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posti

2020
Financial review

Financial review

Posti in brief

Our net sales
1,613.6
EUR million

Our adjusted operating result
66.1
EUR million

Our personnel
21,000
at the end of 2020

Number of parcels
+27%
in Finland and the Baltic countries

We visit daily approximately
3 million
doors

6 business groups:

Postal Services, Parcel & eCommerce, Freight Services, Transval, Aditro Logistics and Itella Russia

Posti has business operations in 8 countries. According to our new strategy, we seek growth in Finland, Sweden and the Baltic countries.

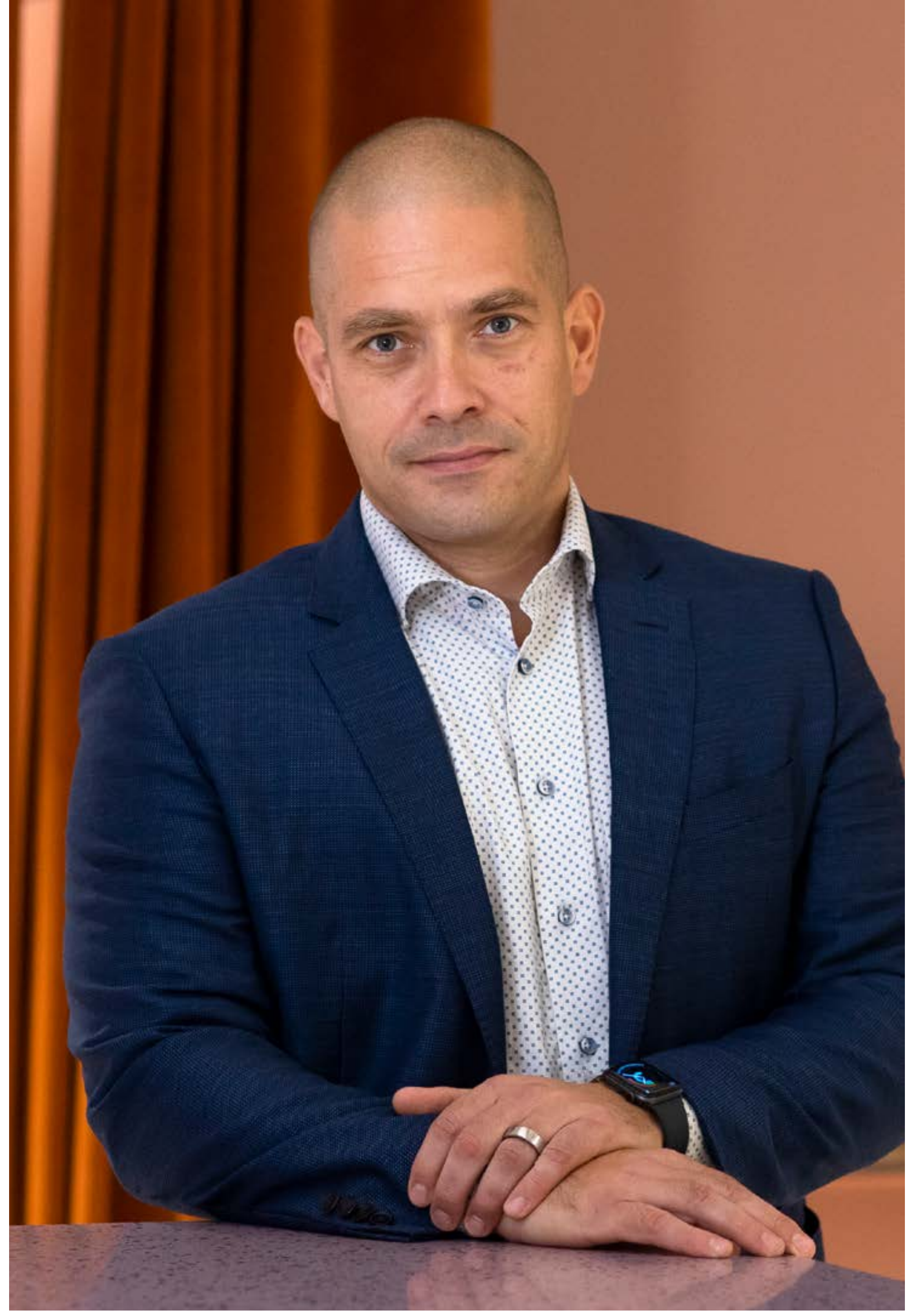
From the President and CEO

WE ACHIEVED a strong result in 2020. Our net sales grew by 3.1 percent to EUR 1,613.6 (1,564.6) million. The adjusted operating result improved to EUR 66.1 (36.2) million, representing 4.1 (2.3) percent of net sales. Adjusted EBITDA also increased and amounted to EUR 186.5 (152.3) million, or 11.6 (9.7) percent of net sales. The global COVID-19 pandemic had a significant impact on our operations. The Parcel and eCommerce business group benefited substantially from the boom in online retail, while the demand for traditional postal services decreased. We developed our operations flexibly and with good results. We also carried out restructuring measures and actions to improve cost-effectiveness. I am very satisfied with Posti's result for the final quarter and the year 2020 as a whole. This achievement was particularly underpinned by the successful performance improvement program in Freight Services, the quick and agile adaptation of business operations and the excellent profit performance of the Parcel and eCommerce business group.

I want to take this opportunity to express my sincere thanks to our employees for their hard work and flexibility. The result we achieved was particularly good taking into account the record-high volumes during the peak season and the challenging circumstances caused by the COVID-19 pandemic. We rewarded our employees for their excellent work by paying out approximately EUR 3 million in thank-you bonuses, especially to Posti employees in production duties.

The high season from Black Friday to Christmas brought unprecedented volumes. The Parcel and eCommerce business group broke all records during the season and delivered approximately 7.7 million parcels. Parcel volume in Finland and the Baltic countries increased by 47 percent in the fourth quarter. Total parcel volume for the year grew by 27 percent, with some 64 million parcels delivered. In postal services, the season was busier than expected. Almost 18 million Christmas cards were sent, representing a year-on-year increase of nearly 20 percent. In spite of the higher volume of Christmas cards, the rapid transformation of postal services continued. The number of addressed letters in Finland declined by 16 percent during the year as a whole.

We continued our efforts to develop and clarify our business portfolio in



2020. In the spring, we acquired the Swedish company Aditro Logistics, which is one of the leading contract logistics companies in the Nordic region. In the fall, we sold our subsidiaries Posti Kotipalvelut Oy and Posti Messaging Scandinavia. These transactions supported our strategy of continued renewal and focus on our core businesses. The divestments and our strong result for 2020 enable us to invest in future growth.

We also made good progress with respect to our emission targets. Our ambitious target is to reduce our own emissions to zero by 2030. Last year, our emissions were reduced by 15 percent. The rate of renewable fuel use rose to 10 percent by the end of the year and we drove more than four million kilometers powered by electricity, renewable diesel and biogas. Last year, we made a commitment to the Science Based Targets initiative and our targets will be submitted to SBTi for approval.

The health and safety of our employees is our highest priority. We have made excellent progress in improving our occupational safety. In 2020, the LTA1 indicator (lost time accidents per one million working hours) for our Finnish operations fell to 37 (44) and the corresponding figure for the Group as a whole was 34 (39). Our surveys also showed that Posti employees find the work they do for our customers and partners to be meaningful and motivating.

In many ways, last year showed that we are at a turning point. Above all, the past year underscored the strength and potential of our Parcel and eCommerce business and our logistics services. We have updated our Group strategy and the core of our operations now consists of parcels and material flows. Our aim is to build Posti into a modern and increasingly profitable delivery and

Under our revised strategy, the core of our growth is parcel traffic and logistics in Finland, Sweden and the Baltics. Postal services in Finland play an important complimentary and supporting role. This represents a clear adjustment of strategic focus in response to the transformation of our business environment, which has posed challenges to us for quite some time now.

logistics company. The industry-leading expertise of Posti employees and our leadership in logistics and technology combined with our comprehensive delivery network make us a uniquely strong operator. Improving the customer experience is at the heart of everything we do as we continue our renewal. We will accelerate the execution of our strategy and the improvement of the customer experience by investing more than EUR 100 million in the coming years in the growth of our Posti Parcel Locker network, digital competencies and our sorting and delivery capacity.

I am convinced that we have everything it takes to build a bright future for Posti. Nevertheless, the next few years will be very challenging. Competition in the parcel business is intense and various operators are taking advantage of their strengths by focusing on large cities. We will respond to the competition by continuously developing our services to improve our speed and reach as well as the convenience of service use. We must also prepare for the possibility that the growth of eCommerce will not be as rapid in 2021 as it was in 2020. It is essential that we continue to improve the customer experience and develop the quality of our services while maintaining a competitive and flexible cost structure. The new operating model we adopted at the beginning of November 2020 supports the achievement of these goals.

For several years now, our operations have been challenged by the sharp decline in letter volumes caused by the digital transformation as well as rapid changes in customer habits. It is crucial that we respond to this development. While building future growth, we also need to manage the inevitable changes affecting our organization and business in a controlled and responsible manner. We will manage Posti's transition responsibly and in a customer-driven manner while maintaining active dialog with our personnel.

The transformation of communication will not stop. It is only accelerating due to digitalization and COVID-19. Implementing the resulting changes in a controlled manner also calls for regulatory changes. We are satisfied with the state secretaries' working group's proposals for safeguarding postal and newspaper deliveries in Finland in the years to come. This will be achieved through amendments to the Postal Act and the adoption of a fixed-term communication subsidy to support newspaper deliveries in sparsely populated areas. These reforms are critical and urgent. They should enter into effect in 2022 at the latest. It is important for the upcoming changes to be implemented through constructive dialog. With newspaper companies and Posti being in the same boat in the transformation of communication, we should also sit together at the same table to discuss the future of delivery operations.

When we updated our strategy, we also sharpened our purpose. We responsibly deliver the things that matter – on your terms. Our purpose statement reflects our mission of delivering things that matter and challenges us to continuously develop our services in response to changing customer needs. For us at Posti, it has always been a matter of honor to deliver things that matter to the people who receive them. Through our nearly 400 years of history, the nature of the things we deliver has changed many times, but our responsibility for what we deliver has not.

Our updated strategy gives us a clear sense of direction. By working together with a long-term approach and with respect for one another, we have everything it takes to build a future that is worthy of our 400 years of history.

TURKKA KUUSISTO
President and CEO

Strategy

Tomorrow's Posti is a modern delivery and fulfillment company

We have now arrived at an inflection point where we once again direct our expertise to serve people and the society as day-to-day life requires. Last year, parcel and e-commerce business and logistics services developed in a way that made our future clear. Now and in the future, parcels and material flows are at the core of our operations. The Posti of the future is a modern delivery and fulfillment company. Parcel traffic and contract logistics in Finland, Sweden and the Baltic counties in the end-to-end value chain are at the core of our growth. To support this, Postal services in Finland will play an important complimentary and supporting role.

The core of the updated group strategy is based on the continuous improvement of customer experience, industry-leading operational efficiency, an employee experience based on purpose-driven leadership, and reducing its emissions to zero by 2030. Posti's strength as a company stems from a unique combination: its employees, as the best experts in their field, its capability of being pioneers in logistics and technology, and its comprehensive delivery network.

The speed, fluidity and convenience that have been seen in consumer e-commerce in recent years are now making their way to B2B logistics. Posti creates new value for customers by covering and optimizing the e-commerce logistics value-chain from transport to warehousing and from sorting to delivery.

Our work has begun long before the consumer orders something from an online store. Our hands and systems have moved goods to production and from production to warehouse – in an optimized way, making use of industrial-level digitalization and combining different freight flows and warehouses. We have sent, received and shelved the finished products in the shop. And when the customer clicks to confirm the purchase, we are involved again, all the way to the home door. All of this takes place profitably, and soon also without emissions – in a way that serves the present and builds a better tomorrow.

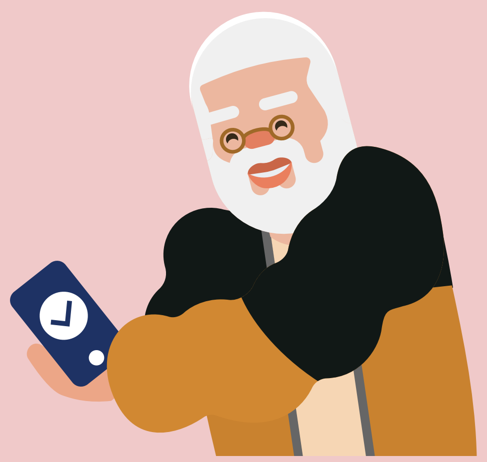
Our purpose and values

While updating our strategy, we have also clarified our purpose. Posti's clarified purpose crystallizes both our professional pride based on centuries of experience and our continuous desire to keep ahead of our times: **Responsibly delivering what matters to you – on your terms**.

We challenge both ourselves and the entire industry by carrying out increasingly sustainable and reliable deliveries from the point of view of the environment, society and economy. As we continue our transformation, improving the customer experience is at the core of everything we do: we want to make our customers' lives more functional and therefore continuously develop flexibility, traceability and minimize friction.

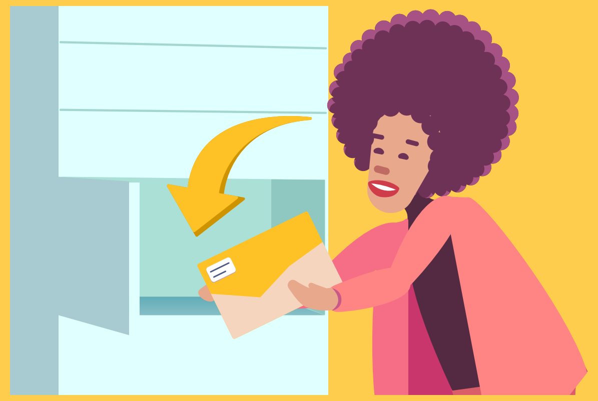
We asked all Posti employees in an open survey about what makes us proud of our work and what we want our company to look like in the future. Posti's long history, its important social role, the significance of the work, forward-looking expertise and the sustainability of the work emerged as strong factors. Therefore, our revised values – **reliable, respectful** and **progressive** – provide a strong foundation for implementing the purpose of our existence.

We have updated our purpose, values, and corporate strategy – in other words, our reason for being and the plan on how we will implement this purpose.



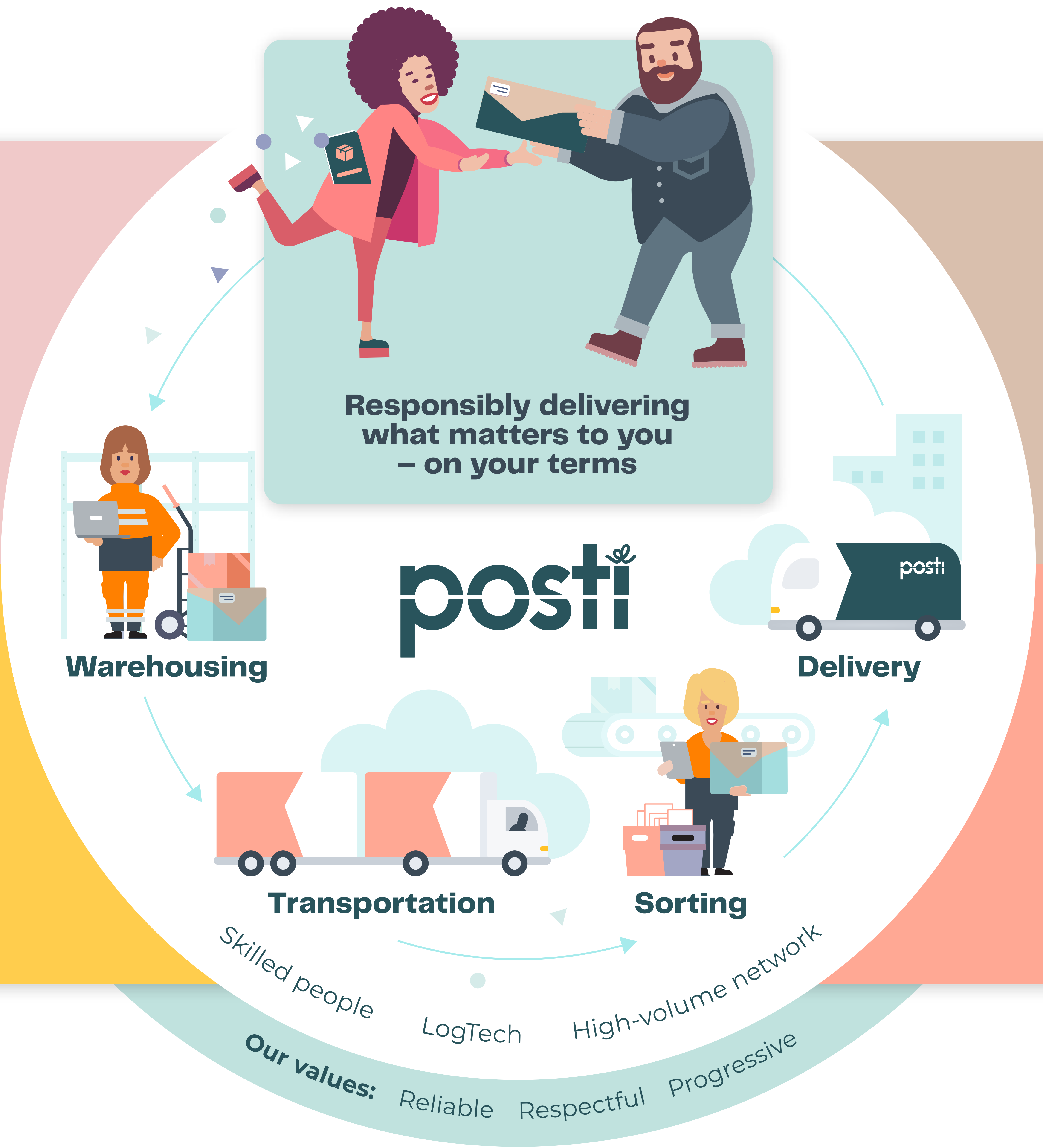
Customer-centricity

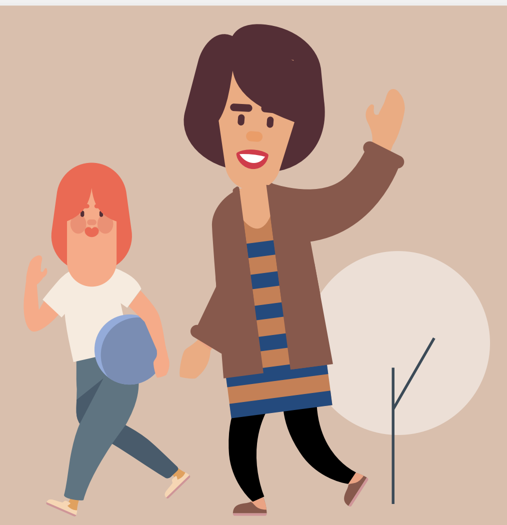
Our service culture is based on putting the customer at the center and continuously improving our business across the value chain together with our customers.



