POSTI GROUP CORPORATION HALF-YEAR REPORT, JULY 25, 2018 AT 9:00 A.M. (EET)

Posti Group Corporation
Half-Year report January-June 2018

Posti Group Q2/2018: Solid profit improvement and record high parcel volumes

Posti Group Corporation Half-Year report January-June 2018

April-June

Financial highlights

- The Group's net sales decreased by 0.7% to EUR 399.5 (402.3) million.
- The Group's adjusted EBITDA increased to EUR 22.8 (19.8) million, 5.7% (4.9%).
- The Group's EBITDA increased to EUR 19.0 (12.8) million, 4.8% (3.2%).
- The adjusted operating result increased to EUR 6.1 (0.3) million, or 1.5% (0.1%) of net sales.
- The operating result increased and amounted to EUR 2.3 (-7.6) million, representing 0.6% (-1.9%) of net sales.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 13%, with 22% growth in consumer (B2C) parcels. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 7%. The number of addressed letters decreased by 5% in Finland.
- The number of working days was 61 (60). The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.
- Mail items covered by the universal service obligation amounted for 3.2% (4.2%) of all Posti´s delivery volumes.
- Posti has completed its first sourcing procedure based on the Postal Act on the five-day delivery of universal service letters in areas not covered by an early-morning newspaper delivery. The companies that won the competitive tendering process have carried out deliveries for Posti before.
- In April 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.
- In May, Posti Group Corporation signed a new EUR 150 million syndicated revolving credit facility which replaced the previous EUR 150 million facility. The new facility has a maturity of five years with an option to extend with two years.
- Outlook for 2018 has not been changed. The net sales in 2018 are expected to remain on a par with 2017 or to decrease slightly. The Group's adjusted operating result is expected to remain on a par with 2017 or decrease slightly. Capital expenditure, excluding acquisitions and disposals, is expected to decrease slightly.

Long-term financial targets and dividend policy

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

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

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

January-June

Financial highlights

- The Group's net sales decreased by 1.1% to EUR 807.0 (816.1) million.
- The Group's adjusted EBITDA declined to EUR 51.1 (55.3) million, 6.3% (6.8%).
- The Group's EBITDA increased to EUR 47.5 (42.9) million, 5.9% (5.3%).
- The adjusted operating result increased to EUR 17.5 (15.8) million, or 2.2% (1.9%) of net sales.
- The operating result declined and amounted to EUR -16.3 (2.5) million, representing -2.0% (0.3%) of net sales.
- Net debt to adjusted EBITDA was -0.1x (-0.2x) on June 30, 2018.

Operational highlights

- The parcel volume of Finland and the Baltic countries increased by 12%, with 22% growth in consumer (B2C) parcels. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 6%. The number of addressed letters decreased by 8% in Finland.
- Mail items covered by the universal service obligation amounted for 4.0% (4.3%) of all Posti´s delivery volumes.
- As a result of management evaluation of OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.
- The number of working days was 124 (124). The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.
- In March 2018, the Supreme Court did not grant leave to appeal in litigation concerning the value added tax on postal services requested by the claimants against Posti. This means that the decision given in September 2017 by the Court of Appeal of Helsinki to overrule the complaint as requested by Posti and to compensate the legal expenses of Posti remains final.
- During the first half of 2018, Posti's Finnish Debt Collection business was sold to Intrum, the Norwegian Debt Collection business to Visma and the Swedish Debt Collection business to Collectia Sverige AB.

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

Key figures of Posti Group

	4-6 2018	4-6 2017	1-6 2018	1-6 2017	1-12 2017
Net sales, EUR million	399.5	402.3	807.0	816.1	1,647.0
Adjusted EBITDA, EUR million	22.8	19.8	51.1	55.3	118.6
Adjusted EBITDA margin, %	5.7	4.9	6.3	6.8	7.2
EBITDA, EUR million	19.0	12.8	47.5	42.9	83.7
EBITDA margin, %	4.8	3.2	5.9	5.3	5.1
Adjusted operating result, EUR million	6.1	0.3	17.5	15.8	42.4
Adjusted operating result margin, %	1.5	0.1	2.2	1.9	2.6
Operating result, EUR million	2.3	-7.6	-16.3	2.5	-27.5
Operating result margin, %	0.6	-1.9	-2.0	0.3	-1.7
Result for the period, EUR million	1.0	-13.0	-20.3	-7.0	-44.3
Return on equity (12 months), %			-12.0	3.0	-8.0
Return on capital employed (12 months), %			-9.8	6.6	-5.5
Net debt, EUR million			-10.3	-19.6	-43.4
Net debt / Adjusted EBITDA			-0,1x	-0,2x	-0,4x
Equity ratio, %			45.8	49.3	48.8
Adjusted free cash flow			8.4	3.6	38.8

Gross capital expenditure, EUR million	21.8	11.9	37.2	36.3	73.3
Personnel, end of period			20,561	21,886	20,014
Personnel on average, FTE	17,221	18,588	17,066	18,323	17,912
Earnings per share, basic, EUR	0.03	-0.32	-0.51	-0.18	-1.11
Dividend per share, EUR					1.0
Dividends, EUR million					40.0

Heikki Malinen, President and CEO

In the first half-year of 2018, Posti´s parcel volumes reached another high: volumes totaled 20.9 million, up 12 percent compared to the same period the previous year. In April-June, Posti handled 10.5 million parcels, which was also a new record for the second quarter. Parcel volumes growth is driven by booming e-commerce and consumers are shopping online more than ever. Posti´s B2C parcel volumes showed robust growth of 22 percent.

As consumer behaviors are changing and digital transformation is moving on ahead quickly, decline in the volume of addressed letters continued. However, it was positive to note that in April-June the rate of volume decrease (-5%) was lower than on the previous year (-10%) due to extra seasonal, such as GDPR-related mail deliveries. As a part of Posti´s new strategy, we seek actively measures to extend mail lifespan by keeping mail vital for both senders and receivers. We feel very encouraged by Posti´s Messaging Services solutions that are combining successfully physical and digital flows. Implementation of digital traceability for mail is ongoing as well.

In January-June Posti´s adjusted operating result improved to EUR 17.5 million, representing 2.2 percent of net sales. On the whole, we are pleased that profitability of our core business has remained solid through good mail volumes, cost efficiency and growth in Parcel and Logistics. In addition, Itella Russia turned profitable for the first time since 2014. The Group's adjusted operating result in 2018 is expected to remain on a par with 2017 or to decrease slightly.

As the competition is continuously tightening and new competitors entering the market, Posti will continue to renew its operations to ensure the company´s competitiveness also in the changing market. This requires investments in areas such as delivery automation, service digitalization and infrastructure maintenance. To meet customer expectations and needs for new services, this coming autumn Posti will launch a same-day parcel delivery service and weekend deliveries in the Helsinki metropolitan area. Posti is continuously adding more parcel lockers and bringing them closer to customers.

