -0.5 |
| Moved to assets classified as held for sale | | -1.2 | |
| Carrying amount at the end of the period | 208.8 | 205.1 | 204.4 |

8. Net debt and liquid funds

| EUR million | Borrowings | Lease liabilities | Borrowings total | Liquid funds | Debt certificates | Net debt total |
|--|--------------|-------------------|------------------|--------------|-------------------|----------------|
| Carrying amount on Jan 1, 2019 | 119.7 | 10.0 | 129.7 | 131.0 | 30.0 | -31.3 |
| Cash flows | -14.8 | -13.7 | -28.5 | -35.6 | -30.0 | 37.1 |
| Business acquisitions | 24.3 | 4.3 | 28.6 | 0.0 | 0.0 | 28.6 |
| Effect of exchange rates changes | 0.0 | -0.1 | -0.1 | 0.1 | 0.0 | -0.3 |
| Other non-cash items | 0.0 | 208.1 | 208.1 | 0.0 | 0.0 | 208.1 |
| Carrying amount on Mar 31, 2019 | 129.2 | 208.5 | 337.7 | 95.6 | 0.0 | 242.1 |
| Fair value on Mar 31, 2019 | 129.6 | 208.5 | 338.1 | | | |

| EUR million | Borrowings | Lease liabilities | Borrowings total | Liquid funds | Debt certificates | Net debt total |
|--|--------------|-------------------|------------------|--------------|-------------------|----------------|
| Carrying amount on Jan 1, 2018 | 100.7 | 19.3 | 120.0 | 123.7 | 39.7 | -43.4 |
| Cash flows | -0.5 | -2.5 | -3.0 | -35.3 | -20.2 | 52.5 |
| Business acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effect of exchange rates changes | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | 0.3 |
| Other non-cash items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Carrying amount on Mar 31, 2018 | 100.2 | 16.8 | 117.0 | 88.0 | 19.5 | 9.4 |
| Fair value on Mar 31, 2018 | 100.4 | 16.8 | 117.2 | | | |

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

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|---|--------------|--------------|--------------|
| Cash and cash equivalents | 60.5 | 49.2 | 106.6 |
| Money market investments and investments in bonds | 35.1 | 38.8 | 24.5 |
| Liquid funds | 95.6 | 88.0 | 131.0 |

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

| EUR million | Total | Level 1 | Level 2 | Level 3 |
|---|------------|---------|------------|------------|
| Mar 31, 2019 | | | | |
| Financial assets measured at fair value | | | | |
| Non-current receivables | | | | |
| Other non-current investments | 3.4 | | | 3.4 |
| Current financial assets | | | | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 0.1 | | 0.1 | |
| Total | 3.5 | | 0.1 | |
| Financial liabilities measured at fair value | | | | |
| Other non-current liabilities | | | | |
| Derivative contracts | | | | |
| Interest rate derivatives, hedge accounting | 1.6 | | 1.6 | |
| Trade payables and other liabilities | | | | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 0.0 | | 0.0 | |
| Total | 1.6 | | 1.6 | |
| Mar 31, 2018 | | | | |
| Financial assets measured at fair value | | | | |
| Non-current receivables | | | | |
| Other non-current investments | 3.4 | | | 3.4 |
| Current financial assets | | | | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 0.0 | | 0.0 | |
| Equity fund investments | 0.1 | | | 0.1 |
| Total | 3.5 | | 0.0 | 3.4 |
| Financial liabilities measured at fair value | | | | |
| Other non-current liabilities | | | | |
| Derivative contracts | | | | |
| Interest rate derivatives, hedge accounting | 0.7 | | 0.7 | |
| Equity derivatives, written put option | 4.8 | | | 4.8 |
| Trade payables and other liabilities | | | | |
| Derivative contracts | | | | |
| Currency derivatives, non-hedge accounting | 0.3 | | 0.3 | |
| Total | 5.8 | | 1.0 | 4.8 |

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

Hierarchy levels:

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

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

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

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 6.3 million and their carrying value EUR 6.2 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|------------------------|--------------|--------------|--------------|
| Pledges for own behalf | | | |
| Bank guarantees | 9.4 | 6.8 | 7.4 |
| Guarantees | 3.8 | 4.0 | 3.8 |
| Pledges | 0.8 | 0.1 | 0.1 |
| Total | 14.0 | 11.3 | 11.3 |

Lease commitments not recognized in balance sheet

| EUR million | Mar 31, 2019 | Mar 31, 2018 | Dec 31, 2018 |
|-------------------------------------|--------------|--------------|--------------|
| Maturity of minimum lease payments: | | | |
| Less than a year | 6.3 | 56.3 | 51.5 |
| 1-5 years | 3.9 | 119.2 | 108.9 |
| More than 5 years | | 75.6 | 57.7 |
| Total | 10.2 | 251.2 | 218.2 |

Lease commitments have decreased in 2019 following the adoption of IFRS 16 as majority of leases have been recognized in the balance sheet.

Other contingent liabilities

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

Derivative contracts

| EUR million | Mar 31, 2019 | Mar 31, 2019 | Dec 31, 2018 |
|----------------------------------|--------------|--------------|--------------|
| Currency derivatives | | | |
| Non-hedge accounting | | | |
| Fair value | 0.1 | -0.3 | 0.0 |
| Nominal value | 13.0 | 12.5 | 10.9 |
| Hedge accounting | | | |
| Fair value | | | 0.1 |
| Nominal value | | | 3.2 |
| Interest rate derivatives | | | |
| Hedge accounting | | | |
| Fair value | -1.6 | -0.7 | -0.9 |
| Nominal value | 60.0 | 60.0 | 60.0 |

11. Events after the reporting period

Posti announced on March 27, 2019 that Posti's in-house logistics company Flexo's operations will be transferred to be part of Transval's operations on April 1, 2019. The reorganisation has no effect on customers' current contracts or services.

Posti announced on April 15, 2019 that Posti is planning a reorganization of work concerning the administration and supervisory positions of the Postal Services production due to the decline in mail volumes. Posti also announces that it would close some of its own shops. The plans apply to 21 of Posti shops in Helsinki, Vantaa, Espoo, Lahti, Turku, Pori, Tampere, Kouvola, Mikkeli, Lappeenranta, Lemi, Vaasa, Kuopio and Rovaniemi.

The cooperation negotiations related to the planned changes will begin in April. According to a preliminary estimate, the reduction need is a maximum of 244 permanent employees, of which 120 in Postal services and 124 in Posti's own shops.