Convenience

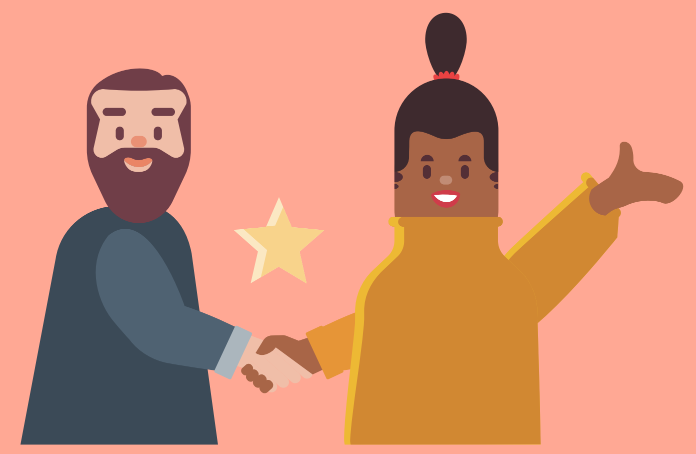
Frictionless service, quality, speed and traceability, as well as the power of the receiver to decide – that's the recipe for our customer experience.





Sustainability

We are commited to responsible and sustainable business. One of our key goals is to reduce our emissions to zero by 2030.



Industry pioneer

Together with our partners, we constantly innovate new industry standards.

Posti Group Corporation Board of Directors' Report 2020

Description of the business model

Posti is a delivery and fulfillment company that serves both private individuals and business customers as well as the public sector. Posti's business consists of delivery services for parcels and printed products, eCommerce services, comprehensive supply chain solutions, such as warehousing and inhouse logistics services, as well as a broad range of transport services for businesses and organizations, including freight services.

Posti's business is divided into three reportable segments: Mail, Parcel and Logistics Services, Itella Russia, and Aditro Logistics. Mail, Parcel and Logistics Services consists of four operating segments: Postal Services, Parcel and eCommerce, Transval, and Freight Services. The company operates in 8 countries. At the end of the financial year 2020, the number of personnel stood at approximately 21,000. In Finland, the company employed about 17,700 people at the end of the financial year, which makes it one of the largest employers.

Disruption of the postal industry and the strong digitalization trend have changed Posti's business permanently. Therefore, it is imperative that Posti continues the transformation journey. To be successful in the transformation, Posti needs to improve its customer experience, develop the quality of its services, and maintain a competitive cost structure. To do that, Posti has renewed its operating model and updated its strategy. In the updated strategy, Posti is a modern delivery and fulfillment company with progressive profitability.

Market situation and business environment

The COVID-19 pandemic started to spread rapidly in March and created a worldwide shock as lockdowns, travel restrictions and social distancing measures were quickly introduced, and global economy entered deep recession. The COVID-19 pandemic continues to dominate the outlook for 2021 and 2022, as there is uncertainty how long it will take to bring the pandemic under control.

Due to the nature and scale of Posti's operations, the changes in GDP and the development of economy it portrays, have had an impact on the development of traditional postal services and freight services. According to Bank of Finland, the Finnish GDP contracted by -3.8% in 2020, but the economy will slowly start to recover in 2021 if the pandemic is not prolonged and new lockdowns are not introduced.

The growth of eCommerce accelerated significantly during 2020 and especially in the peak season culminating in Christmas as the COVID-19 situation pushed consumers even more towards online shopping. According to a study conducted in cooperation with Kantar TNS, almost 60% of Finns shop online monthly, convenience being one of the main drivers behind this trend.

Customers grown used to the convenience of shopping and the wide choice of products available online, are unlikely to go fully back to traditional offline retail channels even after the COVID-19 is under control and restrictions are eventually lifted. At the same time, as the digitalization has gained even more speed, the decline of traditional postal services continued even faster than before in 2020.

The Ministry of Finance in Sweden forecasts that the GDP in Sweden will fall by -2.9% in 2020 and increase by 3.0% in 2021. Russian GDP contracted by -4.0% in 2020 according to World Bank and will return to growth at 2.6% and 3.0% in 2021 and 2022, respectively.

The impact of coronavirus (COVID-19) on Posti's operations and Posti's mitigating actions

During the pandemic, protecting the health of its personnel and customers in different locations and countries according to the instructions provided by the local health authorities and government officials has been of utmost importance to Posti.

Due to the nature of its business, Posti plays a major role in maintaining the security of supply in Finland. This means that socially critical basic functions are secured in case of severe disruptions or emergencies. Pursuant to the Postal Act, Posti must be prepared for exceptional circumstances as well as disruptions in normal situations.

While Posti's Parcel and eCommerce business group benefitted from the growth of online shopping, the coronavirus pandemic has significantly decreased the demand for traditional postal services. In 2020, the number of addressed letters decreased by 16% in Finland. Consequently, Postal Services carried out some special arrangements, which meant for example moving to a four-day delivery for some items. Also Posti's logistics services were negatively impacted by the pandemic.

Posti is closely following its credit risks and impairment risks on the businesses negatively impacted by COVID-19. No needs of exceptional write-offs have been identified. The COVID-19 pandemic has not significantly impacted Posti's financial position or liquidity. Posti's liquidity is still strong and the pandemic has had no effects on Posti's financial arrangements. Posti's financial agreements do not include covenants which would have been affected by the COVID-19 situation.

Thanks to its constantly updated and followed-up contingency plan, Posti's operations are well prepared for the exceptional circumstances. To mitigate the effects of the COVID-19 pandemic, Posti has initiated several measures to adjust its cost structure. Further details of these can be found in the "Cooperation negotiations" chapter later in this report.

Managing the impact of the pandemic has now become a part of Posti's normal risk management and it is taken care of by each business as part of the daily management of their operations.

Key figures of Posti Group

	2020	2019****
Net sales*, EUR million	1,613.6	1,564.6
Adjusted EBITDA*, EUR million	186.5	152.3**
Adjusted EBITDA margin*, %	11.6%	9.7%**
EBITDA*, EUR million	177.6	140.6
EBITDA margin*, %	11.0%	9.0%
Adjusted operating result*, EUR million	66.1	36.2**
Adjusted operating result margin*, %	4.1%	2.3%**
Operating result*, EUR million	55.0	18.5
Operating result margin*, %	3.4%	1.2%
Result for the period*, EUR million	29.7	14.1
Return on equity (12 months), %	6.7%	4.3%
Return on capital employed (12 months), %	8.4%	4.5%
Net debt, EUR million	228.7	164.3
Net debt / adjusted EBITDA	1.2x	1.1x**
Equity ratio, %	36.9%	40.0%
Operative free cash flow, EUR million	77.6	14.7
Gross capital expenditure*, EUR million	151.1	133.7
Personnel, end of period*	20,909	20,468
Personnel on average*, FTE	16,227	16,569
Earnings per share, basic, EUR	0.74	0.47
Dividend per share, EUR	0.78***	0.75
Dividends, EUR million	31.3***	29.8

* Continuing operations
** Restated based on the new definition of special items
*** Board of Directors' proposal to the Annual General Meeting
**** The comparison figures in 2019 were significantly burdened by the postal strike on the latter half of 2019

Net sales and profitability in 2020

Net sales

The Group's net sales grew by 3.1% to EUR 1,613.6 (1,564.6) million, mainly due to the growth of net sales in Parcel and eCommerce and the inclusion of Aditro Logistics in Posti's financials as of April 2020. The comparison figures in 2019 were significantly burdened by the postal strike in the latter half of the year. The number of working days in Finland was 253 (251).

Net sales were at the previous year's level in Finland and increased by 30.4% in other countries, mainly due to the acquisition of Aditro Logistics in Sweden. The share of international operations in Posti's business increased and accounted for 12.7% (10.0%) of net sales.

Net sales were at the previous year's level in Mail, Parcel and Logistics Services segment. The postal strike that took place in Finland in the fourth quarter of 2019 continued to impact Mail, Parcel and Logistics Services segment especially in the first quarter of 2020. The volume decline caused by the strike had a significant negative effect especially on the net sales of Postal and Parcel Services. The COVID-19 pandemic accelerated the decline of mail volumes but had a clearly positive impact on Posti's Parcel and eCommerce business.

Net sales decreased in Aditro Logistics mainly due to the impact of the coronavirus situation and rescoping the business as earlier planned. Aditro Logistics was integrated into Posti's financials as of April 2020, so its figures are not included in Posti's financials for 2019.

Net sales decreased in Itella Russia by 29.6%, mainly due to the restructuring actions of warehouses.

The net sales of Parcel and eCommerce and logistics businesses represented over 57% (52%) of the Group's net sales.

Operations under the universal service obligation amounted to EUR 113.0 (115.2) million, or 7.0% (7.4%) of the Group's net sales and 3.4% (4.0%) of delivery volumes.

Profitability

The Group's adjusted EBITDA increased to EUR 186.5 (152.3) million, or 11.6% (9.7%) of net sales. EBITDA increased to EUR 177.6 (140.6) million, or 11.0% (9.0%) of net sales. The adjusted operating result increased to EUR 66.1 (36.2) million, or 4.1% (2.3%) of net sales, mainly due to the improved profitability of Parcel and eCommerce as well as the successful turnaround program in Freight Services. The comparison figures in 2019 were significantly burdened by the postal strike in the latter half of the year. The operating result improved to EUR 55.0 (18.5) million, or 3.4% (1.2%) of net sales. Special items affecting the operating result were EUR 11.1 (17.8) million.

Special items affecting the operating result in 2020

EUR million	
Personnel restructuring costs	5.6
An impairment loss and license costs from an ICT project	3.9
A loss on the disposal of the Russian real estate company OOO NLC-Bataisk	3.8
A loss on the sales of Posti Messaging Scandinavia companies	1.0
A gain from the release of onerous contract provisions in Russia	-2.4
A gain from the sale of Posti Kotipalvelut Oy	-1.3
A release of contingent purchase consideration liability related to HR Hoiva Oy	-0.9
Other special items	1.4
Total	**11.1**

In November, Posti received rulings from the Administrative Court concerning deductibility of foreign tax losses in cross border mergers. Posti has de-recognized the previously approved tax benefit related to its Danish tax losses at a total value of EUR 8.8 million in June 2020, based on the Supreme Administrative Court's precedent for a similar case.

Changes in reporting

As of April 2020, after the closing of the transaction, Aditro Logistics became a new reportable segment of Posti. Posti's three reportable segments are now Mail, Parcel and Logistics Services, Itella Russia, and Aditro Logistics. Mail, Parcel and Logistics Services consists of four operating segments: Postal Services, Parcel and eCommerce, Transval, and Freight Services. The operating segments have been changed at the beginning of 2020 by splitting Logistics Solutions into Transval and Freight Services. Mail, Parcel and Logistics Services' revenue is reported based on the new operating segments and 2019 net sales have been restated accordingly.

Simultaneously, Logistics Solutions' Administration function ceased to exist. To ensure comparability, Logistics Solutions' Administration expenses in 2019 have been restated from Mail, Parcel and Logistics Services segment to Other and unallocated.

Posti Group has also revised its Special items definition. Costs for strategic key projects and some other items, previously reported to be outside of ordinary course of business, are not reported as Special items anymore. The 2019 figures have been restated accordingly.

Mail, Parcel and Logistics Services

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

- Addressed letters: -16% (-16%)
- Parcels in Finland and the Baltics: 27% (7%)
- Freight volumes measured in waybills: -5% (-2%)

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 64.1 (50.3) million parcels. The figure does not include letter-like e-commerce items.

Net sales

The net sales of Mail, Parcel and Logistics Services were at the previous year's level, EUR 1,481.6 (1,482.2) million. Net sales are itemized in the following table.

Net sales of Postal Services decreased mainly due to the continued mail volume decline, accelerated by the COVID-19 pandemic and the strike organized by The Finnish Post and Logistics Union PAU in the second half of 2019, changes in the product mix as well as increased competition. The comparison figures of Postal Services were supported by extra seasonal mail deliveries, such as the Finnish parliamentary elections in spring 2019.

The postal strike impacted negatively also the operations of Parcel and eCommerce in the fourth quarter of 2019 and at the beginning of 2020. However, the business group's net sales increased in 2020. This was mainly due to the continued volume growth of eCommerce and the accelerated growth of online shopping due to the coronavirus situation.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 64.1 (50.3) million parcels. The figure does not include letter-like e-commerce items. In 2020, the number of parcels going through Posti's parcel lockers grew by 75.6% compared to 2019.

The net sales of Freight Services decreased by 15.6% to EUR 172.6 (204.5) million, mainly due to the discontinuation of Posti's Grocery Logistics business, focusing of operations, slow recovery from the postal strike and the negative impact of the COVID-19 pandemic.

Transval business group's net sales grew by 3.1% to EUR 205.8 (199.7) million mainly due to the acquisition of KV Turva in March 2020 and the positive impact of growing online shopping. The net sales figures of Transval are not fully comparable with the previous year's figures as the acquired Transval was included in Posti's financials as of February 2019.

Profitability

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 168.2 (139.4) million, or 11.4% (9.4%) of net sales. EBITDA improved to EUR 163.2 (133.8) million. The adjusted operating result increased to EUR 73.7 (45.8) million, or 5.0% (3.1%) of net sales. The increase was mainly due to the significantly improved profitability of Freight Services as well as Parcel and eCommerce. The profitability of the comparison period was burdened by the negative impact of the postal strike on the fourth quarter of 2019.

The operating result improved to EUR 68.7 (36.2) million. Special items affecting the operating result amounted to EUR 5.0 (9.7) million and were mainly related to personnel restructuring costs.

Net sales of Mail, Parcel and Logistics Services

Net sales, EUR million	2020	2019*	Change
Postal Services	646.5	684.4	-5.5%
Parcel and eCommerce	473.7	407.2	16.3%
Transval	205.8	199.7	3.1%
Freight Services	172.6	204.5	-15.6%
Other and eliminations	-17.1	-13.7	
Total	**1,481.6**	**1,482.2**	**0.0%**

* Logistics Solutions operating segment was split into Transval and Freight Services at the beginning of 2020. Net sales for 2019 have been restated accordingly.

Itella Russia

Net sales

Itella Russia's net sales measured in local currency decreased by 19.7%. Reported euro-denominated net sales decreased by 29.6% to EUR 58.3 (82.8) million. Net sales decreased in Contract Logistics due to restructuring actions of warehouses and the impact of the coronavirus situation on Transport.

The average fill rate for warehouses in Moscow was 79.6% (79.4%), while in other regions it was 40.1% (55.9%).

Profitability

The adjusted EBITDA was EUR 12.6 (13.9) million, or 21.7% (16.8%) of net sales. EBITDA was EUR 12.2 (10.4) million.

The adjusted operating result improved to EUR 5.6 (3.4) million. The operating result was EUR 5.2 (-0.1) million. The result was positively impacted by the closure of unprofitable warehouses. Special items affecting the operating result amounted to EUR 0.4 (3.5) million and were mainly related to the divestment of the Russian real estate company OOO NLC-Bataisk and partly offset by the release of onerous contract provisions.

Aditro Logistics

As Aditro Logistics was integrated into Posti's financials as of April 2020, the figures below are from the period April–December 2020. Aditro Logistics' figures are not included in Posti Group's financials for the comparison period.

Net sales

Aditro Logistics' net sales were EUR 74.7 million. Especially contract logistics and transportation businesses were heavily impacted by the coronavirus situation. Additionally, the customer mix changes that were carried out as planned during 2020 negatively impacted net sales.

Profitability

The adjusted and reported EBITDA were EUR 10.2 million, or 13.6% of net sales.

The adjusted and reported operating result were EUR -2.0 million. The result was negatively impacted by investments in the large warehouse in Arlanda and the coronavirus situation.

Key figures for segments, continuing operations

EUR million	2020	2019*
Net sales		
Mail, Parcel and Logistics Services	1,481.6	1,482.2
Itella Russia	58.3	82.8
Aditro Logistics**	74.7	
Other and unallocated	1.8	2.0
Intra-Group sales	-2.9	-2.5
Posti Group	**1,613.6**	**1,564.6**
Net sales change-%		
Mail, Parcel and Logistics Services	0.0%	1.7%
Itella Russia	-29.6%	-20.3%
Aditro Logistics**	N/A	N/A
Posti Group	**3.1%**	**0.3%**
Adjusted EBITDA		
Mail, Parcel and Logistics Services	168.2	139.4
Itella Russia	12.6	13.9
Aditro Logistics**	10.2	
Other and unallocated	-4.5	-1.0
Posti Group	**186.5**	**152.3**
Adjusted EBITDA, %		
Mail, Parcel and Logistics Services	11.4%	9.4%
Itella Russia	21.7%	16.8%
Aditro Logistics**	13.6%	N/A
Posti Group	**11.6%**	**9.7%**
EBITDA		
Mail, Parcel and Logistics Services	163.2	133.8
Itella Russia	12.2	10.4
Aditro Logistics**	10.2	
Other and unallocated	-7.9	-3.6
Posti Group	**177.6**	**140.6**
EBITDA, %		
Mail, Parcel and Logistics Services	11.0%	9.0%
Itella Russia	21.0%	12.6%
Aditro Logistics**	13.6%	N/A
Posti Group	**11.0%**	**9.0%**
Adjusted operating result		
Mail, Parcel and Logistics Services	73.7	45.8
Itella Russia	5.6	3.4
Aditro Logistics**	-2.0	
Other and unallocated	-11.3	-13.0
Posti Group	**66.1**	**36.2**
Adjusted operating result, %		
Mail, Parcel and Logistics Services	5.0%	3.1%
Itella Russia	9.6%	4.1%
Aditro Logistics**	-2.6%	N/A
Posti Group	**4.1%**	**2.3%**
Operating result		
Mail, Parcel and Logistics Services	68.7	36.2
Itella Russia	5.2	-0.1
Aditro Logistics**	-2.0	
Other and unallocated	-17.0	-17.6
Posti Group	**55.0**	**18.5**
Operating result, %		
Mail, Parcel and Logistics Services	4.6%	2.4%
Itella Russia	8.9%	-0.1%
Aditro Logistics**	-2.6%	N/A
Posti Group	**3.4%**	**1.2%**

* Restated based on the new definition of special items and the allocation of Logistics Solutions' Administration expenses from Mail, Parcel and Logistics Services segment to Other and unallocated.
** Aditro Logistics was integrated into Posti's financials as of April 2020. Aditro Logistics' figures are not included in Posti Group's financials for the comparison period.