In August, Posti will open one of the largest freight terminals in Finland, the size of three football fields, near the airport in Vantaa. Posti has invested around EUR 33 million to this top-modern terminal. When fully up and running, the terminal will be able to handle 5,700 pallets a day. The terminal improves Posti's logistics capabilities and creates cost savings.

One of the four key targets during 2018-2020 is “Renewing our service culture”,”Posti Orange”. With a strong Orange community, we are developing the employee experience and first-rate service for our customers. Recognizing that customer experience is key, all future services will be made to respond to the needs of Posti's customers. Posti's services must be future-oriented and digital by default. For example, we have completed the Posti Mobile roll-out with about 9,000 mobile devices for Posti employees.

Posti is deeply concerned about the government's plans to tighten postal regulation with a law reform that would force Posti to release all key delivery data to competitors. The law reform would also skew competition and raise serious concerns about the data privacy of customers and all mail receiving citizens. Instead of tightening regulation and increasing delivery related costs, the government should ensure flexible and predictable regulation suitable for the decreasing postal and logistics volumes, and fair and equal rules of competition.

We continue to renew Posti to make daily life smoother for our customers in the future. I would like to take this opportunity to thank all our customers for their trust in Posti.

APPENDICES

Posti Group's Half-Year Report in full (PDF)

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Sari Helander, CFO
Tel. +358 20 452 3366 (MediaDesk)

FINANCIAL CALENDAR
January–September: Wednesday, October 24, 2018, at 9:00 a.m.
Financial statements for 2018: Thursday, February 14, 2019, at 9:00 a.m.

DISTRIBUTION
Key media
www.posti.com/financials

IMAGES AND LOGOS
www.posti.com/media

Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics services. We have the widest network coverage in Finland and we visit about three million households and companies every weekday. We manage the flow of everyday life in 11 countries. Our net sales in 2017 amounted to EUR 1.6 billion and the number of our personnel is approximately 20,000. www.posti.com.

Market situation and business environment, January–June 2018

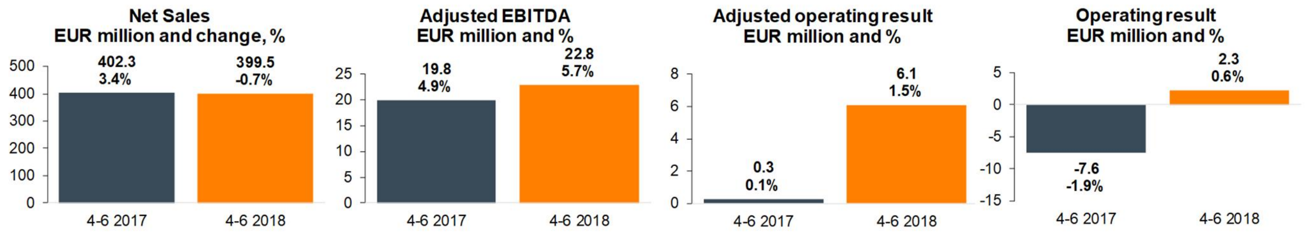
According to the Bank of Finland forecast published in June, GDP growth will accelerate to 2.9% in 2018, finally reaching the level of 2008 preceding the financial crisis. Both domestic demand and growing exports will boost overall demand. During the following years, growth will continue to be broadly based. In 2019, growth is forecasted to reach 2.2% and then to slow to 1.7% in 2020.

According to the Bank of Finland, Russian GDP is forecasted to grow by 2% this year. During the next few years, the growth is expected to slow down to 1.5% if the oil price remains close to its current level. Economic growth will remain relatively slow, as there are no prospects for reforms in economic income formation to support growth.

Net sales and profit performance

April–June 2018

The number of working days in the second quarter was 61, compared to 60 days in the previous year. The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.



The Group's net sales decreased by 0.7% to EUR 399.5 (402.3) million. Net sales increased 3.2% in Mail, Parcel and Logistics Services but decreased 15.1% in Itella Russia largely due to the impact of currency exchange rate changes and the divestment of MaxiPost. Net sales grew by 2.0% in Finland and declined by 15.6% in other countries. International operations accounted for 12.8% (15.1%) of net sales. The decline in international operations' net sales was mainly related to the divestment of OpusCapita's Finance and Accounting Outsourcing and related subsidiaries in Q3/2017.

The Group's adjusted EBITDA increased to EUR 22.8 (19.8) million, 5.7% (4.9%). EBITDA increased to EUR 19.0 (12.8) million, 4.8% (3.2%). The increase in the adjusted EBITDA was attributable mainly to the better results of Mail, Parcel and Logistics Services and Itella Russia.

The adjusted operating result increased to EUR 6.1 (0.3) million, or 1.5% (0.1%) of net sales.

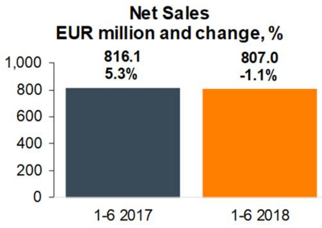
The special items recognized during the quarter amounted to EUR 3.8 million, which includes EUR 0.9 gain on divestment of the debt collection business in Sweden, EUR 0.9 million costs relating to personnel restructuring and EUR 3.8 million costs for strategic projects.

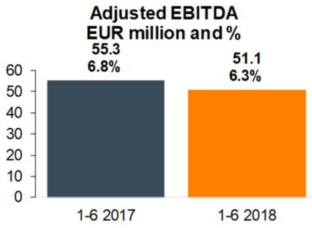
The operating result was EUR 2.3 (-7.6) million, or 0.6% (-1.9%) of net sales.

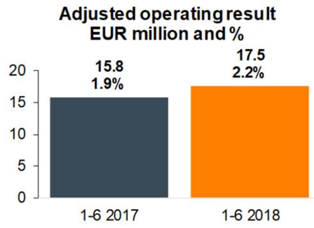
Universal service obligation was 3.2% (4.2%) of all Posti's delivery volumes. Operations under the universal service obligation amounted to EUR 26.3 (27.5) million, or 6.6% (6.8%) of the Group's net sales.

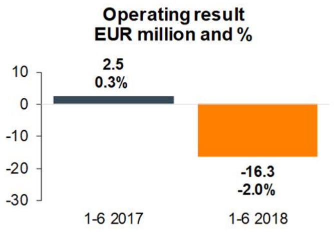
January–June 2018

The number of working days in the first half-year was 124, the same as in the previous year. The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.









The Group's net sales decreased by 1.1% to EUR 807.0 (816.1) million. Net sales increased 1.9% in Mail, Parcel and Logistics Services but decreased 9.1% in Itella Russia mainly driven by currency exchange rates. Net sales grew by 1.1% in Finland and declined by 13.8% in other countries. International operations accounted for 12.9% (14.8%) of net sales. The decline in international operations' net sales was mainly related to the divestment of OpusCapita's Finance and Accounting Outsourcing and related subsidiaries in Q3/2017.

The Group's adjusted EBITDA declined to EUR 51.1 (55.3) million, 6.3% (6.8%). EBITDA increased to EUR 47.5 (42.9) million, 5.9% (5.3%).