Financial position and investments

In 2020, the consolidated cash flow from operating activities was EUR 191.8 (126.3) million, the cash flow from investing activities EUR -56.5 (-79.3) million and cash flow from financing activities EUR -98.3 (-98.8) million.

Investments in intangible assets, property, plant and equipment and business acquisitions according to the statement of cash flow amounted to EUR 105.8 (106.2) million. Cash flow from investing activities includes business acquisitions, of which Aditro Logistics was the most essential. Cash flow from investing activities in the comparison period 2019 was impacted by the acquisition of Transval and the divestment of OpusCapita.

At the end of December, liquid assets amounted to EUR 160.1 (141.7) million and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 388.8 (321.0) million. The net debt totaled EUR 228.7 (164.3) million. Interest-bearing liabilities and therefore also net debt grew due to the increased IFRS 16 lease liabilities following the acquisition of Aditro Logistics. Equity ratio was 36.9% (40.0%).

Research and development

Research and development expenditure in 2020 amounted to EUR 3.9 (3.4) million, or 0.3% (0.2%) of the Group's total operating expenses.

As part of the market change and Posti's transformation, the company will continue to invest in digital and eCommerce services, expanding its parcel locker network and improving the competitiveness of its core business.

In 2020, the Mail, Parcel and Logistics Services segment invested especially in the development of its digital services to cope with the increased parcel volumes and to improve the customer experience. In June, Posti received international recognition for its R&D work when Posti's OmaPosti app won the Postal E-Commerce category in The World Post & Parcel Awards 2020. The annual competition is one of the largest in the logistics industry.

Posti continues to invest in its operations and measurably expands its parcel locker network to prepare for the continuing growth of online shopping. Posti aims to increase the number of parcel lockers to 4,000 by the end of 2022.

Statement of non-financial information

Foundation of Posti's sustainability

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

Posti reports on sustainability in accordance with the international Global Reporting Initiative (GRI) reporting framework. In addition, Posti complies with the reporting requirements of its owner, the Finnish State. The environmental accounting applies the World Business Council for Sustainable Development Greenhouse Gas (GHG) protocol, the Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the GHG Inventory Standard for the Postal Sector protocol, which includes more detailed instructions for the postal industry. The various aspects of Posti's sustainability work will be discussed in more detail in the next Sustainability Report, to be published in March 2021.

In 2020, Posti changed its operating model and organizational structure. As a result, Posti established four cross-functional steering groups to ensure company level progress in the following areas: 1. Cyber security and data privacy, 2. Zero Carbon 2030, 3. Sustainability and compliance, and 4. Safety. Respective policies and operating models have been brought together in this organizational change enabling a holistic governance model of these topics.

Aditro Logistics was integrated into Posti's financials as of April 2020. Aditro Logistics has been included in the figures of this statement unless stated otherwise.

Environmental responsibility

Posti identifies, evaluates and manages environmental aspects in its operations and, through its Health and Safety, Environmental and Quality (HSEQ) policy, is committed to reducing the environmental impacts of its operations e.g. regarding transport as well as the energy consumption of properties. Examples of identified environmental responsibility risks include traffic accidents and operational risks in terminals, such as leakage of hazardous substance, which may cause environmental damage. If realized, such risks can have a negative impact on nature, customer property and people. These and other environmental risks are managed as part of environmental and occupational safety management procedures, such as external audits, internal assessments, appropriate work instructions, careful employee orientation and continuous employee training.

Posti's environmental management is based on the ISO 14001 environmental management system standard. Employees' awareness of environmental issues is promoted through training and employee orientation as part of the ISO 14001 management system. In 2020, Posti launched a group-wide environmental training program. Environmental issues are also regularly discussed in different forums, such as in the monthly Green Community meetings. At the end of 2020, certified environmental management systems covered 98% (70%) of the Group's employees.

Posti's successful environmental management also helps its customers reduce their environmental impact through the use of Posti's services. All Posti's services in Finland are carbon neutral Posti Green services. The carbon-dioxide emissions arising from transport are reduced by combining transports and using route planning, smooth and safe driving styles, renewable fuels, and the renewal of the fleet. The remaining emissions are compensated for by participating in certified climate projects.

Posti's long-term relative target has been to reduce carbon-dioxide emissions as a proportion of net sales in Finland by 30% by the end of 2020, compared to the base year 2007. By the end of 2020, Posti's emissions relative to net sales had declined by 37% (28%) in Finland thereby exceeding the target. Posti's total emissions in Finland in 2020 were 140,149 (161,388) tons of carbon dioxide equivalent. The Group's total absolute greenhouse gas emissions including own and value chain emissions (Scopes 1-3) were 176,354 (202,490) tons of carbon dioxide equivalent.

In 2019, the company set a new long-term emission target for its own operations in all operating countries to be zero by 2030. In 2020, Posti took important steps in its climate work. For example, it committed to the Science Based Target initiative, increased the usage of renewable fuels and did a Scope 3 emission category analysis.

The Group's own absolute greenhouse gas emissions (Scopes 1-2) in 2020 were 71,767 (83,598) tons of carbon dioxide equivalent. As a result of the extended scope 3 reporting in 2020 the Group's total absolute greenhouse gas emissions including own and value chain emissions (Scopes 1-3) were 293,414 tons of carbon dioxide equivalent. The decrease in own emissions is mainly due to efficiency improvements, increased use of renewable fuels and electricity in our Finnish operations, reduced district heating usage and the decrease in the Russian property portfolio. Aditro Logistics is included in Posti Group's own emissions for 2020, but not in value chain emissions (Scope 3).

Social responsibility and treatment of employees

Providing a safe and healthy working environment for employees is the key objective of Posti's social responsibility. This can be achieved on the one hand by continuously developing the management of occupational safety and well-being at work, and by extensive risk management on the other. In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability.

During the COVID-19 pandemic, protecting the health of its personnel and customers in different countries has been of utmost importance for Posti. Thanks to its contingency plan, Posti's operations have been well prepared for the exceptional circumstances. Posti's exceptional circumstances working group has been leading the internal COVID-19 network in a close cross-functional co-operation and various mitigating actions have been implemented based on the guidance of the authorities and Posti's own risk assessments. Posti's internal communication on the pandemic has received positive feedback from the employees according to the staff survey on the exceptional situation. Posti has also implemented Remote Work 2.0 project to support its knowledge workers.

One of Posti's main goals in occupational health cooperation is to support the employees' work and operational capacity. Posti does this by developing occupational health services and operating models for its staff in a more proactive way by targeting services and support at a low-threshold level. Posti has launched a number of digital health services to provide support as early as possible. Low-threshold access to occupational health care and support for well-being has become even more important during the COVID-19 pandemic. In 2020, Posti's employees have taken a big leap in the use of different digital tools.

The greatest risks to work ability and being able to continue at work stem from musculoskeletal disorders. Additionally, diagnoses of mental disorders are on the increase in the society as a whole and this is reflected in Posti's sick leave statistics. The importance of well-being at work is also emphasized by the on-going large changes in the business environment of Posti.

The Group's sick leave rate was 5.5% (5.9%), including all countries of operation except Russia. The sick leave rate for Finland stood at 5.6% (6.0%). The figure covers all Finnish operations except Transval. Posti's focused activities and the COVID-19 epidemic have decreased the amount of sick leave days.

Posti has certified OHSAS 18001 and ISO 45001 safety management systems in use and they covered some 70% of the Group's employees at the end of 2020. The HSEQ policy provides a framework for safety management and demonstrates Posti's commitment to continuous improvement in health and safety. Posti's goals are ambitious and the development trend in occupational safety has been good.

The greatest occupational safety and health risks in the labor-intensive sector arise from staff mobility, traffic and work ergonomics. These risks are managed through continuous monitoring and risk assessment, staff training, communication and various safety-enhancing projects.

Early in 2020, Posti introduced a new mobile tool, Incy, to improve occupational safety. Staff can make observations and reports on their own mobile devices. Posti also uses Incy tool to report safety meetings, inspections, damages and conduct risk assessments. As a result of using the tool, safety observations have tripled. In 2020, the Group's personnel made a total of 34,855 (10,586) safety observations. The figure covers Posti's operations in Finland and Estonia. Employee involvement is an important part of developing an occupational safety culture in the workplace. Incy has increased transparency and the systematic management of safety issues in the workplace.

Posti's goal is to be a zero-accident workplace. To achieve this goal, occupational safety is systematically managed. Personnel competence, activity and awareness related to occupational safety is increased and safety-promoting working methods are systematically developed. All accidents and hazardous situations are investigated. Making safety observations and implementing corrective actions in response to the observations is part of the daily management and continuous improvement.

Posti monitors the frequency of occupational accidents that lead to absences by using the LTA1 indicator (occupational accidents per million working hours).
In 2020, the LTA1 of Finnish operations was 37 (44) and 34 (39) for the whole Group. The figures include occupational accidents that occurred during working hours and led to an absence of at least one day. The figures do not include accidents for partners or temporary workers. Serious occupational accidents leading to an absence of more than one month decreased in the Group by 47% (34%) compared to the previous year.

Respecting human rights and preventing bribery and corruption

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

In 2020, The Government of Finland's joint analysis, assessment and research activities examined how Finnish companies are fulfilling their human rights responsibilities in relation to expectations set out in the UN Guiding Principles on Business and Human Rights. The findings of the SIHTI project were published on 18 January 2021, and Posti scored 28,8/100 in the evaluation when the average score for the whole group was 27/100. The main areas of improvement for Posti are related to implementation and monitoring of the human rights principles.

Posti established a new steering group for data privacy and cyber security in 2020. The purpose of this steering group is to ensure that data privacy and cyber security related processes, policies and risk mitigation activities are taken care of across all business groups.

The EU General Data Protection Regulation (GDPR) sets out provisions concerning the processing of personal data. Posti has paid attention to data protection preparedness and documentation, the awareness of personnel and the protection of processes and systems, among other things. Posti has provided Basics of Data Protection training for all employees. More in-depth data protection training has been organized for personnel groups working with expert tasks.

During 2019 and 2020, altogether 81% of the Group's personnel had completed the basic training. Itella Russia and Aditro Logistics are not included in the figure. The penetration rate is followed based on cumulative results for two calendar years. Additionally, some 300 experts received an in-depth data privacy training during 2020. Itella Russia employees have done the Data protection training in the Russian local system and the training was adjusted to the Russian Data Protection Regulation. Also, a cyber security online training course was launched at the end of 2020. The data privacy and cyber security trainings are intended to prevent potential risks related to data protection and data security, such as data breaches of customer data or cyber security incidents related to critical IT infrastructure.

Posti's Code of Conduct and Supplier Code of Conduct cover legal and regulatory compliance, good business practices, principles concerning equality and non-discrimination, the avoidance of conflicts of interest, the prohibition of unethical commercial practices and environmental responsibility. The Code of Conduct also documents the principles concerning the consequences of misconduct. It specifies the whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. While anonymous reporting is possible, Posti encourages employees to report problems and shortcomings under their own names to make it easier to investigate the issues. Reporting process and instructions for leaving messages is described in a special reporting guidance available for Posti employees.

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

In 2020, the company updated its Code of Conduct and the electronic training course related to it. The content of the e-learning is based on the Posti Code of Conduct and the practical examples included were collected from representatives of different units and functions. As of December 31, 2020, 76% (70%) of the Group's employees had completed the training. This figure excludes employees from Aditro Logistics. More in-depth training on the subject matter is also organized for the most significant target groups, such as management as well as the sales and sourcing functions.

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

Share capital and shareholding

At Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 100%, after the Finnish State Business Development Company's (Vake Oy) holdings in Posti Group Corporation were transferred back to the State of Finland on December 18, 2020. Posti Group Corporation's share capital consists of 40,000,000 shares of equal value.

The company holds no treasury shares and does not have subordinated loans. No loans have been granted to related parties, and no commitments have been given on their behalf. The company has not issued shares, stock options or other rights with entitlement to company shares. The Board of Directors is not authorized to issue shares, stock options, or other rights with entitlement to company shares.

Leadership team

The Board of Directors of Posti Group Corporation appointed Turkka Kuusisto as President and CEO of Posti Group Corporation as of February 6, 2020. Kuusisto acted as Posti's Interim President and CEO since October 1, 2019 and has served as a member of the Group's Leadership Team since 2016. He held the position of SVP, Postal Services in 2016–2018 and acted as SVP, Parcel and eCommerce from 2019.

Johannes Gussander, CEO of Aditro Logistics, was appointed as a member of Posti Group's Leadership Team as of May 1, 2020. He joined the Swedish logistics company Aditro Logistics in 2015 and has served as its CEO since 2017. Posti acquired Aditro Logistics in April 2020.

Arttu Hollmérus was appointed as SVP, Parcel and eCommerce business group and a member of Posti Group's Leadership Team as of May 1, 2020. Hollmérus previously served as the VP, Large Domestic Customers in the Parcel and eCommerce business group.

Sakari Kiiskinen was appointed as SVP of the Transval business group and member of Posti Group's Leadership Team as of September 1, 2020. Kiiskinen had worked as the interim Head of the Transval business group since May 1, 2020.

On November 26, 2020, Posti announced the appointment of Anna Salmi as Senior Vice President, Brand, Communications and Sustainability of Posti Group Corporation and a member of Posti Group's Leadership Team as of February 1, 2021. Posti Group's Brand, Communications and Sustainability functions will be combined into a single unit to be headed by Salmi. She will report to Turkka Kuusisto, President and CEO of Posti Group.

On December 31, 2020, Posti's Leadership Team consisted of Turkka Kuusisto, CEO; Yrjö Eskola, SVP, Postal Services; Johannes Gussander, CEO, Aditro Logistics; Arttu Hollmérus, SVP Parcel and eCommerce; Tom Jansson, CFO; Sakari Kiiskinen, Head of Transval; Jussi Kuutsa, President, Itella Russia; Petteri Naulapää, SVP, ICT and Digitalization; Hanna Reijonen, SVP, Human Resources and Kaarina Ståhlberg, SVP, General Counsel and M&A.

Annual General Meeting and Extraordinary General Meeting

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on May 14, 2020. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 29.8 million based on the result in 2019.

The meeting adopted the 2019 financial statements and discharged the members of the Supervisory Board, the Board of Directors and the President and CEO from liability.

Board of Directors

Annual General Meeting decided that the following persons will continue as members of the Board of Directors: Frank Marthaler, Board Professional; Pertti Miettinen as an employee representative; Minna Pajumaa, Senior Financial Counsellor and Per Sjödell, Board Professional.

The following persons were elected as new members of the Board of Directors: Raija-Leena Hankonen, Board Professional; Harri Hietala, Master of Laws with court training, Master of Laws; Sirpa Huuskonen, HR Director; Sanna Suvanto-Harsaae, Board Professional; and Hanna Vuorela, Vice President, Strategic Development.

Sanna Suvanto-Harsaae was elected as the Chair of the Board of Directors and Per Sjödell as the Deputy Chair.

Supervisory Board

Annual General Meeting decided that the following persons will continue as members of the Supervisory Board: Sari Essayah, MP, Christian Democrats; Atte Harjanne, MP, The Greens of Finland; Eeva Kalli, MP, Centre Party; Kimmo Kiljunen, MP, Social Democratic Party; Mia Laiho, MP, National Coalition Party; Rami Lehto, MP, Finns Party; Aki Lindén, MP, Social Democratic Party; Pia Lohikoski, MP, Left Alliance; Mari Rantanen, MP, Finns Party; Veronica Rehn-Kivi, MP, Swedish People's Party of Finland; Ari Torniainen, MP, Centre Party; and Paula Werning, MP, Social Democratic Party.

Aki Lindén will continue as the Chair of the Supervisory Board and Atte Harjanne as the Deputy Chair of the Supervisory Board.

Board of Directors' and Supervisory Board's fees

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

Members of the Supervisory Board will receive a meeting fee.

Auditor and other issues

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

In addition, amendments to the Articles of Association were decided on.

Extraordinary General Meeting

Posti Group Corporation's Extraordinary General Meeting was held in Helsinki on November 16, 2020. The General Meeting elected a new employee representative to join the Posti Group's Board of Directors for a pilot continuing to the next Annual General Meeting. Satu Ollikainen was elected as the new employee representative. Pertti Miettinen had announced his resignation from the Board of Directors earlier.

Employees

The Group's personnel*

	2020	2019
Personnel at period-end*	20,909	20,468
Finland	17,666	18,307
Other countries of operation	3,243	2,161
Personnel on average, FTE**	16,227	16,569

* Continuing operations
** Full time equivalent personnel on average

The increase of personnel in other countries of operation was related to the acquisition of Aditro Logistics in Sweden.

In 2020, the Group's personnel expenses amounted to EUR 686.4 (672.7) million, growing by 2.0% from the previous year. The personnel expenses included EUR 5.6 (6.4) million in restructuring costs.

Cooperation negotiations

On January 22, 2020, Posti announced that Postal Services will continue the cooperation negotiations that began in basic delivery in 2019. These new negotiations concerned basic delivery in the capital region and South-West Finland. The negotiations did not concern early-morning delivery, i.e. newspaper delivery. Together with personnel, Postal Services also looked for solutions for day-to-day work on the basis of the flexibility measures that were agreed on during the autumn 2019 collective agreement negotiations. As an outcome of the negotiations, 45 people were shifted to part-time work.

On March 24, 2020, Transval initiated cooperation negotiations on potential layoffs. Approximately 3,600 persons were within the scope of the negotiations. As an outcome of the negotiations, possible phased layoffs of up to 90 days and voluntary converting of holiday bonuses into leave were agreed.

On April 21, 2020, Posti announced the initiation of cooperation negotiations at Freight Services on temporary layoffs for a fixed period. The negotiations were initiated on April 27, 2020, with approximately 1,100 persons in scope of the negotiations at Posti Ltd and Posti Kuljetus Ltd. The objective of the negotiations was to find flexible solutions in order to minimize the impact on personnel. Freight Services was able to continue operations over the summer with voluntary agreements such as voluntary temporary layoffs and converting holiday bonuses into leave.

On April 21, 2020, Posti announced that it is also negotiating at Home Services on possible temporary layoffs for a fixed period in personal assistance functions. Posti Home Services employed approximately 600 persons in March. As an outcome of the negotiations, 24 people had to be temporarily laid off.

On May 20, 2020, Posti announced that it is initiating cooperation negotiations on possible temporary layoffs at Postal Services and Posti Group administration. In total, approximately 8,000 persons were in the scope of the negotiations. In the negotiations, possible phased layoffs of up to 90 days were agreed for the whole personnel that was in the scope of the negotiations.

On July 29, 2020, Posti closed its shop in Elielinaukio in Helsinki. Due to the closing of the shop, eight people had to be laid off. Posti continues to support the Posti Museum in Tampere, where the heritage of Posti is kept, with over EUR 1 million each year.

On September 8, 2020, Posti announced its plans to change its operating model in order to accelerate the renewal of the Group's business operations and to increase agility and productivity. The changes affected the Group's organizational structures, ways of working and job positions. Consequently, Posti initiated cooperation negotiations concerning mainly expert and supervisory positions in Finland. As an outcome of the negotiations, the employment of up to around 90 regular employees had to be terminated.

Acquisitions, divestments and changes in corporate structure

On June 20, 2019, Posti announced that it will expand its early-morning delivery by acquiring Alma Media's early-morning delivery operations in Pirkanmaa and Satakunta. The transfer took place as planned on January 1, 2020. As part of the transaction, some 800 Alma Manu's early-morning delivery employees were transferred to Posti Palvelut Oy.

On February 24, 2020, Posti, Valedo Partners and other shareholders of Aditro Logistics signed an agreement, under which Posti would acquire Aditro Logistics, one of the leading contract logistics companies in the Nordics. The acquisition is in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses. Aditro Logistics was founded in 1973 and over the past years, the company has grown profitably and organically, clearly outpacing the market growth. In 2019, Aditro Logistics' net sales were approximately EUR 100 million (approx. SEK 1,100 million). The company has 1,100 full-time employees, out of which 1,050 are based in Sweden and 50 in Norway. The transaction was completed on April 2, 2020.

On March 5, 2020, Posti announced that Transval, a nationwide forerunner in shelving services, and the owners of KV Turva had signed an agreement, whereby Transval acquires all the shares of a retail specialist KV Turva Oy. The transaction further strengthens Transval's offering in retail stores, particularly with regards to wastage management and remote monitoring. KV Turva was established in 2015 and has approximately 200 employees in Finland. In 2019, the company's net sales were approximately EUR 5.4 million.

On September 2, 2020, Posti announced that it and Stella Care Oy have signed an agreement according to which Stella Care Oy will acquire the entire share capital of Posti Kotipalvelut Oy. As a result of the transaction, Posti became a minority shareholder in Stella Care Oy. Posti Kotipalvelut Oy provides a broad range of home care and personal assistance services across Finland. The company employs approximately 600 care professionals. The divestment is in line with Posti's strategy to continue its determined renewal and focus on its core businesses.

On October 28, 2020, Posti and Ropo Capital announced an agreement according to which Ropo Capital will acquire the entire share capital of Posti Messaging AB in Sweden and Posti Messaging AS in Norway (jointly "Posti Messaging Scandinavia"). The divestment of Posti Messaging Scandinavia is in line with Posti's strategy to continue its renewal and focus on its core businesses. The transaction also allows Posti to invest in its growth areas, which are especially the Parcel and eCommerce and Logistics businesses in the Nordic and Baltic Countries. The transaction was completed on November 30, 2020.

Legal proceedings

In 2017, Suomen Suoramainonta Oy requested that the Finnish Competition and Consumer Authority investigate competition in the unaddressed mail delivery market. Unaddressed delivery refers to the delivery of advertisements and free distribution papers to households. On March 31, 2020, Posti announced that the Finnish Competition and Consumer Authority (FCCA) had decided to discontinue the processing of Suomen Suoramainonta's request for action regarding Posti's conduct in the unaddressed mail delivery market. The FCCA had found nothing wrong with Posti's pricing or conduct in the market.

On May 18, 2020, the Finnish data protection authority issued a reprimand to Posti Oy regarding the information given to customers regarding their data protection rights. When submitting a change of address notification, Posti's customer has the option to prohibit the disclosure of their personal data to a third party for the purpose of updating their address. The data protection authority has issued a reprimand in which it remarks that, in its opinion, the information is not adequate. Posti has appealed the EUR 100,000 penalty issued by the data protection authority.

The company is party to some legal proceedings related to its customary business operations. None of those proceedings, separately or collectively, including those mentioned above, have a material impact to its financial position.

Business risks

Disruption of the postal industry and the strong digitalization trend have changed Posti's business permanently and competition in many of its markets has intensified. The next years will be a critical time for accelerating Posti's renewal and securing its competitiveness. Posti is therefore going through a comprehensive business transformation and changing its operating model. The goal is to increase agility and productivity as well as to make it easier to meet the changing customer needs in a better and faster manner.

The main risks in Posti's business transformation are two-fold and relate to declining mail volumes and the growing parcel market. The success in the declining postal business depends on the company's ability to implement the planned operating model changes in order to decrease costs in line with the declining volume. There is a risk that Posti is unable to implement the operating model change programs with the planned speed due to political, commercial or union related risks or internal implementation challenges. Posti is mitigating these risks by careful planning and proactive communication. In the growing eCommerce market, the main risk for Posti relates to increasing market competition and disruptive business models, which in turn could lead to decreased competitiveness, as well as to rapidly changing consumer behavior, to which Posti may not be able to react quickly enough.

The COVID-19 pandemic is having a significant impact on global trade and it has already driven many countries into recession. The coronavirus pandemic has had both positive and negative impacts on the profitability of Posti Group's business operations. In 2020, the company's Parcel and eCommerce business benefited from the significant growth in the sales volumes of online stores driven by restrictions, social distancing and changing consumer preferences. On the other hand, the pandemic has had a negative impact on the demand for postal and freight services by accelerating digitalization and the volume decline of postal services. When the fight against

COVID-19 is eventually won, there is also a potential risk that the parcel market growth slows down. This is due to a shift in consumer demand toward services, leisure activities and travel, which have not been possible during the pandemic.

Additionally, the COVID-19 pandemic has had a significant impact on Posti's operations due to additional safety precautions. Continuing pandemic and changing safety regulations continue to impact the company's operations. The health and safety of our employees, customers and partners is a priority. Together with healthcare professionals, Posti's team of experts have led the exceptional situation, and we have managed to keep the infections under control and the pandemic's impact on operations to a minimum through numerous risk management measures.

Outside Finland, Posti is seeking to strengthen its presence in the Nordics and the Baltic Sea region. The success and next steps after the acquisition of Aditro Logistics depend on finding the best possible ways and opportunities to support customers in these markets. There is also the risk that Posti is not able to find new attractive acquisition targets at a reasonable price and realize the planned benefits from the transactions.

Given the increased importance of data in Posti's business and business continuity, potential risks related to cyber security and data need to be addressed carefully as potential data breaches could lead to financial losses and severe long-term reputational risk for Posti's future business.

Outlook for 2021

The COVID-19 situation continues to make the macro economic outlook difficult to predict. Because of these exceptional circumstances, Posti's full-year outlook includes a significant level of uncertainty.

Posti is replacing adjusted operating result with adjusted EBITDA as one of its long-term financial targets. Due to this change, Posti will also give a short-term outlook for the development of its adjusted EBITDA, in addition to net sales.

In 2021, Posti is expecting its net sales to remain at the previous year's level, excluding possible new acquisitions and divestments. The Group's adjusted EBITDA in 2021 is expected to decrease from the previous year. In 2020, Posti's net sales were EUR 1,613.6 million and adjusted EBITDA was EUR 186.5 million.

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

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 314,440,729.67, of which the profit for the financial year 2020 is EUR 20,054,744.38.

No material changes have taken place in the Group's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 2 of Chapter 13 of the Limited Liability Companies Act, affect the proposed distributable profit.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 31.3 million, or a dividend of EUR 0.78 per share will be distributed for the financial year 2020.

Events after the review period

On January 11, 2021, Posti announced the following appointments:

- Timo Karppinen as CFO of Posti Group Corporation and a member of Posti Group's Leadership Team as of February 1, 2021
- Timo Koskinen as the Group's Senior Vice President, Human Resources and a member of the Leadership Team. He will begin in his new role on April 1, 2021.

Helsinki, February 16, 2021

Posti Group Corporation
Board of Directors

Calculation of key figures

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

EBITDA*		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA*		EBITDA excluding special items.
Adjusted operating result*		Operating result excluding special items.
Special items*		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations and changes in contingent purchase considerations originated from business combinations.
Gross capital expenditure*		Additions to intangible assets and property, plant and equipment including additions to right-of-use assets 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 interest-bearing borrowings and lease liabilities.
Liquid funds		Cash and cash equivalents + money market investments + investments in bonds.
Personnel on average, FTE*		Full time equivalent personnel on average.
Operative free cash flow		Cash flow from operating activities as presented in the consolidated statement of cash flows less purchase of intangible assets and property, plant and equipment as presented in the consolidated statement of cash flows and less payments of lease liabilities.

* Continuing operations

Operative free cash flow, reconciliation

	2020	2019
Cash flow from operating activities	191.8	126.3
Purchase of intangible assets and property, plant and equipment	-56.9	-56.4
Payments of lease liabilities	-57.3	-55.2
Operative free cash flow	**77.6**	**14.7**

In 2020 Posti reports a new key figure Operative free cash flow replacing the previous key figure Adjusted free cash flow formed from line items in statement of cash flow. According to management's estimate the new key figure provides more meaningful information on the operative free cash flow produced by business. The treatment of leasing contracts in accounting and in cash flow statment changed essentially at 1.1.2019 after adoption of IFRS 16 leases standard. Key figure Operative free cash flow includes cash flows from all lease contracts.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

EUR million	Note	2020	2019
Net sales	1, 3	**1,613.6**	**1,564.6**
Other operating income	4	19.2	19.3
Materials and services	5	-483.1	-482.9
Employee benefits	6	-686.4	-672.7
Other operating expenses	7	-285.7	-287.8
Depreciation and amortization	8	-120.1	-114.9
Impairment losses	8	-2.5	-7.2
Operating result		**55.0**	**18.5**
Finance income	9	3.3	11.9
Finance expenses	9	-12.8	-13.9
Result before income tax		**45.4**	**16.5**
Income tax	10	-15.8	-2.4
Result for the period from continuing operations		**29.7**	**14.1**
Result for the period from discontinued operations		0.0	4.9
Result for the period		**29.7**	**19.0**
Earnings per share (EUR per share)			
Group total		0.74	0.47
Continuing operations		0.74	0.35
Discontinued operations		0.00	0.12

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

Consolidated statement of comprehensive income

EUR million	2020	2019
Result for the period	**29.7**	**19.0**
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Change in fair value of cash flow hedges	0.2	-0.8
Translation differences	-3.9	10.4
Income tax relating to these items	0.0	0.2
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	0.1	1.1
Income tax relating to these items	0.0	-0.2
Comprehensive income for the period	**26.0**	**29.6**

Consolidated balance sheet

EUR million	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Goodwill	11	190.7	151.9
Other intangible assets	11	89.7	58.5
Investment property	12	3.5	3.7
Property, plant and equipment	13	273.6	314.0
Right-of-use assets	14	262.8	190.5
Investments in associated companies	15	1.9	0.0
Other non-current investments	23	1.0	1.0
Non-current receivables	23	0.2	0.3
Deferred tax assets	16	7.7	8.8
Total non-current assets		**831.2**	**728.7**
Current assets			
Inventories	17	4.6	4.6
Trade and other receivables	18	288.8	299.7
Current income tax receivables		0.6	4.6
Current financial assets	23	69.1	101.9
Cash and cash equivalents	23	91.0	54.9
Total current assets		**454.1**	**465.7**
Total assets		**1,285.3**	**1,194.4**

EUR million	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	19	70.0	70.0
General purpose reserve	19	142.7	142.7
Fair value reserve	19	-1.2	-1.3
Translation differences	19	-94.2	-90.3
Retained earnings		323.7	323.8
Total shareholders' equity		**441.1**	**444.9**
Non-current liabilities			
Deferred tax liabilities	16	20.0	20.6
Non-current interest-bearing borrowings	23	121.2	122.4
Non-current interest-bearing lease liabilities	24	214.9	146.8
Other non-current payables	22	9.7	6.9
Advances received	22	13.2	13.6
Non-current provisions	21	4.0	4.8
Defined benefit pension plan liabilities	20	7.2	8.0
Total non-current liabilities		**390.3**	**323.1**
Current liabilities			
Current interest-bearing borrowings	23	1.4	6.5
Current interest-bearing lease liabilities	24	51.3	45.3
Trade and other payables	22	312.8	296.2
Advances received	22	76.3	67.4
Current income tax liabilities		11.1	0.7
Current provisions	21	1.1	10.2
Total current liabilities		**453.9**	**426.4**
Total liabilities		**844.2**	**749.5**
Total equity and liabilities		**1,285.3**	**1,194.4**

Consolidated statement of cash flows

EUR million	Note	2020	2019
Result for the period		**29.7**	**19.0**
Adjustments for:			
Depreciation and amortization	8	120.1	114.9
Impairment losses	8	2.5	7.2
Gains on sale of intangible and tangible assets	4	-3.5	-4.0
Losses on sale of intangible and tangible assets	7	5.2	0.3
Finance income	9	-3.3	-10.6
Finance expense	9	12.1	13.9
Income tax	10	15.8	2.4
Other non-cash items		-9.0	-13.0
Cash flow before change in net working capital		**169.5**	**130.0**
Change in trade and other receivables	18	12.5	8.4
Change in inventories	17	0.3	0.2
Change in trade and other payables	22	16.8	-0.4
Change in net working capital		**29.6**	**8.1**
Cash flow before financial items and income tax		**199.2**	**138.2**
Interests paid	9	-8.2	-4.8
Interests received	9	1.3	1.4
Other financial items	9	1.0	-2.0
Income tax paid	10	-1.6	-6.5
Cash flow from financial items and income tax		**-7.3**	**-11.9**
Cash flow from operating activities		**191.8**	**126.3**

EUR million	Note	2020	2019
Purchase of intangible assets	11	-29.7	-22.2
Purchase of property. plant and equipment	13	-27.2	-34.2
Proceeds from sale of intangible and tangible assets	11, 13	11.8	4.9
Business acquisitions. net of cash acquired	2	-48.8	-49.8
Proceeds from business disposals less cash and cash equivalents	2	4.8	67.6
Cash flow from financial assets	23	32.5	-46.6
Cash flow from other investments		0.2	1.1
Cash flow from investing activities		**-56.5**	**-79.3**
Increases in current loans	23	60.0	
Repayment of current loans	23	-69.9	-14.2
Repayment of non-current loans	23	-1.3	-0.9
Payments of lease liabilities	23, 24	-57.3	-55.2
Dividends paid		-29.8	-28.4
Cash flow from financing activities		**-98.3**	**-98.8**
Change in cash and cash equivalents		**37.0**	**-51.8**
Cash and cash equivalents at the beginning of the period		**54.9**	**106.6**
Effect of exchange rates changes		-1.0	0.1
Cash and cash equivalents at the end of the period		**91.0**	**54.9**

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

Consolidated statement of changes in equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity Jan 1, 2020	**70.0**	**142.7**	**-1.3**	**-90.3**	**323.8**	**444.9**
Comprehensive income						
Result for the period					29.7	29.7
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			0.1			0.1
Translation differences				-3.9		-3.9
Remeasurements of post-employment benefit obligations, net of tax					0.1	0.1
Total comprehensive income for the period			**0.1**	**-3.9**	**29.7**	**26.0**
Transactions with equity holders						
Dividends paid					-29.8	-29.8
Equity Dec 31, 2020	**70.0**	**142.7**	**-1.2**	**-94.2**	**323.7**	**441.1**
Equity Jan 1, 2019	**70.0**	**142.7**	**-0.7**	**-100.7**	**332.4**	**443.7**
Comprehensive income						
Result for the period					19.0	19.0
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-0.6			-0.6
Translation differences				10.4		10.4
Remeasurements of post-employment benefit obligations, net of tax					0.9	0.9
Total comprehensive income for the period			**-0.6**	**10.4**	**19.8**	**29.6**
Transactions with equity holders						
Dividends paid					-28.4	-28.4
Equity Dec 31, 2019	**70.0**	**142.7**	**-1.3**	**-90.3**	**323.8**	**444.9**

Notes to the Consolidated Financial Statements

Company information

Posti Group Corporation and its subsidiaries (together "Posti" or the "Group") provides businesses and consumers postal and logistics services and e-commerce services. Posti operates in 8 countries. The Group's parent company, Posti Group Corporation ("the Company"), is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

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

The consolidated financial statements are prepared under the historical cost convention, with the exception of financial assets and liabilities measured at fair value through profit or loss, and of non-current assets held for sale. All amounts in the consolidated financial statements are presented in millions of euros, unless otherwise stated. The figures are rounded and thus the sum total of individual figures may be different than the total presented. These policies have been consistently applied to all the years presented, unless stated otherwise.

Application of new or amended IFRS standards

The amendments to IFRS standards effective from 1 January 2020 had no impact on Group's financial statements.

COVID-19 pandemic impacts on financial reporting

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

Discontinued Operations

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

Consolidation Principles

Subsidiaries

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

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

All intercompany transactions, balances, distribution of profits and unrealized gains on transactions between group companies are eliminated.

Associated companies

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 per cent and 50 per cent of the voting rights. Also, entities where the Group has a lower ownership, but it exercises significant influence are disclosed as associate companies. Investments in associated companies are accounted for using the equity method of accounting, under which the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee.

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

Joint operations

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

Foreign currency translation

Functional and presentation currency

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

Transaction and balances

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

Group companies

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

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

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

Revenue recognition

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

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

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

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

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

Postal services

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

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

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

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

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

Parcel and eCommerce

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

Freight services

For freight services in Finland and in the Baltic countries, revenue is recognized when the delivery is received to Group's delivery network. Difference between the applied method and a method measuring progress towards complete satisfaction is considered immaterial for the Group.

For long-term transports in Itella Russia, progress towards complete satisfaction of a performance obligation is measured using an output method based on days of delivery performed related to estimated total delivery days.

Supply chain outsourcing and staffing services

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

Other revenue

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

Contract costs

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

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

Government grants

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

Employee benefits

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

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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

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

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

Income taxes

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

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

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

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

Based on analysis Posti has identified several uncertain tax positions mainly related to cross border mergers and utilization of foreign subsidiaries' tax losses in the parent company. More information related to uncertainty of ongoing tax litigation cases and deferred tax assets is provided in chapter Critical accounting estimates and judgments in applying accounting policies under Uncertainty regarding the utilization of deferred tax assets.