The adjusted operating result increased to EUR 17.5 (15.8) million, or 2.2% (1.9%) of net sales.

The special items during the first half-year amounted to EUR 33.8 million, which includes EUR 30.0 million impairment loss on OpusCapita's goodwill, a EUR 2.0 million gain on divestment of the Scandinavian debt collection business and costs relating to personnel restructuring and strategic projects.

The operating result was EUR -16.3 (2.5) million, or -2.0% (0.3%) of net sales.

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

Universal service obligation was 4.0% (4.3%) of all Posti's delivery volumes. Operations under the universal service obligation amounted to EUR 57.3 (56.1) million, or 7.1% (6.9%) of the Group's net sales.

Mail, Parcel and Logistics Services

April-June 2018

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

- Addressed letters: -5% (-10%)
- Parcels in Finland and the Baltics: +13% (+4%), of which B2C parcels +22% (+6%)
- Domestic freight* measured in waybills: +7% (+5%)
- Warehouse fill rate in Finland on average, April-June +80% (+76%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries increased to 10.5 (9.3) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 19%.

The net sales of Mail, Parcel and Logistics Services increased to EUR 361.8 (350.7) million.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	4–6 2018	4–6 2017	Change
Mail and Marketing Services	**152.4**	150.6	1.2%
Press Services	**41.7**	41.4	0.9%
Parcel Services	**71.6**	68.1	5.2%
Logistics Services	**97.6**	92.7	5.2%
Other and eliminations	**-1.5**	-2.0	
Total	**361.8**	350.7	3.2%

The Mail and Marketing Services net sales were at the previous year's level, driven by slower than expected economy letter volume decline due to seasonal reasons, and pricing and product mix changes. The prices of Posti's cash letter services changed on May 4, 2018. The Press revenue was supported by an acquisition in the end of May 2017. Strong volume growth, especially in B2C, continued to drive parcel net sales growth. However, the net sales growth was below volume growth due to product mix changes and the average price, and a decrease of small items that are not included in volumes. Logistics net sales grew by 5.2%. Warehouse fill rate was at a good level.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 20.7 (19.4) million, 5.7% (5.5%). The improved result was driven by increased sales in Mail and Marketing Services. EBITDA increased to EUR 21.1 (17.9) million.

The adjusted operating result increased to EUR 10.2 (7.7) million, 2.8% (2.2%).

Special items improved the operating result for the second quarter by EUR 0.4 (-1.6) million. The special items include EUR 0.9 million gain on the divestment of debt collection business in Sweden which was completed in June.

The operating result increased to EUR 10.6 (6.1) million.

The number of parcels going through Posti Parcel Lockers grew by 34%.

January-June 2018

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

- Addressed letters: -8% (-9%)
- Parcels in Finland and the Baltics: +12% (+6%), of which B2C parcels +22% (+7%)
- Domestic freight* measured in waybills: +6% (+8%)
- Warehouse fill rate in Finland on average, April-June 82% (76%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries increased to 20.9 (18.7) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 17%.

The net sales of Mail, Parcel and Logistics Services increased to EUR 728.1 (714.6) million.

Net sales of Mail, Parcel and Logistics Services:

Net sales, EUR million	1–6 2018	1–6 2017	Change
Mail and Marketing Services	**313.9**	315.0	-0.3%
Press Services	**83.8**	83.0	0.9%
Parcel Services	**143.4**	137.1	4.6%
Logistics Services	**190.2**	183.7	3.5%
Other and eliminations	**-3.3**	-4.3	
Total	**728.1**	714.6	1.9%

The first half-year net sales grew slightly despite mail volume decline. The Mail and Marketing Services net sales were at the previous year level, driven by pricing and product mix changes. The Press revenue was supported by the acquisition at the end of May 2017. Strong volume growth, especially in B2C continued to drive parcel net sales growth. However, the net sales growth was below volume growth due to product mix changes, the average price, and a decrease of small items that are not included in volumes. Logistics net sales grew by 3.5%. Warehouse fill rates also improved.

The adjusted EBITDA of Mail, Parcel and Logistics Services declined to EUR 47.3 (50.9) million, 6.5% (7.1%). The decreased result was driven by increased employee costs driven by the collective labor agreement and lower margins in logistics. In addition, the Q1 results included approximately EUR 3 million for items that are not expected to continue. The business mix continued to move towards parcel and logistics. EBITDA increased to EUR 48.1 (47.9) million supported by gains of sales and less restructuring costs.

The adjusted operating result decreased to EUR 26.2 (27.4) million, 3.6% (3.8%).

Special items improved the operating result by EUR 0.8 (-3.1) million. The special items include EUR 2.0 million gain on the divestment of the debt collection business in Scandinavia.

The operating result grew to EUR 27.0 (24.3) million.

The renewal of the service point network has proceeded as planned. At the end of June, Posti had a total of 1,613 service points in Finland, of which 704 were Posti Parcel Lockers. The number of parcels going through Posti Parcel Lockers grew by 36%.

During the first half of 2018, Posti’s Finnish Debt Collection business was sold to Intrum, the Norwegian Debt Collection business to Visma and the Swedish Debt Collection business to Collectia Sverige AB.

Itella Russia

April-June 2018

Itella Russia’s net sales measured in local currency was flat at 0.1%. Reported euro-denominated net sales decreased by 15.1% to EUR 24.8 (29.2) million due to currency translation effects. The transport business growth was double-digit and Contract Logistics exhibited a stable development versus last year. The divestment of Maxipost during Q2 impacted negatively on net sales.

The adjusted EBITDA was EUR 2.1 (0.1) million, 8.4% (0.5%). EBITDA was EUR 2.0 (0.1) million.

The adjusted operating result improved and amounted to EUR 0.6 (-1.7) million. The improvement in the result was driven by capacity optimization in warehousing as well as profitable growth in transport. The average fill rate for warehouses in Moscow was 86% (84%), while in other regions it was 69% (73%).

The operating result was EUR 0.5 (-1.8) million.

On April 24, 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

January-June 2018

Itella Russia's net sales measured in local currency grew by 4.3%. Reported euro-denominated net sales decreased by 9.1% to EUR 51.6 (56.7) million due to currency translation effects. The growth in net sales (measured in local currency) was attributable to higher volumes in the warehouses and transport, as well as to the stabilization of the economy.

The adjusted EBITDA was EUR 3.1 (1.0) million, 6.0% (1.8%). EBITDA was EUR 3.9 (1.0) million. Itella Russia continues to implement measures to improve its EBITDA.

The adjusted operating result improved and was EUR 0.0 (-2.7) million. The improvement in the result was driven by a release of provisions, higher efficiency and an increase in handling and transport volumes. The average fill rate for warehouses in Moscow was 85% (80%), while in other regions it was 73% (76%).

The operating result was EUR 0.6 (-2.8) million.

OpusCapita

April-June 2018

OpusCapita's net sales grew by 0.7% and totaled EUR 16.2 (16.1) million.