The Group and its subsidiaries file various tax returns in several jurisdictions including information for transfer pricing matters. Posti did not recognize uncertain tax positions for other income tax positions except those mentioned above. However, tax authorities may challenge those tax treatments. The Group follows all tax legislation in its operating countries and has very limited tax exposure to cross border transactions between subsidiaries located in different jurisdictions. Based on Group's compliance processes Posti has determined it is probable that its tax treatments will be accepted by the tax authorities.

These assessments include significant management judgements about the eventual outcome of various tax authorities' or court estimates and decisions including tax audits. Actual outcomes from these decisions can differ significantly from management judgements.

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

Intangible assets

Business combinations and goodwill

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

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

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

Research and development expenditure

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

Other intangible assets

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

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

Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses.

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

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

The expected useful lives of PPE are as follows:

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

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

Assets held for sale

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

Investment property

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

Impairment testing

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

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

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

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

Leases

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

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

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

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

Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). These leases are not recognized in balance sheet. Part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases.

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

For those leases recognized in the balance sheet, the lease liability is recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease.

Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographic area, contract term and asset type. Incremental borrowing rate illustrates the interest rate that a lessee would have to pay to borrow funds necessary to obtain an asset of a similar value to the right-of-use asset.

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

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

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

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

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

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

Future lease amount increases are recognized in lease liability only at that time as they occur. At the time the lease amount increase occurs, it leads to adjustment in lease liability and corresponding adjustments to right-of-use asset.

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

Inventories

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

Financial assets and liabilities

Financial assets

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

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

Financial assets at amortized cost

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

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, the Group applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Financial liabilities at fair value through profit or loss

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

Derivative contracts and hedge accounting

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

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

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

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

Cash and cash equivalents

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

Fair Value Measurement

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

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

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

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

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

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

Provisions and contingent liabilities

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

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

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

Critical accounting estimates and judgments in applying accounting policies

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

Impairment testing of Posti's cash generating unit Itella Russia

Itella Russia offers its customers comprehensive logistics solutions comprised of warehousing and freight concentrated to Moscow region. The Russian economy is largely driven by raw material exports and depends heavily on oil price. Fluctuations of oil price also affect the Russian ruble that in its turn determines the purchasing power of imported goods. The prolonged sanction regime has affected the Russian economy and weakened Russian's growth and growth prospects. Property prices in the real estate market have been fairly stable in local currency. As the market situation in Russia continues to be difficult, conducting business in Russia is subject to uncertainties and challenges especially in relation to Posti's ability to predict with certainty the development of Itella Russia's logistics operations in the long-term.

Itella Russia is a cash generating unit with most significant assets relating to real estate investments in the Moscow region. Due to the uncertainties in the Russian market, Posti has determined that it is not possible to determine value in use for Itella Russia as a whole and as such, management has determined that the appropriate way of testing for impairment for the Itella Russia assets is using the fair value less cost to sell method.

Posti has engaged external, independent and qualified valuers to determine the fair value for its real estate property in Russia each year. The valuation is performed at minimum annually on an asset by asset basis and the valuation method takes into consideration the current market prices in each active market for the properties. The key inputs in the valuation are the rent levels and investors' yield requirements. The most significant estimates in the valuation relate to these key inputs and if the ruble declines or if the key inputs of the valuation change unfavourably (in euro term), it may result in an impairment of Itella Russia's carrying values for its property potentially leading into an adverse effect on Posti's business, financial condition, results of operations and future prospects.

Goodwill impairment testing

Goodwill is tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment.

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

Uncertainty regarding the utilization of foreign tax losses and deferred tax assets

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

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

Provisions – onerous contracts

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

Lease term determination and assessments on termination and extension options

If lease contract does not contain option clause, Posti will not make judgements on lease contract extension or early termination. In case the contract includes termination or extension option, Posti considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Posti makes judgement as per each lease contract to exercise or not to exercise the option and related recognition to increase or decrease the accounting lease liability.

Leases and short-term judgement

Posti makes use of the relief exemptions provided by the standard for leases for which the underlying asset is of low value and short-term leases (12 months or less). These leases are not recognized in balance sheet. Part of rental contracts for premises, where Posti and the lessor both have termination options within 12 months or less, are classified as short-term leases.

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

Changes in standards not yet effective

The Group will apply the new or amended standards as they become effective. Posti estimates that IFRS standards or IFRIC interpretations that will be effective in the future will not have material impact on the Group financial statements.

1. Operating segments

With the acquisition of Aditro Logistics, Posti has 3 reporting segments that consist of six operating segments: Postal Services, Parcel and eCommerce, Transval, Freight services, Itella Russia and Aditro Logistics. The Group's operating segments are based on the various services and products they offer and on the respective markets. The operating segments are managed as separate businesses. The President and CEO is the chief operating decision maker, responsible for allocating resources to operating segments and the evaluation of the segments' results.

Postal Services, Parcel and eCommerce, Transval and Freight services are aggregated into a single reportable segment called Mail, Parcel and Logistics Services. Posti reports its result of operations according to the following reportable segments: Mail, Parcel and Logistics Services, Itella Russia and Aditro Logistics. The aggregated reportable segment for the most part shares common operative functions, such as production, retail network and customer service. These functions represent the majority of the combined segment's expenses, and the financial performance of the segments is largely dependent on the allocation principles of the shared cost base. In addition to similar financial characteristics and common production processes, the aggregated operating segments are similar in terms of their services, customers and distribution channels.

The operating segments have been changed at the beginning of 2020 by splitting Logistics Solutions into Transval and Freight Services. Mail, Parcel and Logistics Services' revenue is reported based on the new operating segments and 2019 net sales have been restated accordingly. Simultaneously, Logistics Solutions' Administration function ceased to exist. To ensure comparability, Logistics Solutions' administration expenses in 2019 have been restated from Mail, Parcel and Logistics Services segment to Other and unallocated.

OpusCapita companies were sold in March 2019 and were reported as discontinued operations in the income statement of 2019.

The chief operating decision maker primarily uses measures of adjusted EBITDA and adjusted operating result to assess the performance of the operating segments. He also receives information about the segments' net sales and assets on a monthly basis. Balance sheet items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating assets and liabilities are items the segment uses in its operations or that may be reasonably allocated to the segments. Capital expenditure consists of additions of tangible and intangible assets including additions of right-of-use assets and business acquisitions.

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

Mail, Parcel and Logistics Services

Postal Services (PS)

Postal Services includes Corporate messaging, media and retail consumer mail services. Corporate messaging offers both physical and electronic messaging solutions to its customers. Media and retail produce and develop delivery services of newspapers, magazines and free distribution papers to their enterprise customers. The business also develops marketing services. Majority of the business consists of both addressed and unaddressed direct marketing deliveries. Consumer mail services play an important role in the personal communication; it includes letter services for consumers, stamps, mail re-directing services and international postal cooperation.

Parcel and eCommerce

Parcel and eCommerce offers parcel and eCommerce services for corporate and private customers both internationally and in Finland. Parcel and eCommerce also offers and develops Posti's new digital services. Posti's Home Services unit was part of this business group until its divestment in September 2020.

Transval

Transval offers a large range of supply chain outsourcing services, including in-house logistics and transportation. The services can be delivered in own premises or in the client's premises such as warehouses, shops or production sites. Transval also offers staffing services. Transval operates in both Finland and the Baltic countries.

Freight Services

Freight Services offers a wide range of transportation services to its customers. Freight Services are also part of the Mail, Parcel and Logistics Services segment's common production process.

Itella Russia

Itella Russia offers comprehensive logistics services to both Russian and international companies. Itella is the market leader in warehousing in Russia. In addition, Itella offers road, air, sea and rail freight services as well as customs clearance services.

Aditro Logistics

Aditro Logistics is one of the leading logistics companies in the Nordic countries. It is supporting Group's targets to grow in parcel, eCommerce and logistics businesses. Aditro operates in Sweden and Norway.

Other and unallocated

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

Adjusted EBITDA and adjusted operating result

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, which exclude effects of significant items of income and expenses which are considered to incur outside of the ordinary course of business. These adjusting items are referred as special items. The chief operating decision maker assesses the performance of the segments primarily based on these performance measures. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real-estates or business operations and changes in contingent purchase considerations originated from business combinations. Posti Group has revised its Special items definition. Costs for strategic key projects and some other items, previously reported to be outside of ordinary course of business, are not reported as Special items anymore. The 2019 figures have been restated accordingly.

2020

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Aditro Logistics	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	1,480.5	58.3	74.7	1,613.5	0.1		1,613.6
Inter-segment sales	1.1		0.0	1.2	1.7	-2.9	
Net sales	1,481.6	58.3	74.7	1,614.7	1.8	-2.9	1,613.6
EBITDA	**163.2**	**12.2**	**10.2**	**185.5**	**-7.9**		**177.6**
Special items included in EBITDA:							
Personnel restructuring costs	4.5			4.5	1.1		5.6
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	-0.3	3.8		3.5			3.5
Onerous contracts		-2.4		-2.4			-2.4
Changes in contingent purchase considerations					-0.9		-0.9
Other	0.9	-1.0		-0.2	3.3		3.1
Special items included in EBITDA total	**5.0**	**0.4**		**5.4**	**3.4**		**8.9**
Adjusted EBITDA	**168.2**	**12.6**	**10.2**	**191.0**	**-4.5**		**186.5**
Operating result	**68.7**	**5.2**	**-2.0**	**71.9**	**-17.0**		**55.0**
Special items included in operating result:							
Special items included in EBITDA	5.0	0.4		5.4	3.4		8.9
Impairment losses					2.2		2.2
Special items total	**5.0**	**0.4**		**5.4**	**5.7**		**11.1**
Adjusted operating result	**73.7**	**5.6**	**-2.0**	**77.3**	**-11.3**		**66.1**
Financial income and expense							-9.6
Income tax							-15.8
Result for the period from continuing operations							**29.7**
Assets	825.7	71.2	176.6	1,073.4	212.6	-0.7	1,285.3
Liabilities	376.8	6.5	19.8	403.1	441.8	-0.7	844.2
Capital expenditure	63.1	1.0	2.4	66.6	84.5		151.1
Depreciation and amortization	94.4	6.9	12.1	113.3	6.8		120.1
Impairment losses	0.1	0.2	0.0	0.3	2.2		2.5
Personnel, end of period	17,920	912	1,427	20,259	650		20,909
Personnel on average, FTE	13,923	1,018	878	15,819	627		16,446

2019, restated*

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Aditro Logistics**	Segments total	Other and unallocated	Elimi-nations	Group total
External sales	1,481.4	82.8		1,564.3	0.3		1,564.6
Inter-segment sales	0.8			0.8	1.7	-2.5	
Net sales	1,482.2	82.8		1,565.0	2.0	-2.5	1,564.6
EBITDA	**133.8**	**10.4**		**144.2**	**-3.6**		**140.6**
Special items included in EBITDA:							
Personnel restructuring costs	5.1			5.1	1.3		6.4
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	0.5	-0.1		0.5	-1.7		-1.3
Onerous contracts		1.6		1.6			1.6
Changes in contingent purchase considerations							
Other		1.9		1.9	3.1		5.0
Special items included in EBITDA total	**5.7**	**3.5**		**9.2**	**2.6**		**11.8**
Adjusted EBITDA	**139.4**	**13.9**		**153.3**	**-1.0**		**152.3**
Operating result	**36.2**	**-0.1**		**36.1**	**-17.6**		**18.5**
Special items included in operating result:							
Special items included in EBITDA	5.7	3.5		9.2	2.6		11.8
Impairment losses	4.0			4.0	2.0		6.0
Special items total	**9.7**	**3.5**		**13.2**	**4.6**		**17.8**
Adjusted operating result	**45.8**	**3.4**		**49.2**	**-13.0**		**36.2**
Financial income and expense							-2.0
Income tax							-2.4
Result for the period from continuing operations							**14.1**
Result for the period from discontinued operations							4.9
Result for the period							**19.0**
Assets	875.1	113.2		988.3	206.4	-0.3	1,194.4
Liabilities	359.3	23.1		382.5	367.4	-0.3	749.5
Capital expenditure	102.3	2.7		105.1	28.7		133.7
Depreciation and amortization	93.3	10.4		103.7	11.1		114.9
Impairment losses	4.3	0.1		4.4	2.8		7.2
Personnel, end of period	18,583	1,255		19,838	630		20,468
Personnel on average, FTE	14,577	1,307		15,884	685		16,569

* Restated based on the new definition of special items and the allocation of Logistics Solutions' Administration expenses from Mail, Parcel and Logistics Services segment to Other and unallocated.
** The operations of Aditro Logistics have been included in Group's financials as of April 2020. Therefore, they are not part of the financials of the comparable period in 2019.

Net sales distribution of Mail, Parcel and Logistics Services

Net sales, EUR million	2020	2019, restated
Postal Services	646.5	684.4
Parcel and eCommerce	473.7	407.2
Transval	205.8	199.7
Freight Services	172.6	204.5
Other and eliminations	-17.1	-13.7
Total	**1,481.6**	**1,482.2**

Geographical areas

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

EUR million	Finland	Other Nordic countries	Russia	Other countries	Total
2020					
Net sales	1,288.8	164.9	57.9	102.0	1,613.6
Non-current assets	446.9	111.6	56.1	17.9	632.6
2019					
Net sales	1,311.8	81.8	82.4	88.5	1,564.6
Non-current assets	464.9	3.1	84.6	15.0	567.5

Revenue streams

EUR million	2020	2019, restated
Sales of services	1,608.7	1558.3
Sales of goods	4.9	6.3
Total	**1,613.6**	**1,564.6**

Foreign exchange rates

Average rate

	2020	2019
RUB	82.6454	72.4593
SEK	10.4881	10.5867
NOK	10.7248	9.8497

Closing rate

	2020	2019
RUB	91.4671	69.9563
SEK	10.0343	10.4468
NOK	10.4703	9.8638

2. Acquired and divested businesses and discontinued operations

Acquired businesses 2020

Posti, Alma Media Kustannus Oy and Alma Manu Oy agreed on June 20, 2019 on a business transfer and a delivery service agreement under which Alma Manu Oy's early-morning delivery operations published by Alma Media Kustannus were transferred to Posti on January 1, 2020. Posti expanded its early-morning delivery because Posti`s strategy is to have a strong presence in the publication delivery. A total of approximately 800 Alma Manu early-morning delivery employees were transferred to Posti Palvelut Oy as existing employees. No goodwill was recognized, as most part of the acquisition price was recognized in intangible rights as customer portfolio. In addition, a personnel related liability of EUR 1.9 million was recognized.

On March 5 2020, Posti announced that Transval business group acquired all the shares of KV Turva Oy, a specialist in retail wastage management. The transaction further strengthened Transval's offering in retail stores, particularly with regards to wastage management and remote monitoring. KV Turva Oy has approximately 200 employees in Finland. In 2019, company's net sales amounted to EUR 5.4 million. A goodwill of EUR 1.6 million was recognized on the acquisition. Acquisition did not have material impact in Posti group consolidated income statement or balance sheet.

On April 2, 2020, Posti announced that it had completed the acquisition of the Swedish logistics company Aditro Logistics. From April 1, 2020, Aditro Logistics was reported as one of the three reportable segments of Posti. Aditro Logistics is one of the leading contract logistics companies in the Nordics. The acquisition is in line with Posti's ambition of growing its logistics, parcel and eCommerce businesses. In 2019, Aditro Logistics' net sales were approximately EUR 100 million and it had 1,100 full-time employees, out of which 1,050 were based in Sweden and 50 in Norway. A goodwill of EUR 35.1 million was recognized in the acquisition. Acquisition-related costs of EUR 0.6 million were recognized in other operating expenses.

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

EUR million	KV Turva	Alma	Aditro Logistics	Acquired businesses total fair value
Effect on assets				
Intangible assets		8.0	16.5	24.5
Property, plant and equipment	0.1		98.9	98.9
Inventory			0.6	0.6
Receivables	0.6		14.8	15.3
Cash and cash equivalents	0.3		0.0	0.3
Effect on assets	**0.9**	**8.0**	**130.7**	**139.6**
Effect on liabilities				
Deferred tax liability			3.3	3.3
Interest bearing liabilities	0.1		97.9	98.0
Trade payables and other liabilities	1.4	1.9	16.8	20.1
Effect on liabilities	**1.5**	**1.9**	**118.1**	**121.5**
Net assets acquired	**-0.6**	**6.1**	**12.7**	**18.2**
Components of acquisition cost				
Cash considerations	1.0	6.1	47.8	54.9
Total cost of acquisition	**1.0**	**6.1**	**47.8**	**54.9**
Fair value of net assets acquired	-0.6	6.1	12.7	18.2
Goodwill	**1.6**	**0.0**	**35.1**	**36.7**
Cash flow effect of the acquisition*				
Purchase price paid in cash	1.0	-	47.8	48.8
Cash and cash equivalents of the acquired subsidiary	0.3	-	0.0	0.3
Cash flow	**0.7**	**-**	**47.8**	**48.5**
Other cash flow related to earlier periods business acquisitions				0.3
Cash flow total				**48.8**

* Purchase price of Alma transaction was paid already in 2019.

Business divestments in 2020

In September 2020, Posti divested Posti Kotipalvelut Oy to Stella Care Oy. Divestment is in line with strategy to continue its determined renewal and focus on its core businesses. Posti seeks growth especially in the Parcel and eCommerce and Logistics businesses. As a result of the transaction Posti Group Corporation became minority shareholder in Stella Care Oy. Transaction did not have material impact on Posti group's balance sheet or income statement.

In November 2020, Posti Messaging -business in Sweden and Norway was divested by selling the subsidiaries to Ropo Capital. Messaging business is part of Mail-, Parcel-, and Logistics services segment. Posti Messaging Scandinavian operations divestment is part of Posti's strategy and Posti continues the transformation and focusing on its core businesses. Posti Messaging operations however continue normally in Finland and other countries. A sales loss of EUR 1.0 million was recognized in Posti Group. Sale loss included EUR 2.6 million exchange rate losses reclassified from translation differences.

Net assets sold

EUR million	Messaging Scandinavia
Sold assets	
Intangible assets	0.2
Property, plant and equipment	2.9
Receivables	5.4
Cash and cash equivalents	3.3
Assets total	**11.8**
Sold liabilities	
Deferred tax liability	0.6
Interest bearing liabilities	2.2
Trade payables and other liabilities	4.1
Liabilities total	**6.9**
Net assets sold	**4.9**

In December Posti divested a Russian real estate company OOO NLC-Bataisk. Divestment is in line with Posti's strategy in Russia. A sales loss of EUR 3.8 million was recognized. Sale loss included EUR 5.9 million exchange rate losses reclassified from translation differences.