The adjusted EBITDA increased to EUR -1.0 (-1.3) million, -6.3% (-7.8%). EBITDA declined to EUR -1.7 (-1.3) million. The improvement in adjusted EBITDA was due to saving actions. EBITDA was burdened by a EUR 0.6 million restructuring program-related special item.

The adjusted operating result improved to EUR -2.1 (-2.6) million, -13.0% (-16.3%).

The operating result declined to EUR -2.7 (-2.6) million.

OpusCapita announced a restructuring program on May 3, 2018, to strengthen the company´s finances. The aim is to refocus OpusCapita´s internal resources to support continued investments in product development and further enhancement of the customer experience. As a part of the restructuring program, OpusCapita finalized cooperation negotiations in several of its operating countries.

January-June 2018

OpusCapita net sales declined by 1.3% and totaled EUR 31.7 (32.1) million. The net sales declined in paper-based transaction products as well as in Professional Services project deliveries. SaaS conversion from on-premise installations continued successfully especially in the Cash Management product line.

The adjusted EBITDA declined to EUR -2.0 (-1.9) million, -6.2% (-6.0%). EBITDA declined to EUR -2.8 (-1.9) million due to restructuring related special items.

The adjusted operating result improved to EUR -3.8 (-4.7) million, -12.1% (-14.5%).

The operating result declined to EUR -34.7 (-4.7) million. As a result of management evaluation of OpusCapita's business plan, including the execution schedule and required investments to implement the plan and the risk-premium of the discount rate, an impairment loss on goodwill of EUR 30.0 million was recognized in the first quarter of the year.

Other operations

In 2017, Other operations revenues included EUR 7.8 million for the second quarter and EUR 16.0 million for January-June from the divested Finance and Accounting Outsourcing business.

Key figures for segments

EUR million	4-6 2018	4-6 2017	1-6 2018	1-6 2017	1-12 2017
Net sales					
Mail, Parcel and Logistics Services	361.8	350.7	728.1	714.6	1 448.7
Itella Russia	24.8	29.2	51.6	56.7	119.1
OpusCapita	16.2	16.1	31.7	32.1	64.7
Other and unallocated	1.1	8.5	2.2	17.5	23.5
Intra-Group sales	-4.5	-2.3	-6.6	-4.9	-9.0
Posti Group	**399.5**	**402.3**	**807.0**	**816.1**	**1 647.0**
Net sales change-%					
Mail, Parcel and Logistics Services	3.2%	2.7%	1.9%	4.0%	2.3%
Itella Russia	-15.1%	15.9%	-9.1%	22.8%	13.8%
OpusCapita	0.7%	3.2%	-1.3%	11.1%	4.4%
Posti Group	**-0.7%**	**3.4%**	**-1.1%**	**5.3%**	**2.5%**
Adjusted EBITDA					
Mail, Parcel and Logistics Services	20.7	19.4	47.3	50.9	106.3
Itella Russia	2.1	0.1	3.1	1.0	3.7
OpusCapita	-1.0	-1.3	-2.0	-1.9	-2.6
Other and unallocated	1.1	1.5	2.7	5.3	11.2
Posti Group	**22.8**	**19.8**	**51.1**	**55.3**	**118.6**
Adjusted EBITDA, %					
Mail, Parcel and Logistics Services	5.7%	5.5%	6.5%	7.1%	7.3%
Itella Russia	8.4%	0.5%	6.0%	1.8%	3.1%
OpusCapita	-6.3%	-7.8%	-6.2%	-6.0%	-4.0%
Posti Group	**5.7%**	**4.9%**	**6.3%**	**6.8%**	**7.2%**
EBITDA					
Mail, Parcel and Logistics Services	21.1	17.9	48.1	47.9	102.2
Itella Russia	2.0	0.1	3.9	1.0	-14.4
OpusCapita	-1.7	-1.3	-2.8	-1.9	-3.6
Other and unallocated	-2.4	-3.8	-1.7	-4.1	-0.6
Posti Group	**19.0**	**12.8**	**47.5**	**42.9**	**83.7**
EBITDA, %					
Mail, Parcel and Logistics Services	5.8%	5.1%	6.6%	6.7%	7.1%
Itella Russia	8.1%	0.2%	7.5%	1.7%	-12.0%
OpusCapita	-10.2%	-7.8%	-8.9%	-6.0%	-5.6%
Posti Group	**4.8%**	**3.2%**	**5.9%**	**5.3%**	**5.1%**

Key figures for segments

EUR million	4-6 2018	4-6 2017	1-6 2018	1-6 2017	1-12 2017
Adjusted operating result					
Mail, Parcel and Logistics Services	10.2	7.7	26.2	27.4	60.4
Itella Russia	0.6	-1.7	0.0	-2.7	-3.5
OpusCapita	-2.1	-2.6	-3.8	-4.7	-7.9
Other and unallocated	-2.6	-3.1	-4.8	-4.2	-6.5
Posti Group	**6.1**	**0.3**	**17.5**	**15.8**	**42.4**
Adjusted operating result, %					
Mail, Parcel and Logistics Services	2.8%	2.2%	3.6%	3.8%	4.2%
Itella Russia	2.3%	-5.9%	0.0%	-4.8%	-2.9%
OpusCapita	-13.0%	-16.3%	-12.1%	-14.5%	-12.3%
Posti Group	**1.5%**	**0.1%**	**2.2%**	**1.9%**	**2.6%**
Operating result					
Mail, Parcel and Logistics Services	10.6	6.1	27.0	24.3	49.3
Itella Russia	0.5	-1.8	0.6	-2.8	-21.5
OpusCapita	-2.7	-2.6	-34.7	-4.7	-35.9
Other and unallocated	-6.1	-9.2	-9.2	-14.4	-19.4
Posti Group	**2.3**	**-7.6**	**-16.3**	**2.5**	**-27.5**
Operating result, %					
Mail, Parcel and Logistics Services	2.9%	1.7%	3.7%	3.4%	3.4%
Itella Russia	2.1%	-6.2%	1.1%	-4.9%	-18.1%
OpusCapita	-16.8%	-16.3%	-109.4%	-14.5%	-55.4%
Posti Group	**0.6%**	**-1.9%**	**-2.0%**	**0.3%**	**-1.7%**

Financial position and investments

In the first half 2018 the consolidated cash flow from operating activities was EUR 34.3 (28.2) million, the cash flow from investing activities EUR -20.7 (-2.3) million and cash flow from financing activities EUR -25.7 (-5.3) million following the dividend payment totaling EUR 40 (60) million.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 32.4 (38.8) million. During the first half-year, the Group invested in the new freight terminal in Vantaa, information systems, the transport fleet and production projects.

At the end of June, liquid assets amounted to EUR 104.9 (149.9) million, and undrawn committed credit facilities totaled EUR 150.0 (210.0) million. The Group took out a new long-term loan of EUR 60 million in the second quarter. The Group's interest-bearing liabilities were EUR 134.5 (185.5) million. The equity ratio was 45.8% (49.3%) and the net debt totaled EUR -10.3 (-19.6) million.

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

Changes in management

From May 1, 2018 Posti has clarified Posti´s current management roles by discontinuing the Management Board. The change has no effect on the Executive Board.

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

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

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

Employees

The Group's personnel	1-6 2018	1-6 2017	1-12 2017
Personnel at period-end	20,561	21,886	20,014
Personnel on average, FTE*	17,066	18,323	17,912

*Full time equivalent personnel on average

Personnel at the end of the period was:

- Finland: 17,561 (17,454) employees
- Other countries of operation: 3,000 (4,432) employees

The Group's personnel expenses amounted to EUR 347.8 (354.8) million in January–June, down 2.0% from the previous year. The personnel expenses included EUR 1.5 (3.5) million in restructuring costs. Excluding restructuring costs, the personnel expenses declined by 1.4% year-on-year.

The Uusi polku (New path) program June 30, 2018 (YTD):

- Applications: 122
- Approved: 54

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

Acquisitions, divestments and changes in corporate structure

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

On April 24, 2018, Itella Russia divested its MaxiPost courier business to the Moscow-based Strategic Business Alliance. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

Regulatory environment

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

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

Legal proceedings

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

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti, and secondarily against Posti and the State of Finland in order to receive compensation for the value added tax charged by Posti on its postal services in 1999–2014. The claim was based on the allegation that the Finnish Value Added Tax Act had been, and still remained, contrary to the EU's Value Added Tax Directive. According to the claims, the postal services provided for the financial institutions should have been VAT exempt. The claims were rejected in their entirety by a decision of the Helsinki District Court in September 2015, and by a decision of the Court of Appeal of Helsinki in September 2017. Posti is not obliged to compensate the VAT that it has charged from its customers. During the process, Posti has considered that the allegations made by the plaintiffs to bewithout merit.

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 particularly dependent on the general economic conditions, and their developments in Finland and in the surrounding countries. The continued decline of letter mail and print volumes due to the increased digital substitution also constitutes a risk, if Posti is not able to appropriately predict and adjust itself for such a decline, by reducing costs and creating new businesses to mitigate impacts of such volume decline, or if those measures are not sufficient to compensate for the declining mail business. Finally, Posti operates in competitive industries and if Posti cannot answer to the intensifying competition, this may have a negative effect on Posti's success.

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 also 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 seasonality with the 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 potential challenges in acquisition and the integration of possibly acquired businesses, general reputation management, the risk of not meeting the financial targets, and the risk of not having adequately protected its intellectual property, among others, as well as risks relating to the insurance coverage and the increased risk of fraud, theft and embezzlement that have become more commonplace in the logistics market.

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 no certainty of stability in the legal environment as to the postal regulation in Finland or more generally 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. Finally, the general conditions of the financing markets may pose risks to Posti.

Events after the review period

There have not been any major events after the review period.

Dividend policy and long-term financial targets

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

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

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

Outlook for 2018

The net sales in 2018 are expected to remain on a par with 2017 or to decrease slightly. The Group's adjusted operating result is expected to remain on a par with 2017 or decrease slightly. Capital expenditure, excluding acquisitions and disposals, is expected to decrease slightly.

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.

The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Helsinki, July 23, 2018

Posti Group Corporation
Board of Directors

APPENDICES

Calculation of key figures
Half-Year 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 finance leases as well as business acquisitions comprising of total amount of purchase considerations.
Equity ratio, %	100 x	Total equity / Total assets - advances received
Return on equity, %	100 x	Result for the period (12 months rolling) / Total equity (average of opening and closing balance of the previous 12 months)
Return on capital employed, %	100 x	Operating result (12 months rolling) / Capital employed (average of opening and closing balance of the previous 12 months)
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / Adjusted EBITDA		Net debt / Adjusted EBITDA (12 months rolling)
Interest-bearing borrowings		Non-current and current borrowings.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE		Full time equivalent personnel on average.
Adjusted free cash flow		Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less cash flow impacts of personnel restructuring costs and costs of strategic key projects.

Half-year report tables January-June 2018

Condensed consolidated Income Statement and Consolidated Statement of Comprehensive Income

Condensed consolidated income statement

EUR million	4-6 2018	4-6 2017	1-6 2018	1-6 2017	1-12 2017
Net sales	**399.5**	**402.3**	**807.0**	**816.1**	**1,647.0**
Other operating income	4.0	5.6	8.2	9.5	15.4
Materials and services	-127.1	-126.1	-253.0	-247.8	-508.0
Employee benefits	-173.3	-177.9	-347.8	-354.8	-696.6
Other operating expenses	-84.1	-91.0	-167.0	-180.0	-374.1
Depreciation and amortisation	-16.7	-19.5	-33.4	-39.4	-75.8
Impairment losses	0.0	-0.9	-30.3	-0.9	-35.4
Operating result	**2.3**	**-7.6**	**-16.3**	**2.5**	**-27.5**
Finance income	1.0	0.0	2.1	2.4	3.8
Finance expenses	-2.2	-4.7	-4.2	-7.5	-13.1
Result before income tax	**1.1**	**-12.3**	**-18.3**	**-2.6**	**-36.9**
Income tax	-0.1	-0.7	-2.0	-4.5	-7.4
Result for the period	**1.0**	**-13.0**	**-20.3**	**-7.0**	**-44.3**
Result for the period attributable to					
Parent company shareholders	1.0	-13.0	-20.3	-7.0	-44.3
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share, basic, EUR	0.03	-0.32	-0.51	-0.18	-1.11
Earnings per share, diluted, EUR	0.03	-0.32	-0.51	-0.18	-1.11
Condensed consolidated Statement of Comprehensive Income					
Result for the period	**1.0**	**-13.0**	**-20.3**	**-7.0**	**-44.3**
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Changes in the fair value of financial assets at fair value through other comprehensive income*		-0.1	0.0	-0.1	-0.1
Change in fair value of cash flow hedges	-0.5	-0.9	-0.2	-0.8	-0.9
Translation differences	-2.4	-11.9	-5.3	-5.3	-7.0
Income tax relating to these items	0.1	0.2	0.0	0.2	0.2
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations		0.4	0.2	0.4	-0.4
Income tax relating to these items		-0.1	0.0	-0.1	0.1
Comprehensive income for the period	**-1.7**	**-25.3**	**-25.6**	**-12.7**	**-52.5**
Comprehensive income attributable to					
Parent company shareholders	-1.7	-25.3	-25.6	-12.7	-52.5
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