Acquired businesses 2019

Posti completed the acquisition of the entire share capital of 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. A goodwill of EUR 44.8 million was recognized on the acquisition. As a result of the acquisition Posti can extend its services and offer unique and comprehensive services for the whole supply chain including warehousing-, in-house logistic- and staffing solutions. Acquisition-related costs of EUR 2.0 million were recognized in other operating expenses.

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

EUR million	Transval 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	
Deferred tax liability	3.9
Interest bearing liabilities	29.0
Trade payables and other liabilities	21.8
Effect on liabilities	**54.7**
Net assets acquired	**5.4**
Components of acquisition cost	
Cash considerations	50.2
Total cost of acquisition	**50.2**
Fair value of net assets acquired	5.4
Goodwill	**44.8**
Cash flow effect of the acquisition	
Purchase price paid in cash	50.2
Cash and cash equivalents of the acquired subsidiary	9.2
Cash flow	**41.0**

In September 2019 Posti Group Corporation acquired E-Log Services Oy which is the owner of Pakettikauppa. Pakettikauppa offers services for parcel and e-commerce. Acquisition did not have material impact in Posti group consolidated income statement or balance sheet.

Business divestments in 2019

During 2019 last financial quarter Posti Logistics Solutions business group divested non-synergy businesses related to temperature-controlled grocery logistics. Other income of EUR 0.4 million and other expense EUR 0.9 million was recognized. Items have been reported in special items related to the divestment. Transactions did not have material impact in Posti group's balance sheet or income statement.

Discontinued operations 2019

Posti Group Corporation completed the divestment of OpusCapita Solutions Oy, its fully owned subsidiary, at March 31, 2019. Following the divestment OpusCapita-segment was presented as discontinued operation. Discontinued operations generated total result of EUR 4.9 million during 2019. Consideration received on the sale was all cash and did not include any contingent consideration.

EUR million	OpusCapita 2019
Result for the period from discontinued operations	
Net sales	16.3
Sale profit net of sale costs	4.5
Other operating income	0.4
Depreciation and amortization	-1.0
Other operating expenses	-15.2
Operating result	**4.9**
Finance expenses	-0.1
Income tax	0.1
Result for the period from discontinued operations	**4.9**
Net assets sold	
Sold assets	
Intangible assets	61.2
Property, plant and equipment	1.1
Receivables	13.6
Cash and cash equivalents	5.3
Assets total	**81.2**
Sold liabilities	
Deferred tax liability	2.5
Interest bearing liabilities	21.1
Trade payables and other liabilities	19.1
Liabilities total	**42.7**
Net assets sold	**38.5**
Cash flow from discontinued operations	
Cash flow from operating activities	1.3
Cash flow from investing activities	58.5

3. Revenue from contracts with customers

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

Assets and liabilities related to contracts with customers

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

EUR million	2020	2019	2018
Contract assets on terminal dues*	25.7	31.4	34.1
Other contract assets	3.5	3.7	4.4
Contract assets total	**29.3**	**35.0**	**38.5**
Contract liabilities on stamps	21.4	20.0	20.6
Contract liabilities on other prepaid services	5.1	3.9	4.8
Other contract liabilities	2.0	2.5	2.5
Contract liabilities total	**28.4**	**26.4**	**28.0**

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

Revenue recognised in relation to contract liabilities

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

EUR million	2020	2019
Stamps and other prepaid services	10.4	11.6
Other contract liabilities	2.5	2.5
Total	**12.9**	**14.1**

Payment terms

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

Remaining performance obligations

The Group expects to recognise as revenue contract liability related to stamps within five years, of which EUR 8.1 million within the following financial year.

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

Assets recognised from costs incurred to obtain a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset of EUR 1.6 (1.5) million in relation to sales commissions to stamp retailers. This is presented within other assets in the balance sheet and recognized as expense when the related revenue is recognized in net sales.

4. Other operating income

EUR million	2020	2019
Gains on disposals of property, plant and equipment	2.2	4.0
Rental income	4.6	5.0
Rents from investment property	1.1	1.3
Gains on sale of subsidiaries and businesses	1.3	0.5
Other admin and IT related services and fees	6.2	6.0
Other items	3.8	2.4
Total	**19.2**	**19.3**

Rental income consists mainly of rent income from buildings and condominiums owned by Posti. Other admin and IT related services and fees relates mainly to Posti Messaging business. Other items include income from the sale of services and materials as well as income related to reversal of business acquisition related purchase price accrual from earlier periods. Other items also includes Posti's share of associated company result. For additional information, see note Investments in associated companies.

5. Materials and services

EUR million	2020	2019
Production materials	24.9	24.0
Subcontracting and external services	154.1	158.3
Mail transport and delivery services	251.9	267.7
Freight and transport	51.6	32.9
Other production cost	0.5	0.1
Total	**483.1**	**482.9**

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

6. Employee benefits

EUR million	2020	2019
Wages and salaries	569.0	555.3
Pensions (defined contribution plans)	84.0	92.0
Pensions (defined benefit plans)	0.0	0.1
Other social expenses	33.3	25.2
Total	**686.4**	**672.7**

Employee benefits

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

Employee benefit expense includes EUR 5.6 million (2019: 6.4) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and the Group's various profitability improvement programs.

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

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

For key management compensation, see note Related Parties.

7. Other operating expenses

EUR million	2020	2019
Rents and leases	26.3	31.5
Voluntary employee expenses	15.7	17.7
Losses on disposal of businesses and property, plant and equipment	5.2	0.3
IT operating costs	85.4	74.9
Facility maintenance	33.1	39.0
Other production costs	42.1	45.8
Office, marketing and travel	31.8	37.2
Other operating items	46.1	41.4
Total	**285.7**	**287.8**

Other operating expenses include expenses on leased premises, vehicles and other equipment, voluntary personnel expenses, IT operating costs, facility maintenance expenses related to premises and vehicles and other operating expenses containing expenses related to fuels and lubricants and other production expenses, sales commissions paid to non-employees as well as other sales and marketing costs, administration, traveling and entertainment expenses.

Losses on disposal of businesses 2020 include a EUR 3.8 million sale loss of a Russian real estate company OOO NLC-Bataisk and a EUR 1.0 million sale loss of Posti Messaging AB in Sweden and Posti Messaging AS in Norway.

Posti Group other operating expenses and employee benefits include EUR 3.9 (2019: 3.4) million of research and development costs. Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 5.2 (2019: 3.5) million.

Office expenses includes auditor fees as follows:

EUR million	2020	2019
Auditor fees		
Audit	0.6	0.5
Other services	0.2	0.1
Total	**0.8**	**0.7**

8. Depreciation, amortization and impairment losses

EUR million	2020	2019
Amortization on intangible assets		
Development costs	4.8	1.2
Intangible rights	18.5	14.6
Total	**23.3**	**15.8**
Impairment losses on intangible assets		
Impairment losses on intangible rights	2.2	6.8
Total	**2.2**	**6.8**
Depreciation on property, plant and equipment		
Buildings and structures	11.6	12.2
Investment properties	0.2	0.2
Machinery and equipment	26.9	30.8
Other tangible assets	0.4	0.4
Total	**39.1**	**43.6**
Impairment losses on property, plant and equipment		
Impairment losses on machinery and equipment	0.2	0.2
Impairment losses on buildings	0.0	0.0
Impairment losses on other tangible assets	0.0	0.2
Total	**0.3**	**0.4**
Depreciation on right-of-use assets	**57.8**	**55.5**
Total depreciation, amortization and impairment losses	**122.7**	**122.1**

Impairment of EUR 2.2 million relates to transport management system in Freight Services.

In 2019, Posti recognized impairment loss EUR 5.2 million on both tangible and intangible assets related to unused warehouse management system integration modules.

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

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

9. Financial income and expenses

Financial income

EUR million	2020	2019
Dividend income		0.4
Interest income		
Financial assets at amortised cost	1.2	1.3
Exchange rate gains		
Interest-bearing receivables and liabilities	1.7	9.8
Currency derivatives, non-hedge accounting	0.3	0.3
Other financial income	0.0	0.0
Total	**3.3**	**11.9**

Financial expenses

EUR million	2020	2019
Interest expenses		
Financial lease liabilities at amortised cost	5.4	4.3
Other financial liabilities at amortised cost	1.7	1.5
Exchange rate losses		
Interest-bearing receivables and liabilities	4.0	7.2
Currency derivatives, non-hedge accounting	1.5	0.3
Other financial expenses	0.3	0.6
Total	**12.8**	**13.9**

10. Income tax

EUR million	2020	2019
Current tax expense	7.6	3.8
Taxes for previous years	8.8	-0.1
Deferred tax	-0.7	-1.3
Total	**15.8**	**2.4**
Continuing operations		
Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax	**45.4**	**16.5**
Income tax at parent company's tax rate of 20%	9.1	3.3
Difference in foreign subsidiaries tax rates	-0.8	-0.5
Non-deductible expenses and other differences	0.8	1.5
Other deductible expense not recognized in income statement	-1.2	-2.4
Tax-exempt income	-2.3	-1.7
Adjustments in taxes from previous years	8.8	-0.1
Unrecognized deferred tax asset on losses for the period	0.8	1.3
Changes in deferred tax assets for previous years' losses	0.7	1.0
Income tax	**15.8**	**2.4**
Effective tax rate	34.7%	14.8%
Discontinued operations		
Reconciliation of tax charge at Finnish tax rate (20%)		
Profit or loss before tax	**-**	**4.8**
Income tax at parent company's tax rate of 20%	-	1.0
Tax-exempt income	-	-1.3
Non-deductible expenses and other differences	-	0.3
Income tax	**-**	**0.1**

Effective tax rate in 2020 was mainly impacted by taxes recognized to previous periods and realisation of deductible expenses in respect of real estate property sales. Effective tax rate without previous years taxes was 15.3% (15.2%).

In November and December 2020 Posti received several rulings from Administrative Court concerning deduction of foreign tax losses and loss of Norwegian real estate entity. All these rulings were negative for Posti meaning that Posti's appeals were rejected. For foreign tax losses Administrative Court concluded that losses were not final. These rulings were in similar to the precedent given by Finnish Supreme Administrative Court in May 2020. That precedent limited utilization of foreign tax losses in Finland to very few occasions. Because of this precedent Posti recognized EUR 8.3 million tax expenses in 2020. Thus these rulings from Administrative Court will not have further impacts to Posti's financial statements. Posti has decided not to appeal these rulings to Supreme Administrative Court. See further information in note Deferred tax assets and liabilities.

Discontinued operations includes OpusCapita which was divested in March 2019.

11. Intangible assets

2020

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	215.2	284.2	42.1	14.7	340.9
Translation differences and other adjustments	0.1	-5.6	-0.6	0.3	-5.8
Acquired businesses	40.3	25.1	2.6		27.7
Business divestments	-1.7	-4.9	0.0		-4.9
Additions		14.5	15.4	-0.2	29.7
Disposals		-19.5	-4.1		-23.7
Transfers between items		-2.3	4.1		1.7
Acquisition cost December 31	**253.9**	**291.4**	**59.5**	**14.8**	**365.7**
Accumulated amortization and impairment losses January 1	-63.2	-242.2	-36.9	-3.4	-282.4
Translation differences and other adjustments		5.7	0.0		5.7
Acquired businesses			-1.5		-1.5
Business divestments		4.3	0.0		4.3
Amortization for the financial period, continuing operations		-18.6	-4.8		-23.4
Impairments, continuing operations			-2.2		-2.2
Accumulated amortization on disposals and transfers		19.7	3.9		23.6
Accumulated amortization and impairment losses December 31	**-63.2**	**-231.1**	**-41.5**	**-3.4**	**-275.9**
Carrying amount on January 1	**151.9**	**41.9**	**5.2**	**11.3**	**58.5**
Carrying amount on December 31	**190.7**	**60.3**	**18.0**	**11.4**	**89.7**

2019

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	274.5	258.7	37.6	24.9	321.2
Translation differences and other adjustments	-0.1	3.1			3.1
Acquired businesses	45.1	21.1			21.1
Business divestments	-104.3	-12.5		-10.4	-22.9
Additions		15.8	4.8	1.5	22.2
Disposals		-3.5	-0.4		-3.8
Transfers between items		1.4		-1.4	0.0
Acquisition cost December 31	**215.2**	**284.2**	**42.1**	**14.7**	**340.9**
Accumulated amortization and impairment losses January 1	-127.1	-225.0	-35.9	-3.4	-264.3
Translation differences and other adjustments		-3.8			-3.8
Business divestments	63.9	2.4			2.4
Amortization for the financial period, continuing operations		-14.6	-1.2		-15.8
Impairments, continuing operations		-6.8			-6.8
Amortization and impairments, discontinued operations		-0.9			-0.9
Accumulated amortization on disposals and transfers		6.5	0.3		6.8
Accumulated amortization and impairment losses December 31	**-63.2**	**-242.2**	**-36.9**	**-3.4**	**-282.4**
Carrying amount on January 1	**147.4**	**33.7**	**1.7**	**21.6**	**57.0**
Carrying amount on December 31	**151.9**	**41.9**	**5.2**	**11.3**	**58.5**

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

Goodwill impairment testing

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

As of April 2020 Aditro Logistics became a new reportable segment of Posti. It is also a new cash generating unit for goodwill testing purposes.

In 31.12.2020 Posti has following six operating segments: Postal Services, Parcel and eCommerce, Transval, Freight Services as well as Aditro Logistics and Itella Russia. There is no goodwill allocated to Freight Services or Itella Russia. Allocation of goodwill to the Group's cash generating units is presented in the table below.

EUR million Cash generating unit	Reportable segment	2020	2019
Postal Services	Mail, Parcel and Logistics Services	15.2	16.5
Parcel and eCommerce	Mail, Parcel and Logistics Services	74.6	74.9
Transval	Mail, Parcel and Logistics Services	62.2	60.5
Aditro Logistics	Aditro Logistics	38.7	-
Total		**190.7**	**151.9**

The result of the goodwill impairment testing in 2020

Posti has performed the annual impairment tests for each cash-generating units containing goodwill. The Group does not have other intangible assets with indefinite useful life. No impairment losses were recognized based on the goodwill impairment tests in 2020.

Impairment testing and sensitivity analysis 2020

The recoverable amount of the CGU's is based on the value-in-use method. The value-in-use is based on forecasted discounted cash flows. Cash flow forecasts are prepared for a three-year period and they are based on Group strategic plans that are fully incorporating the risks caused to each business by the COVID-19 pandemic. The forecasts and the assumptions about the development of the business environment are in line with the current business structure and approved by the management. The key assumptions influencing the cash flow forecasts are the long-term market growth, market positions and the profitability level. Investments are expected to be ordinary replacement investments.

The terminal value beyond three years is based on a terminal growth rate expectation of 1.5% (2019: 1%) for Parcel and eCommerce, Transval and Aditro Logistics. Posti expects 1.5% growth rate to simulate potential growth in the addressable markets.

For Postal Services the estimated terminal growth rate used is -11.4% (2019: -5%) and the rate has been set down due to expected significant decline in postal business. In the forecast, net sales is declining more than the expenses. Posti anticipates that the decline of traditional postal services continues and the business is impacted by the rapid transformation.

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

The key outcomes and the parameters used in testing 2020

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	21	2.6	-11.4	5.5	2.6
Parcel and eCommerce	806	9.4	1.5	5.8	9.9
Transval	70	2.1	1.5	5.4	4.1
Aditro Logistics	191	3.0	1.5	5.3	9.8

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

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Postal Services	8.4	2.1
Transval	6.8	3.0

The result of the goodwill impairment testing in 2019

Posti has performed the annual impairment tests for each cash generating units containing goodwill. The Group did not have other intangible assets with indefinite useful life. No impairment losses were recognized based on the goodwill impairment tests in 2019.

Impairment testing and sensitivity analysis 2019

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

The terminal value beyond three years of cash-generating units is based on a moderate growth rate expectation of 1% (2018: 1%) with the exception of Postal Services where the estimated terminal growth rate is -5% (2018: -5%) due to expected decline in paper delivery volumes.

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

The key outcomes and the parameters used in testing 2019

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Postal Services	98	4.4	-5.0	5.7	3.0
Parcel and eCommerce	343	6.6	1.0	6.5	6.6
Transval	126	5.2	1.0	5.5	6.8

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

Cash generating unit	Discount rate, %	Terminal year EBIT margin, %
Postal Services	17.1	0.8
Parcel and eCommerce	17.5	2.5
Transval	8.5	4.1

12. Investment property

EUR million	2020	2019
Acquisition cost January 1	5.2	5.2
Disposals		-
Acquisition cost December 31	**5.2**	**5.2**
Accumulated depreciation and impairment losses January 1	-1.5	-1.2
Depreciation for the period	-0.2	-0.3
Accumulated depreciation and impairment losses December 31	**-1.6**	**-1.5**
Carrying amount on January 1	**3.7**	**3.9**
Carrying amount on December 31	**3.5**	**3.7**

Investment property includes three properties that Posti has leased out to external parties. Two of the properties are land areas and one is a building. In 2020 rental income from investment property totaled EUR 1.1 million (2019: 1.3) and maintenance charges amounted to EUR 0.3 (2019: 0.3) million. The fair value of investment property totals EUR 10.8 (2019: 10.8) million. Fair values are based on an external real estate agents' appraisals.