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

Condensed consolidated Balance Sheet

Assets

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Non-current assets			
Goodwill	147.2	214.2	180.7
Other intangible assets	56.5	59.3	56.9
Investment property	8.8	9.4	9.1
Property, plant and equipment	342.4	349.1	346.4
Other non-current investments	3.5	4.6	3.5
Non-current receivables	1.4	1.5	1.4
Deferred tax assets	12.6	14.1	11.0
Total non-current assets	**572.3**	**652.2**	**609.0**
Current assets			
Inventories	3.9	3.6	4.8
Trade and other receivables	288.4	296.0	314.2
Current income tax receivables	5.7	7.6	1.5
Current financial assets	71.6	103.1	77.4
Cash and cash equivalents	73.3	102.1	86.0
Total current assets	**442.9**	**512.4**	**483.9**
Total assets	**1,015.2**	**1,164.5**	**1,092.9**

Equity and liabilities

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Equity attributable to the shareholders			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-0.9	-0.7	-0.8
Translation differences	-95.9	-88.8	-90.6
Retained earnings	310.0	408.8	370.9
Total shareholders' equity	**425.9**	**532.1**	**492.3**
Non-controlling interests	0.3	0.3	0.3
Total equity	**426.2**	**532.4**	**492.6**
Non-current liabilities			
Deferred tax liabilities	21.4	24.4	23.7
Non-current borrowings	125.0	73.3	70.5
Other non-current payables	13.9	20.5	16.8
Advances received	14.2	13.8	14.0
Non-current provisions	13.0	12.7	20.6
Defined benefit pension plan liabilities	11.4	11.4	11.8
Total non-current liabilities	**198.9**	**156.2**	**157.4**
Current liabilities			
Current borrowings	9.5	112.2	49.5
Trade and other payables	295.9	280.0	317.6
Advances received	69.7	70.5	68.7
Current income tax liabilities	4.5	5.3	0.2
Current provisions	10.5	8.0	6.9
Total current liabilities	**390.2**	**475.9**	**442.9**
Total liabilities	**589.0**	**632.1**	**600.3**
Total equity and liabilities	**1,015.2**	**1,164.5**	**1,092.9**

Condensed consolidated Statement of Cash Flows

EUR million	1-6 2018	1-6 2017	1-12 2017
Result for the period	**-20.3**	**-7.0**	**-44.3**
Adjustments to cash flow	64.6	51.6	144.7
Change in net working capital	-4.6	-12.5	4.1
Cash flow before financial items and income tax	**39.7**	**32.0**	**104.4**
Financial items (net)	-0.4	1.1	-3.7
Income tax paid	-5.0	-4.9	-4.7
Cash flow from operating activities	**34.3**	**28.2**	**96.0**
Purchase of intangible assets	-9.0	-5.6	-13.2
Purchase of property, plant and equipment	-20.8	-25.6	-54.4
Proceeds from sale of intangible and tangible assets	0.9	6.2	7.4
Business acquisitions, net of cash acquired	-2.6	-7.6	-9.4
Proceeds from business disposals less cash and cash equivalents	5.8	0.0	-7.1
Cash flow from financial assets	5.5		
Financial assets at fair value through profit or loss		29.5	39.3
Financial assets held to maturity		-0.5	15.0
Cash flow from other investments	-0.5	1.2	2.0
Cash flow from investing activities	**-20.7**	**-2.3**	**-20.4**
Increases in current loans			39.9
Repayment of current loans	-40.0	-0.1	-99.9
Increases in non-current loans	59.3	59.8	60.3
Repayment of non-current loans		-	-
Finance lease payments	-5.0	-6.5	-12.7
Dividends paid	-40.0	-60.0	-60.0
Transactions with non-controlling interests		1.5	1.5
Cash flow from financing activities	**-25.7**	**-5.3**	**-70.9**
Change in cash and cash equivalents	**-12.1**	**20.6**	**4.7**
Cash and cash equivalents at the beginning of the period	**86.0**	**82.0**	**82.0**
Effect of exchange rates changes	-0.5	-0.5	-0.7
Cash and cash equivalents at the end of the period	**73.3**	**102.1**	**86.0**

Reconciliation of adjusted free cash flow

Cash flow from operating activities	34.3	28.2	96.0
Purchase of intangible assets and property, plant and equipment	-29.8	-31.2	-67.6
Free cash flow from operations	**4.5**	**-2.9**	**28.4**
Cash flow impact of personnel restructuring costs	2.5	5.6	9.4
Cash flow impact of strategic project costs	1.4	1.0	1.0
Adjusted free cash flow	**8.4**	**3.6**	**38.8**

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to the owners of the parent company							
Jan 1, 2018	**70.0**	**142.7**	**-0.8**	**-90.6**	**370.9**	**492.3**	**0.3**	**492.6**
Change in accounting policies IFRS 9 and IFRS 15*			0.0		-0.7	-0.7		-0.7
Jan 1, 2018, restated	**70.0**	**142.7**	**-0.7**	**-90.6**	**370.2**	**491.6**	**0.3**	**491.9**
Comprehensive income								
Result for the period					-20.3	-20.3	0.0	-20.3
Other comprehensive income:								
Changes in the fair value of cash flow hedges, net of tax			-0.2			-0.2		-0.2
Translation differences				-5.3		-5.3		-5.3
Remeasurements of post-employment benefit obligations, net of tax					0.2	0.2		0.2
Comprehensive income for the period			**-0.2**	**-5.3**	**-20.1**	**-25.6**	**0.0**	**-25.6**
Transactions with equity holders								
Dividends paid					-40.0	-40.0		-40.0
Jun 30, 2018	**70.0**	**142.7**	**-0.9**	**-95.9**	**310.0**	**425.9**	**0.3**	**426.2**

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

Jan 1, 2017	**70.0**	**142.7**	**0.1**	**-83.5**	**479.2**	**608.4**	**-**	**608.4**
Comprehensive income								
Result for the period					-7.0	-7.0	-	-7.0
Other comprehensive income:								
financial assets and cash flow			-0.7			-0.7		-0.7
Translation differences				-5.3		-5.3		-5.3
Remeasurements of post-employment benefit obligations, net of tax					0.3	0.3		0.3
Comprehensive income for the period			**-0.7**	**-5.3**	**-6.7**	**-12.7**	**-**	**-12.7**
Transactions with equity holders								
Contributions by non-controlling interest					1.2	1.2	0.3	
Other transactions with non-controlling interest					-4.8	-4.8	-	
Dividends paid					-60.0	-60.0	-	-60.0
Jun 30, 2017	**70.0**	**142.7**	**-0.7**	**-88.8**	**408.8**	**532.1**	**0.3**	**532.4**

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

Dividends

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

Notes

1. Accounting Policies

The half-year report has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this half-year report, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2017 except for the adoption of new standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments effective as of January 1, 2018. The impact of adoption of IFRS 15 and IFRS 9 were described in Q1 interim report note 1 Accounting policies. The impact of IFRS 15 on half-year report consolidated income statement and balance sheet was less than million euros. Other amendments to IFRS standards effective as of 1 January 2018 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The half-year report is unaudited.

Changes in standards not yet effective - IFRS 16 Leases

IFRS 16 Leases becomes effective for the years commencing on or after January 1, 2019. The new standard will affect primarily the accounting by lessees and as a result Posti will recognize significant amount of leases on balance sheet. Posti continues the preparations for the implementation of the standard. The impacts of the new standards have been described in the notes for the Q1 interim report.

2. Foreign exchange rates

Average rate	4-6 2018	4-6 2017	1-12 2017
RUB	71.9802	62.7349	65.8877
SEK	10.1519	9.5954	9.6369
NOK	9.5936	9.1750	9.3286

Closing rate	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
RUB	73.1582	67.5449	69.3920
SEK	10.4530	9.6398	9.8438
NOK	9.5115	9.5713	9.8403

3. Operating segments

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

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

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

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

4-6
2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	359.6	24.8	15.1	399.5	0.0		399.5
Inter-segment sales	2.2		1.1	3.4	1.1	-4.5	
Net sales	**361.8**	**24.8**	**16.2**	**402.9**	**1.1**	**-4.5**	**399.5**
EBITDA	**21.1**	**2.0**	**-1.7**	**21.4**	**-2.4**		**19.0**
Special items included in EBITDA:							
Personnel restructuring costs	0.4	0.0	0.5	0.9	0.0		0.9
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-0.9			-0.9			-0.9
Onerous contracts		0.0		0.0			0.0
Other	0.2		0.1	0.3	3.5		3.8
Special items included in EBITDA total	**-0.4**	**0.1**	**0.6**	**0.3**	**3.5**		**3.8**
Adjusted EBITDA	**20.7**	**2.1**	**-1.0**	**21.8**	**1.1**		**22.8**
Operating result	**10.6**	**0.5**	**-2.7**	**8.4**	**-6.1**		**2.3**
Special items included in operating result:							
Special items included in EBITDA	-0.4	0.1	0.6	0.3	3.5		3.8
Impairment losses		0.0		0.0			0.0
Special items total	**-0.4**	**0.1**	**0.6**	**0.3**	**3.5**		**3.8**
Adjusted operating result	**10.2**	**0.6**	**-2.1**	**8.7**	**-2.6**		**6.1**
Financial income and expense							-1.2
Profit/loss for the period before taxes							**1.1**

4-6
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	350.6	29.2	15.6	395.5	6.8		402.3
Inter-segment sales	0.1		0.5	0.6	1.7	-2.3	
Net sales	**350.7**	**29.2**	**16.1**	**396.1**	**8.5**	**-2.3**	**402.3**
EBITDA	**17.9**	**0.1**	**-1.3**	**16.6**	**-3.8**		**12.8**
Special items included in EBITDA:							
Personnel restructuring costs	1.6	0.1		1.7	0.1		1.8
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					4.5		4.5
Onerous contracts							
Changes in contingent purchase considerations					0.0		0.0
Other					0.6		0.6
Special items included in EBITDA total	**1.6**	**0.1**		**1.7**	**5.3**		**7.0**
Adjusted EBITDA	**19.4**	**0.1**	**-1.3**	**18.3**	**1.5**		**19.8**
Operating result	**6.1**	**-1.8**	**-2.6**	**1.7**	**-9.2**		**-7.6**
Special items included in operating result:							
Special items included in EBITDA	1.6	0.1		1.7	5.3		7.0
Special items total	**1.6**	**0.1**		**1.7**	**6.1**		**7.8**
Adjusted operating result	**7.7**	**-1.7**	**-2.6**	**3.4**	**-3.1**		**0.3**
Financial income and expense							-4.7
Profit/loss for the period before taxes							**-12.3**

1-6 2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	725.6	51.6	29.8	807.0	0.0		807.0
Inter-segment sales	2.5		1.9	4.3	2.3	-6.6	
Net sales	**728.1**	**51.6**	**31.7**	**811.3**	**2.2**	**-6.6**	**807.0**
EBITDA	**48.1**	**3.9**	**-2.8**	**49.2**	**-1.7**		**47.5**
Special items included in EBITDA:							
Personnel restructuring costs	0.8	0.1	0.6	1.5	0.0		1.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-2.0			-2.0			-2.0
Onerous contracts		-0.9		-0.9			-0.9
Changes in contingent purchase considerations							
Other	0.3		0.2	0.6	4.4		5.0
Special items included in EBITDA total	**-0.8**	**-0.8**	**0.9**	**-0.8**	**4.4**		**3.6**
Adjusted EBITDA	**47.3**	**3.1**	**-2.0**	**48.4**	**2.7**		**51.1**
Operating result	**27.0**	**0.6**	**-34.7**	**-7.1**	**-9.2**		**-16.3**
Special items included in operating result:							
Special items included in EBITDA	-0.8	-0.8	0.9	-0.8	4.4		3.6
Impairment losses		0.2	30.0	30.2			30.2
Special items total	**-0.8**	**-0.6**	**30.9**	**29.4**	**4.4**		**33.8**
Adjusted operating result	**26.2**	**0.0**	**-3.8**	**22.4**	**-4.8**		**17.5**
Financial income and expense							-2.0
Profit/loss for the period before taxes							**-18.3**

1-6 2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	714.1	56.7	31.2	802.0	14.1		816.1
Inter-segment sales	0.5		0.9	1.4	3.4	-4.9	
Net sales	**714.6**	**56.7**	**32.1**	**803.5**	**17.5**	**-4.9**	**816.1**
EBITDA	**47.9**	**1.0**	**-1.9**	**46.9**	**-4.1**		**42.9**
Special items included in EBITDA:							
Personnel restructuring costs	3.1	0.1		3.2	0.4		3.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)					5.2		5.2
Onerous contracts		0.0		0.0			0.0
Changes in contingent purchase considerations					2.5		2.5
Other					1.3		1.3
Special items included in EBITDA total	**3.1**	**0.1**		**3.1**	**9.3**		**12.5**
Adjusted EBITDA	**50.9**	**1.0**	**-1.9**	**50.0**	**5.3**		**55.3**
Operating result	**24.3**	**-2.8**	**-4.7**	**16.9**	**-14.4**		**2.5**
Special items included in operating result:							
Special items included in EBITDA	3.1	0.1		3.1	9.3		12.5
Impairment losses					0.8		0.8
Special items total	**3.1**	**0.1**		**3.1**	**10.2**		**13.3**
Adjusted operating result	**27.4**	**-2.7**	**-4.7**	**20.0**	**-4.2**		**15.8**
Financial income and expense							-5.1
Profit/loss for the period before taxes							**-2.6**

1-12 2017

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

Net sales of Mail, Parcel and Logistics Services

EUR million	4-6 2018	4-6 2017	1-12 2017
Mail and Marketing Services	152.4	150.6	630.2
Press Services	41.7	41.4	166.9
Parcel Services	71.6	68.1	287.5
Logistics Services	97.6	92.7	373.4
Other and eliminations	-1.5	-2.0	-9.3
Total	**361.8**	**350.7**	**1,448.7**