13. Property, plant and equipment

2020

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	60.7	410.3	400.5	13.2	10.5	895.2
Translation differences and other adjustments	-4.5	-26.2	-7.1	-0.7	-0.2	-38.8
Acquired businesses			9.9			9.9
Business divestments	-1.2	-3.7	-7.1	0.0	0.0	-12.0
Additions		2.6	25.3	0.3	-0.8	27.5
Disposals	-0.3	-10.7	-16.0	-0.1		-27.1
Transfers between items		0.0	-1.7	0.0	0.0	-1.7
Acquisition cost on December 31	**54.7**	**372.2**	**403.8**	**12.7**	**9.5**	**852.9**
Accumulated depreciation and impairment losses January 1	-0.6	-263.2	-306.3	-11.0	0.0	-581.2
Translation differences and other adjustments		13.0	5.8	0.6		19.4
Acquired businesses			-3.7			-3.7
Business divestments		2.1	5.9	0.0		7.9
Depreciation for the period, continuing operations		-11.2	-26.9	-0.4		-38.4
Impairment, continuing operations		0.0	-0.2	0.0		-0.3
Accumulated depreciation on disposals and transfers		1.5	15.4	0.1		16.9
Accumulated depreciation and impairment losses December 31	**-0.6**	**-257.9**	**-310.1**	**-10.8**	**0.0**	**-579.3**
Carrying amount on January 1	**60.2**	**147.0**	**94.2**	**2.1**	**10.5**	**314.0**
Carrying amount on December 31	**54.1**	**114.3**	**93.7**	**1.9**	**9.5**	**273.6**

2019

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	60.1	398.4	439.2	12.8	14.0	924.6
Change in accounting policy, IFRS 16			-53.7			-53.7
Translation differences and other adjustments	2.4	14.1	4.4	0.6	-0.0	21.5
Acquired businesses	0.0	0.5	13.4			13.9
Business divestments	-1.1	-6.2	-0.4	-0.4		-8.1
Additions	0.2	3.9	28.9	0.2	-0.4	32.8
Disposals	-1.0	-0.3	-34.5	-0.1		-35.8
Transfers between items	0.0	0.0	3.1	0.0	-3.1	0.0
Acquisition cost on December 31	**60.7**	**410.3**	**400.5**	**13.2**	**10.5**	**895.2**
Accumulated depreciation and impairment losses January 1	-0.5	-246.4	-339.5	-10.4	0.0	-596.9
Change in accounting policy, IFRS 16			44.2			44.2
Translation differences and other adjustments	-0.0	-6.5	-3.7	-0.3		-10.5
Acquired businesses		-0.1	-7.9			-8.0
Business divestments		1.8	0.3	0.3		2.4
Depreciation for the period, continuing operations		-12.2	-30.8	-0.4		-43.4
Impairment, continuing operations		-0.0	-0.2	-0.2		-0.4
Depreciation and impairment, discontinued operations		-0.1	-0.0			-0.1
Accumulated depreciation on disposals and transfers		0.2	31.3			31.5
Accumulated depreciation and impairment losses December 31	**-0.6**	**-263.2**	**-306.3**	**-11.0**	**0.0**	**-581.2**
Carrying amount on January 1	**59.6**	**151.9**	**99.7**	**2.4**	**14.0**	**327.6**
Carrying amount on December 31	**60.2**	**147.0**	**94.2**	**2.1**	**10.5**	**314.0**

14. Right-of-use assets

2020

EUR million	Land	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	0.4	200.6	6.9	34.4	242.3
Translation differences and other adjustments	0.0	-1.5	-0.7	0.0	-2.2
Acquired businesses	0.0	93.7	3.6	0.2	97.4
Business divestments	0.0	-2.2	-0.9	-0.4	-3.5
Additions	0.0	18.9	3.8	14.0	36.7
Disposals	0.0	-13.9	-0.8	-0.5	-15.3
Transfers between items	0.0	0.0	0.0	0.0	0.0
Acquisition cost on December 31	**0.4**	**295.5**	**11.8**	**47.7**	**355.4**
Accumulated amortization and impairment losses January 1	-0.2	-36.9	-1.7	-13.1	-51.9
Translation differences and other adjustments	0.0	0.8	1.0	0.0	1.8
Acquired businesses	0.0	0.0	0.0	0.0	0.0
Business divestments	0.0	0.9	0.5	0.3	1.7
Depreciation for the period, continuing operations	-0.1	-44.2	-3.4	-10.3	-58.1
Impairment, continuing operations	0.0	0.0	0.0	0.0	0.0
Accumulated depreciation on disposals and transfers	0.0	13.4	0.4	0.0	13.9
Accumulated depreciation and impairment losses December 31	**-0.3**	**-66.0**	**-3.2**	**-23.1**	**-92.6**
Carrying amount on January 1	**0.3**	**163.7**	**5.1**	**21.3**	**190.5**
Carrying amount on December 31	**0.1**	**229.6**	**8.6**	**24.5**	**262.8**

2019

EUR million	Land	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	0.0	0.0	0.0	0.0	0.0
Change in accounting policy, IFRS 16	0.4	189.3	4.9	22.8	217.4
Translation differences and other adjustments	0.0	0.1	-0.6	-0.6	-1.1
Acquired businesses	0.0	3.8	0.7	0.3	4.8
Business divestments	0.0	-0.6	0.0	-0.5	-1.1
Additions	0.0	13.1	2.6	12.8	28.5
Disposals	0.0	-5.1	-0.8	-0.3	-6.2
Acquisition cost on December 31	**0.4**	**200.6**	**6.9**	**34.4**	**242.3**
Accumulated amortization and impairment losses January 1	0.0	0.0	0.0	0.0	0.0
Translation differences and other adjustments	0.0	0.0		0.0	0.0
Business divestments	0.0	0.1	0.0	0.1	0.2
Depreciation for the financial period, continuing operations	-0.2	-40.0	-2.3	-13.2	-55.7
Impairment, continuing operations	0.0	0.0	0.0	0.0	0.0
Depreciation and impairment, discontinued operations	0.0	0.0	0.0	0.1	0.1
Accumulated depreciation on disposals and transfers	0.0	3.0	0.6	0.0	3.6
Accumulated depreciation and impairment losses December 31	**-0.2**	**-36.9**	**-1.7**	**-13.1**	**-51.9**
Carrying amount on January 1	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Carrying amount on December 31	**0.3**	**163.7**	**5.1**	**21.3**	**190.5**

15. Investments in associated companies

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

EUR million	2020	2019
Carrying amount on January 1	0.0	-
Additions	2.0	-
Share of result in associated company	-0.1	-
Carrying amount on December 31	**1.9**	**-**

In September 2020, Posti became 17% owner of Stella Care Oy as part of divestment of Posti Kotipalvelut Oy. Posti has the right to appoint one board member of five. None of the transactions between Posti Group and Stella Care Oy, either on standalone or aggregated basis are considered material.

2020

EUR million	Location	Nature of relationship	Measurement method	Group's Holding %	Carrying amount
Stella Care Oy	Finland	Associate	Equity method	17.0	1.9

Stella is the market leader in home-delivered health services having net sales of EUR 23 million and about 1,600 employees.

16. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2020

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Pension obligations	1.7			-0.2	0.0	1.5
Temporary differences from business transactions	1.5	0.3		-0.4		1.4
Impairment on real estate shares	1.2			0.2		1.4
Restructuring provision	1.3	-0.7		0.3		0.9
Unused tax losses	1.8			-1.2		0.6
Other temporary differences	1.3	0.2		0.5		1.9
Total	**8.8**	**-0.3**		**-0.8**	**0.0**	**7.7**

Deferred tax liabilities 2020

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidiaries	Recorded through profit or loss	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	11.6	-1.9	3.2	-1.6	11.3
Intangible and tangible assets	6.4			-0.8	5.6
Accumulated depreciation in excess of plan	2.5			0.4	3.0
Other temporary differences	0.1	-0.5		0.5	0.0
Total	**20.6**	**-2.4**	**3.2**	**-1.5**	**20.0**

Deferred tax assets 2019

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi-aries	Recorded through profit or loss	Recorded through other compre-hensive income	31 Dec
Unused tax losses	3.0			-1.1		1.8
Pension obligations	2.0			-0.4	0.1	1.7
Temporary differences from business transactions	-			1.5		1.5
Restructuring provision	1.4			0.0		1.3
Impairment on real estate shares	1.5			-0.3		1.2
Other temporary differences	1.4	-0.1		0.0		1.3
Total	**9.2**	**-0.1**	**-**	**-0.4**	**0.1**	**8.8**

Deferred tax liabilities 2019

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested subsidi-aries	Recorded through profit or loss	31 Dec
Fair value measurement of intangible and tangible assets in acquisition	10.7	1.0	1.8	-1.9	11.6
Intangible and tangible assets	6.1			0.3	6.4
Accumulated depreciation in excess of plan	2.9			-0.3	2.5
Other temporary differences	0.2	-0.3		0.2	0.1
Total	**19.8**	**0.7**	**1.8**	**-1.7**	**20.6**

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

On December 31, 2020, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 70.3 (2019: 151.8) million, mainly arising from businesses outside Finland. The majority of these losses do not expire. Decrease of amount in 2020 is mainly caused by rulings given by Administrative Court which denied utilization of foreign tax losses for Posti Group. The remaining tax losses relate to jurisdictions where there is a history of recent losses.

Posti had several ongoing tax litigation cases in Finland during 2020 where Posti has deducted foreign carry forward tax losses in Finland. The most significant cases were related to cross-border mergers of German and Danish subsidiaries which occurred in 2014 and 2015. Total value of 61.5 million euro tax losses were rejected on rulings from Administrative Court. In addition previously accepted 37.2 million euro tax losses were also considered as non-deductible in Finnish taxation. According to rulings Posti has not proved that no party could be able to utilize these tax losses and thus tax losses are not final. Third ruling was related to sale losses of Norwegian real estate entity and its deductibility in Finland. In this ruling Administrative Court concluded that Posti is not able to deduct this loss due to fact that sold real estate entity does not constitute an operative business unit. Posti has reversed all recognized deferred tax items due to these rulings.

A deferred tax liability is recognized on undistributed profits of subsidiaries located in countries where corporate income taxes are applied to distributed dividends when it is likely that dividends will be distributed in the foreseeable future. Posti had 13.5 million euro undistributed profits at 31.12.2020 in those countries (2019: 10.3 million euro) for which deferred tax liability has not been recognized.

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17. Inventories

EUR million	2020	2019
Materials and supplies	0.7	0.8
Goods	3.7	3.2
Advance payments for inventories	0.1	0.6
Total	**4.6**	**4.6**

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

18. Trade and other receivables

EUR million	2020	2019
Trade receivables	227.8	235.6
Accrued income and prepayments	53.8	54.2
Other receivables	7.2	9.9
Total	**288.8**	**299.7**

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

The largest item under accrued income and prepayments is EUR 25.7 million (2019: 31.4) accrued terminal due receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

Other receivables mainly include credit card receivables from banks and financing companies. In addition, other receivables include EUR 3.4 million related to divestment of a subsidiary in 2020. Other receivables in 2019 include EUR 8.0 million prepayment related to business acquisition in 2019.

19. Equity

Shares and shareholders

EUR million	2020	2019
Share capital	70.0	70.0
General purpose reserve	142.7	142.7
Fair value reserve	-1.2	-1.3
Translation differences	-94.2	-90.3
Retained earnings	323.7	323.8
Total shareholders' equity	**441.1**	**444.9**

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2020. All of the shares are held by the Finnish State. The shares do not have a nominal value. Posti Group Corporation's share capital amounts to EUR 70,000,000 for all periods presented. All issued shares have been paid in full.

General purpose reserve

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

Fair value reserve

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

Translation difference

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

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

Distributable funds

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

EUR million	2020	2019
General purpose reserve	142.7	142.7
Retained earnings	171.7	181.5
Total distributable funds	**314.4**	**324.2**

Dividend distribution

The Board of Directors proposes the Annual General Meeting a dividend distribution of EUR 31.3 million (0.78 per share) for the year 2020. Dividends distributed for the year 2019 totaled EUR 29.8 million (0.75 per share).

20. Pension liabilities

Main characteristics of the defined benefit pension plans

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

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

Defined benefit pension liabilities in the balance sheet

EUR million	2020	2019
Present value of funded obligation	64.4	67.7
Fair value of plan assets	-57.2	-59.7
Deficit	**7.2**	**8.0**

Defined benefit pension expenses in the income statement

EUR million	2020	2019
Consolidated income statement		
Current service cost	0.0	0.0
Interest expense	0.0	0.1
Total	**0.0**	**0.1**
Statement of comprehensive income		
Remeasurement gains (-) and losses (+)	-0.1	-1.1

Changes in the present value of the pension obligation

EUR million	2020	2019
Obligation at the beginning of the period	67.7	68.4
Current service cost	0.0	0.0
Interest expense	0.2	0.9
Paid benefits	-5.0	-5.0
Disposed of in business combinations	0.0	0.0
Actuarial gains (-) and losses (+) on changes in financial assumptions	1.7	4.0
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	0.0
Experience-based gains (-) and losses (+)	-0.2	-0.5
Obligation at the end of the period	**64.4**	**67.7**

Changes in the fair value of the plan assets

EUR million	2020	2019
Fair value of the plan assets at the beginning of the period	59.7	58.4
Interest income	0.2	0.8
Paid benefits	-5.0	-5.0
Employer contributions	0.8	1.0
Actual return on plan assets less interest income	1.6	4.6
Fair value of the plan assets at the end of the period	**57.2**	**59.7**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.8 million.

The average duration of the defined benefit plan obligation at the end of the reporting period is 9.4 years.

Key actuarial assumptions and sensitivity analysis

	2020	2019
Discount rate	0.02–0.33	0.26–0.73
Future pension increase expectation	1.3–1.5	1.3–1.5

		Change in defined benefit liability			
EUR million	Change in assumption		Increase in assumption		Decrease in assumption
Discount rate	0.25%	-0.3	-3.8%	0.3	4.0%
Pension increase rate	0.25%	1.3	18.7%	-1.3	-18.0%

EUR million		Increase by one year		Decrease by one year
Life expectancy at birth	0.7	9.7%	-0.6	-9.0%

The above analysis is based on a change in an assumption while holding all other assumptions constant.

21. Provisions

2020

EUR million	Restructuring provision	Onerous contracts	Other	Total
Carrying amount 1 Jan	6.7	5.5	2.7	14.9
Translation difference and transfers between items	-0.7	-1.4	0.2	-1.8
Increase in provisions	2.9	0.0	0.6	3.5
Used provisions	-3.5	-2.6	-2.3	-8.4
Unused amounts reversed	-0.7	-1.5	-0.8	-3.0
Carrying amount 31 Dec	**4.7**	**0.0**	**0.4**	**5.1**

2019

EUR million	Restructuring provision	Onerous contracts	Other	Total
Carrying amount 1 Jan	6.9	11.6	2.7	21.2
Translation difference and transfers between items	0.0	2.1	0.0	2.1
Increase in provisions	7.5	0.0	3.7	11.2
Used provisions	-5.7	-7.6	-3.7	-17.1
Unused amounts reversed	-2.0	-0.5	0.0	-2.5
Carrying amount 31 Dec	**6.7**	**5.5**	**2.7**	**14.9**

EUR million	2020	2019
Long-term provisions	4.0	4.8
Short-term provisions	1.1	10.2
Total	**5.1**	**14.9**

Restructuring provisions

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

Onerous contracts

Majority of provisions for onerous contracts were related to Russian real-estate leases and customer agreements. At 31st December 2020 there were no onerous contracts and Russian real-estate lease contracts are no longer dependent on the exchange rate of the Russian ruble against the US dollar.

22. Trade and other payables

Other non-current payables

EUR million	2020	2019
Advances received and deferred revenue	13.2	13.6
Other liabilities	0.7	0.5
Derivative contracts	1.4	1.6
Other accrued expenses	7.6	4.8
Total	**22.9**	**20.5**

Current trade and other payables

EUR million	2020	2019
Derivative contracts	0.5	0.0
Trade payables	75.5	59.1
Advances received and deferred revenue	76.3	67.4
Accrued personnel expenses	138.6	122.7
Other accrued expenses	51.8	64.6
Other liabilities	46.5	49.8
Current trade and other payables	**389.1**	**363.7**

Advances received includes deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section Revenue recognition. The total amount of non-current and current liability is EUR 26.5 (2019: 24.0) million.

The most significant item within other accrued expenses is estimated payables for terminal due payments to other Postal administrations, totaling EUR 7.5 (2019: 11.8) million. The remaining items comprise ordinary accruals of expenses.

23. Financial instruments and financial risk management

Financial assets and liabilities

2020

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets - non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		0.2		0.2	0.2	2
Non-current financial assets	**1.0**	**0.2**	**0.0**	**1.2**	**1.2**	
Financial assets - current						
Trade and other receivables		268.1		268.1	268.1	
Money market investments		42.7		42.7	42.8	2
Investments in quoted bonds		23.4		23.4	23.1	1
Investments in unquoted bonds		3.0		3.0	3.0	2
Current financial assets	**0.0**	**337.2**	**0.0**	**337.2**	**337.1**	
Money market investments		6.5		6.5	6.5	2
Cash and bank		84.5				
Cash and cash equivalents	**0.0**	**91.0**	**0.0**	**6.5**	**6.5**	
Total financial assets	**1.0**	**428.4**	**0.0**	**344.9**	**344.7**	
Financial liabilities - non-current						
Loans from financial institutions		119.9		119.9	120.3	2
Lease liabilities		214.9		214.9	214.9	2
Other		1.3		1.3	1.3	2
Non-current borrowings	**0.0**	**336.2**	**0.0**	**336.2**	**336.6**	
Interest-rate derivatives			1.4	1.4	1.4	2
Other non-current financial liabilities	**0.0**	**0.0**	**1.4**	**1.4**	**1.4**	
Financial liabilities - current						
Lease liabilities		51.3		51.3	51.3	2
Other		1.4		1.4	1.4	2
Current borrowings	**0.0**	**52.7**	**0.0**	**52.7**	**52.7**	
Currency derivatives	0.5			0.5	0.5	2
Trade payables and other liabilities		126.6		126.6	126.6	
Other current financial liabilities	**0.5**	**126.6**	**0.0**	**127.1**	**127.1**	
Total financial liabilities	**0.5**	**515.5**	**1.4**	**517.4**	**517.8**	

2019

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets - non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		0.3		0.3	0.2	2
Non-current financial assets	**1.0**	**0.3**	**0.0**	**1.3**	**1.1**	
Financial assets - current						
Trade and other receivables		283.2		283.2	283.2	
Currency derivatives	0.1			0.1	0.1	2
Money market investments		60.2		60.2	60.3	2
Investments in quoted bonds		23.6		23.6	23.7	1
Investments in unquoted bonds		3.0		3.0	3.0	2
Debt certificates		15.0		15.0	15.0	
Current financial assets	**0.1**	**385.1**	**0.0**	**385.2**	**385.3**	
Money market investments		24.9		24.9	25.0	2
Cash and bank		29.9		29.9	29.9	
Cash and cash equivalents	**0.0**	**54.9**	**0.0**	**54.9**	**54.9**	
Total financial assets	**1.1**	**440.3**	**0.0**	**441.3**	**441.4**	
Financial liabilities - non-current						
Loans from financial institutions		119.8		119.8	120.2	2
Lease liabilities		146.8		146.8	146.8	2
Other		2.7		2.7	2.7	2
Non-current borrowings	**0.0**	**269.2**	**0.0**	**269.2**	**269.7**	
Interest-rate derivatives			1.6	1.6	1.6	2
Other non-current financial liabilities	**0.0**	**0.0**	**1.6**	**1.6**	**1.6**	
Financial liabilities - current						
Commercial papers		5.0		5.0	5.0	
Lease liabilities		45.3		45.3	45.3	2
Other		1.5		1.5	1.5	2
Current borrowings	**0.0**	**51.8**	**0.0**	**51.8**	**51.8**	
Trade payables and other liabilities		122.6		122.6	122.6	
Other current financial liabilities	**0.0**	**122.6**	**0.0**	**122.6**	**122.6**	
Total financial liabilities	**0.0**	**443.6**	**1.6**	**445.2**	**445.6**	

Hierarchy levels

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

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

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

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

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

No transfers between fair value hierarchy levels were made during 2020 or 2019. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

Reconciliation of Level 3 financial assets

2020

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

2019

EUR million	Shares and investments in equity funds
Carrying amount 1 Jan	**3.4**
Profits and losses	
In income statement	0.0
Additions	0.0
Exercises	-2.4
Carrying amount 31 Dec	**1.0**
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

Financial risk management

Principles of risk management

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

Risk management organization

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

Market risks

Foreign Currency risk

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks in the balance sheet related to financial operations. Unhedged exposure is permitted within the limits specified in the Group's treasury policy. Loans granted by the parent company to subsidiaries are in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. Due to high hedging costs of Russian ruble the Group does not currently hedge the ruble-denominated receivables of the parent company. The Group may hedge contract based operative cash flows at maximum to 100 per cent of the following 12 months cash flows. The objective of cash flow hedging is to decrease the volatility in cash flow and operating result caused by the exchange rate fluctuations. During the financial year the Group has hedged the currency risk related to the purchase price of Aditro Logistics with currency derivatives. Cash flow hedge accounting was applied to the purchase price hedges and the hedge loss EUR 1.5 million was capitalized as part of the purchase price. On the balance sheet date 31.12.2020, the Group did not have highly probable operative cash flows defined as hedged items or related hedging currency derivatives under hedge accounting. On the balance sheet date, the Group had currency derivatives with a nominal value of EUR 18.9 (2019: 6.2) million in total used to hedge against the currency risk associated with loans, receivables and commitments.