Jun 30, 2018

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus-Capita	Segments total	Other and unallocated	Elimi-nations	Group total
Assets	593.6	124.2	73.3	791.2	228.3	-4.3	**1,015.2**
Liabilities	358.9	29.3	20.0	408.3	185.0	-4.3	**589.0**
Capital expenditure	17.5	0.3	2.0	19.9	17.3		**37.2**
Depreciation and amortization	20.9	3.1	1.9	25.9	7.5		**33.4**
Impairment losses	0.1	0.2	30.0	30.3	0.0		**30.3**
Personnel, end of period	17,593	1,891	363	19,847	714		**20,561**
Personnel on average, FTE	13,850	2,156	375	16,381	685		**17,066**

Jun 30, 2017

EUR million							
Assets	591.9	140.5	128.0	860.3	309.6	-5.4	**1,164.5**
Liabilities	347.6	17.2	9.0	373.8	263.8	-5.4	**632.1**
Capital expenditure	15.5	0.7	1.8	18.0	18.3		**36.3**
Depreciation and amortization	23.4	3.8	2.7	29.9	9.5		**39.4**
Impairment losses	0.1	0.0		0.1	0.8		**0.9**
Personnel, end of period	17,807	2,381	379	20,567	1,319		**21,886**
Personnel on average, FTE	14,321	2,340	362	17,023	1,300		**18,323**

Dec 31, 2017

EUR million							
Assets	606.8	138.6	101.4	846.8	248.9	-2.9	**1,092.9**
Liabilities	379.8	29.4	12.9	422.1	181.0	-2.9	**600.3**
Capital expenditure	28.3	2.3	4.3	34.9	38.4		**73.3**
Depreciation and amortization	45.5	7.0	5.3	57.8	18.0		**75.8**
Impairment losses	7.5	0.2	26.9	34.6	0.8		**35.4**
Personnel, end of period	16,615	2,329	404	19,348	666		**20,014**
Personnel on average, FTE	14,133	2,325	372	16,830	1,082		**17,912**

4. Net sales by geographical location

EUR million	4-6 2018	4-6 2017	1-6 2018	1-6 2017	1-12 2017
Finland	323.1	311.2	645.8	632.7	1,289.2
Other Nordic countries	26.7	32.2	55.6	67.2	124.9
Russia	24.5	29.0	51.1	56.6	118.8
Other countries	25.1	29.8	54.5	59.6	114.2
Total	**399.5**	**402.3**	**807.0**	**816.1**	**1,647.0**

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

5. Acquired businesses and business divestments

Business divestments April-June 2018

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

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

6. Property, plant and equipment

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

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Carrying amount on Jan 1	**346.4**	**360.5**	**360.5**
Acquired businesses	0.0	0.0	0.2
Additions	28.2	25.8	54.9
Business divestments	-0.1	0.0	0.0
Disposals and transfers between items	-0.8	-2.8	-4.4
Depreciation	-25.6	-28.2	-56.6
Impairment	0.0	-0.9	-0.3
Translation differences	-5.6	-5.3	-7.9
Carrying amount at the end of the period	**342.4**	**349.1**	**346.4**

7. Goodwill and other intangible assets

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

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Carrying amount on Jan 1	**237.7**	**274.4**	**274.4**
Acquired businesses	0.0	3.9	5.0
Additions	9.0	6.3	13.3
Business divestments	-4.1	0.0	-0.9
Disposals and transfers between items	-0.3	0.0	-0.2
Amortization	-7.4	-10.6	-18.6
Impairment	-30.3	0.0	-35.1
Translation differences	-0.8	-0.5	-0.3
Carrying amount at the end of the period	**203.7**	**273.5**	**237.7**

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

8. Net debt and liquid funds

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2018**	**100.7**	**19.3**	**120.0**	**123.7**	**39.7**	**-43.4**
Cash flows		19.5	-5.0	14.4	-18.3	0.2	32.5
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	-0.5	0.0	0.5
Other non-cash items		-0.2	0.3	0.1	0.0	0.0	0.1
Carrying amount on	**Jun 30, 2018**	**120.0**	**14.5**	**134.5**	**104.9**	**39.9**	**-10.3**
Fair value on	**Jun 30, 2018**	**120.6**	**14.5**	**135.1**			

EUR million		Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2017**	**100.4**	**31.6**	**132.1**	**159.9**	**54.7**	**-82.5**
Cash flows		59.7	-6.5	53.2	-9.5	0.5	62.2
Business acquisitions		0.0	-	0.0	-	-	0.0
Effect of exchange rates changes		0.0	0.0	0.0	-0.5	-	0.5
Other non-cash items		0.0	0.2	0.2	0.0	-	0.2
Carrying amount on	**Jun 30, 2017**	**160.1**	**25.4**	**185.5**	**149.9**	**55.2**	**-19.6**
Fair value on	**Jun 30, 2017**	**162.1**	**25.4**	**187.5**			

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

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Cash and cash equivalents	73.3	102.1	86.0
Money market investments and investments in bonds	31.6	47.8	37.7
Liquid funds	**104.9**	**149.9**	**123.7**

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

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 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	0.1		0.1	
Equity fund investments	0.1			0.1
Total	**3.5**		**0.1**	**3.4**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.1		1.1	
Equity derivatives, written put option	4.8			4.8
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.2		0.2	
Total	**6.1**		**1.3**	**4.8**

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 2017				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	4.5			4.5
Current financial assets				
Money market investments	53.9		53.9	
Bonds	22.9	18.5	4.4	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Equity fund investments	0.1			0.1
Total	**81.4**	**18.5**	**58.3**	**4.6**
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.9		0.9	
Written put option	4.8			4.8
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Total	**5.7**		**0.9**	**4.8**

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

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

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

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 11.1 million and their carrying value EUR 10.7 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

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Pledges for own behalf			
Bank guarantees	6.8	3.9	6.7
Guarantees	4.0	4.2	4.2
Pledges	0.1	0.3	0.2
Total	**10.9**	**8.4**	**11.1**

Operating leases

EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Maturity of minimum lease payments:			
Less than a year	54.7	71.7	56.0
1-5 years	115.7	135.3	118.8
More than 5 years	70.9	97.6	79.5
Total	**241.2**	**304.5**	**254.3**

Legal proceedings

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

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value added tax charged by Posti on its postal services in 1999–2014. The claim was based on the allegation that the Finnish Value Added Tax Act had been, and still remained, contrary to the EU's Value Added Tax Directive. According to the claims, the postal services provided for the financial institutions should have been VAT exempt. The claims were rejected in their entirety by a decision of the Helsinki District Court in September 2015, and by a decision of the Court of Appeal of Helsinki in September 2017. Posti is not obliged to compensate the VAT that it has charged from its customers. During the process, Posti has considered that the allegations made by the plaintiffs are without merit.

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	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Currency derivatives			
Non-hedge accounting			
Fair value	-0.1	0.0	-0.2
Nominal value	13.5	4.5	10.3
Hedge accounting			
Fair value			-0.1
Nominal value			3.1
Interest rate derivates			
Hedge accounting			
Fair value	-1.1	-0.9	-0.9
Nominal value	60.0	60.0	60.0

11. Events after the reporting period

There have not been any major events after the review period.