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

Major transaction risk positions on the balance sheet date

	EUR-companies					RUB-companies
EUR million	RUB	SEK	NOK	USD	SDR	USD
2020						
Trade receivables and payables	4.7	-0.3	0.0	0.7	-10.7	-0.2
Loans and bank accounts*	10.9	19.6	0.0	0.0	-	0.0
Derivatives	-	-19.4	-	-	-	-
Open position	15.6	-0.1	0.0	0.7	-10.7	-0.1
2019						
Trade receivables and payables	0.2	0.5	0.1	1.6	12.1	-1.3
Loans and bank accounts*	17.1	-4.8	-1.5	0.1	-	0.1
Derivatives	-	4.8	1.5	-	-	-
Open position	17.2	0.5	0.0	1.8	12.1	-1.3

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

The sensitivity analysis on currency risk is based on the items denominated in other than functional currencies of the group companies on the balance sheet date. Strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR -0.5 (2019: -2.9) million on the Group's profit before taxes. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR -0.0 (2019: -0.1) million on the Group's profit before taxes.

Major translation risk positions on the balance sheet date

EUR million	RUB	SEK	NOK	PLN
Net investments				
2020	48.0	61.9	1.2	6.7
2019	67.6	20.9	3.0	7.0

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

Interest rate risk

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

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 388.8 (2019: 321.0) million and interest-bearing receivables to EUR 160.1 (2019: 156.7) million. On the balance sheet date, the Group had long-term floating rate loan EUR 120.0 (2019: 120.0) million and short-term fixed rate loan EUR 0.0 (2019: 5.0) million. Of the floating rate loan EUR 60.0 (2019: 60.0) million was hedged to fixed rate by an interest rate swap. The Group has applied hedge accounting to the interest rate swap hedging the loan. The interest rate swap has identical critical terms as the hedged loan, such as notional amount, reference rate, reset dates, interest rate floor, interest periods and maturity. As all critical terms matched during the year, there is an economic relationship and the hedge is expected to be 100% effective. The amount of the fair value recognised in other comprehensive income is presented in statement of changes in equity.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swap on the Group's financial position and performance

EUR million	2020	2019
Carrying amount (non-current liability)	-1.4	-1.6
Notional amount	60.0	60.0
Maturity date	2024	2024
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instrument during the year	0.2	-0.7
Change in value of hedged item used to determine hedge effectiveness	-0.2	0.7

Interest-bearing receivables and debt according to interest rate fixing

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
2020				
Liquid funds and debt certificates	-133.7	-26.4		-160.1
Loans from financial institutions	119.9			119.9
Lease liabilities	51.7	140.8	73.8	266.2
Other liabilities	2.8			2.8
Net debt	40.6	114.4	73.8	228.7
Impact of interest rate swaps	-60.0	60.0		
Total	**-19.4**	**174.4**	**73.8**	**228.7**
2019				
Liquid funds and debt certificates	-130.1	-23.0	-3.6	-156.7
Loans from financial institutions	119.8			119.8
Commercial papers	5.0			5.0
Lease liabilities	50.8	101.5	39.8	192.1
Other liabilities	4.1			4.1
Net debt	49.5	78.5	36.2	164.3
Impact of interest rate swaps	-60.0	60.0		0.0
Total	**-10.5**	**138.5**	**36.2**	**164.3**

The sensitivity analysis on interest rate risk includes interest-bearing receivables, loans and interest rate derivatives. An increase of 1 percentage point in the interest rates at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR +0.0 (2019: +0.3) million and other items of equity by EUR +0.9 (2019: +1.8) million before taxes.

Electricity price risk

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

Derivative contracts

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
2020				
Currency forward contracts, non-hedge accounting	18.9	-0.5	-	-0.5
Interest rate swaps, hedge accounting	60.0	-1.4	-	-1.4
2019				
Currency forward contracts, non-hedge accounting	6.2	0.1	0.1	-
Interest rate swaps, hedge accounting	60.0	-1.6	-	-1.6

Offsetting of financial instruments

EUR million	2020	2019
Derivative assets		
Derivative assets, reported as gross amount	-	0.1
Related derivative liabilities subject to master netting agreements	-	0.0
Net amount	-	0.1
Derivative liabilities		
Derivative liabilities, reported as gross amount	1.9	1.6
Related derivative assets subject to master netting agreements	0.0	0.0
Net amount	1.9	1.6

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

EUR million	2020	2019
Terminal due assets		
Terminal due assets, reported as gross amount	65.8	86.3
Related terminal due liabilities subject to offsetting rules	54.9	58.3
Net amount	10.9	28.0
Terminal due liabilities		
Terminal due liabilities, reported as gross amount	75.1	71.0
Related terminal due assets subject to offsetting rules	54.9	58.3
Net amount	20.2	12.7

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

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150.0 million, maturing in 2024, and a non-binding commercial paper program of EUR 200.0 million.

On the balance sheet date, the Group had liquid funds of EUR 160.1 (2019: 141.7) million and unused committed credit facilities of EUR 150.0 (2019: 150.0) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200.0 (2019: 195.0) million.

EUR million	2020	2019
Cash and cash equivalents	91.0	54.9
Money market investments and investments in bonds	69.1	86.8
Liquid funds	160.1	141.7

Contractual cash flows from financial liabilities and derivatives including interest payments 2020

EUR million	2021	2022	2023	2024	2025–	Total
Loans from financial institutions	0.7	60.5	0.4	60.2		121.7
Lease liabilities	56.1	46.9	40.5	35.3	110.4	289.1
Other liabilities	1.4	1.3				2.8
Trade payables and other liabilities	126.6					126.6
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.4	0.2		1.5
Currency derivatives, cash flows payable	19.4					19.4
Currency derivatives, cash flows receivable	-18.9					-18.9
Total	**185.7**	**109.2**	**41.2**	**95.7**	**110.4**	**542.2**

2019

EUR million	2020	2021	2022	2023	2024–	Total
Loans from financial institutions	0.7	0.7	60.5	0.4	60.2	122.4
Commercial papers	5.0					5.0
Lease liabilities	53.9	37.6	27.5	22.9	62.2	204.2
Other liabilities	1.5	2.7				4.1
Trade payables and other liabilities	122.6					122.6
Derivatives:						
Interest rate derivatives (net settled)	0.4	0.4	0.4	0.4	0.2	1.9
Currency derivatives, cash flows payable	6.2					6.2
Currency derivatives, cash flows receivable	-6.3					-6.3
Total	**183.9**	**41.4**	**88.4**	**23.7**	**122.6**	**460.1**

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

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with good creditworthiness, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The credit and counterparty risk related to investing of liquid funds and derivative contracts are managed by the limits set for the counterparties. The assessment method for expected credit losses of investments is described in Accounting principles in section Financial assets and liabilities. During the financial year the Group has not recognized impairment losses of investments. On the balance sheet date 31.12.2020 the recognized expected credit loss was insignificant.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The Group applies a simplified provision matrix approach for expected credit losses on trade receivables. Terminal due receivables form a separate category in trade receivables, since the expected credit loss on terminal due receivables is minor due to netting arrangement and customer base. Trade receivables include EUR 40.1 (2019: 55.0) million terminal due receivables. More than 180 days overdue receivables include EUR 6.7 (2019: 18.2) million terminal due receivables. Credit losses recognized were EUR 1.6 (2019: 1.0) million.

Aging of trade receivables

EUR million	2020	2019
Not yet due	204.2	195.3
1–30 days overdue	15.4	17.5
31–60 days overdue	1.1	2.6
61–90 days overdue	0.4	1.7
91–180 days overdue	0.7	1.9
181– days overdue	7.9	18.7
Trade receivables gross	**229.6**	**237.7**
Expected credit loss	-1.8	-2.1
Trade receivables net	**227.8**	**235.5**

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2020 and 2019. The Group's loan agreements do not contain financial covenants.

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

Net debt

EUR million	2020	2019
Interest-bearing liabilities	388.8	321.0
Cash and cash equivalents	91.0	54.9
Investments in maturities over 3 months	69.1	86.8
Debt certificates	0.0	15.0
Total	**228.7**	**164.3**
Net debt / Adjusted EBITDA	1.2x	1.0x
Equity ratio, %	36.9	40.0

Reconciliation of net debt

2020

miljoonaa euroa		Borrowings	Lease liabilities	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1, 2020**	**128.5**	**192.5**	**321.0**	**141.7**	**15.0**	**164.3**
Cash flows		-11.5	-57.3	-68.8	19.4	-15.0	-73.2
Business acquisitions		5.0	93.3	98.3	0.0	0.0	98.3
Effect of exchange rate changes		0.0	-3.5	-3.5	-1.0	0.0	-2.5
Other non-cash items		0.1	41.7	41.8	0.0	0.0	41.8
Carrying amount on	**Dec 31, 2020**	**122.1**	**266.7**	**388.8**	**160.1**	**0.0**	**228.7**
Fair value on	**Dec 31, 2020**	**122.5**	**266.7**	**389.2**			

2019

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		-15.6	-55.2	-70.8	10.5	-15.0	-66.3
Business acquisitions		24.3	4.3	28.6	0.0	0.0	28.6
Effect of exchange rate changes		0.0	-0.1	-0.1	0.1	0.0	-0.2
Other non-cash items		0.1	233.5	233.6	0.0	0.0	233.6
Carrying amount on	**Dec 31, 2019**	**128.5**	**192.5**	**321.0**	**141.7**	**15.0**	**164.3**
Fair value on	**Dec 31, 2019**	**129.0**	**192.5**	**321.5**			

Adoption of IFRS 16 standard led to an increase in lease liabilities in 2019.

24. Lease agreements

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

Extension options are included in many of the major premise lease contracts. Posti management reviews the options in lease contracts annually and based on business forecasts and circumstances on 31 Dec 2020, Posti has not recognized option periods in lease liability.

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

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

Right-of-use assets

EUR million	2020	2019
Land	0.1	0.3
Buildings	229.6	163.7
Vehicles	24.5	21.3
Machinery and other	8.6	5.1
Total	**262.8**	**190.5**

Increase in buildings is due to long term warehouse lease contracts in 2020 acquired Aditro Logistics. Specification of right-of-use assets is presented in the note Right-of-use assets.

Lease liabilities

EUR million	2020	2019
Non-current lease liabilities	214.9	146.8
Current lease liabilities	51.3	45.3
Total	**266.2**	**192.1**

Lease liabilities maturity

EUR million	2020	2019
Less than 1 year	56.1	53.9
1–5 years	152.9	107.9
More than 5 years	80.1	42.3
Minimum lease payments total	289.1	204.2
Future interest expenses	-22.9	-12.1
Total	**266.2**	**192.1**

Income statement items for leases

EUR million	2020	2019
Depreciations		
Land	0.1	0.2
Buildings	44.0	39.8
Vehicles	10.3	13.2
Machinery and other	3.4	2.3
Total	**57.8**	**55.5**
Interest expense, leases	5.3	4.3
Incomes from subleasing right-of-use assets	2.6	0.5

Lease expenses not recognized in balance sheet

EUR million	2020	2019
Lease expenses in income statement, short-term leases	25.6	31.4
Lease expenses in income statement, low-value asset leases	0.7	0.1
Total	**26.3**	**31.5**

Total cash outflow of leases was EUR 87.2 (2019: 89.4) million.

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

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

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

Lease commitments not recognized in balance sheet

EUR million	2020	2019
Less than 1 year	9.6	8.8
1–5 years	1.2	0.5
Total	**10.9**	**9.3**

Leases as lessor

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

Lease payment receivables:

EUR million	2020	2019
Less than 1 year	2.0	1.9
1–5 years	2.3	1.3
More than 5 years	2.3	1.7
Total	**6.5**	**4.8**

25. Pledges, commitments and other contingent liabilities

EUR million	2020	2019
Pledges given for own behalf:		
Bank guarantees	9.1	9.1
Guarantees	3.6	3.6
Pledges	0.9	0.0
Total	**13.7**	**12.7**

Litigation

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

Other contingent liabilities

The Group has a potential environmental liability of EUR 19.9 million, related to cleaning the land area in Pohjois-Pasila. Negotiations on the use of land and the related cleaning liability are pending between Posti and third parties. Posti expects that such negotiations will result to a clarification of the actual liability of each party.

26. Related party transactions

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

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

Transactions with related parties

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

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

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

Management remuneration

EUR million	2020	2019
President & CEO	0.6	1.0
Posti Leadership Team (excl. CEO)	2.5	2.8
Board of Directors	0.4	0.4
Supervisory Board	0.0	0.0
Total	**3.6**	**4.3**

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

President & CEO and Executive Board

EUR million		2020***	2019
Salary*	President & CEO**	0.4	0.8
Short-term bonus	President & CEO**	0.1	0.2
Long-term incentive	President & CEO**	0.1	0.1
		0.6	1.0
Salary*	Posti Leadership Team (excl. CEO)	1.7	2.2
Short-term bonus	Posti Leadership Team (excl. CEO)	0.4	0.5
Long-term incentive	Posti Leadership Team (excl. CEO)	0.4	0.1
		2.5	2.8

* Salary includes fringe benefits, holiday compensations, insurance coverage and possible special incentives. Salary presented in table excludes pension contributions. Costs under the Finnish statutory pension scheme for the President & CEO amounted to EUR 0.1 (2019: 0.2) million and for the Posti Leadership Team amounted to EUR 0.4 (2019: 0.5) million.
** Heikki Malinen until October 1, 2019, Turkka Kuusisto from October 2, 2019 onwards.
*** Short-term bonus to President & CEO Heikki Malinen related to time period January 1–October 1, 2019, short-term bonus to President & CEO Turkka Kuusisto related to time period October 2–December 31,2019.

Board of Directors remuneration

EUR thousand	2020	2019
Sanna Suvanto-Harsaae (Chair)*	55.3	
Per Sjödell (Deputy chair)	57.1	63.6
Raija-Leena Hankonen*	25.6	
Harri Hietala*	24.3	
Sirpa Huuskonen*	24.3	
Frank Marthaler	55.2	58.8
Minna Pajumaa	40.2	36.2
Hanna Vuorela*	26.1	
Satu Ollikainen**	1.8	
Markku Pohjola (Chair)***	21.6	67.8
Suvi-Anne Siimes (Vice chair)***	14.1	49.8
Eero Hautaniemi***	13.5	40.8
Petri Järvinen*****		8.9
Anna Martinkari***	16.5	49.4
Marja Pokela*****		8.3
Arja Talma***	14.7	50.4
Pertti Miettinen****	4.2	
	394.6	**433.9**

* Member of the Board since May 14, 2020
** Member of the Board since November 16, 2020
*** Member of the Board until May 14, 2020
**** Member of the Board until November 16, 2020
***** Member of the Board until March 25, 2019

27. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries Dec 31, 2020	Group's holding %	Country
Aditro Logistics AB	100	Sweden
Aditro Logistics Holding AB	100	Sweden
Aditro Logistics Inhouse Services AB	100	Sweden
Aditro Logistics Norge AS	100	Norway
Aditro Logistics Staffing AB	100	Sweden
E-Log Services Oy	100	Finland
Flexo Kymppi Oy	100	Finland
Flexo Palvelut Oy	100	Finland
Flexo Ykkönen Oy	100	Finland
Global Mail FP Oy	100	Finland
Humanlink Estonia Oü	100	Estonia
Humanlink Baltic Latvia SIA	100	Latvia
Itella Estonia OÜ	100	Estonia
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
Itella Services OÜ	100	Estonia
KV Turva Oy	100	Finland
NLC International Corporation Ltd	100	Cyprus
OOO Itella	100	Russia
OOO Kapstroymontazh	100	Russia
OOO RED-Krekshino	100	Russia
OOO Rent-Center	100	Russia
OOO Terminal Lesnoy	100	Russia
OOO Terminal Sibir	100	Russia
OpusCapita s.r.o.	100	Slovakia
Posti Fokus Oy	100	Finland
Posti Global Oy	100	Finland
Posti Kiinteistöt Oy	100	Finland
Posti Kuljetus Oy	100	Finland
Posti Messaging GmbH	100	Germany
Posti Messaging Oy	100	Finland
Posti Messaging OÜ	100	Estonia
Posti Messaging SIA	100	Latvia
Posti Messaging Sp. z o.o.	100	Poland
Posti Oy	100	Finland

Subsidiaries Dec 31, 2020	Group's holding %	Country
Posti Palvelut Oy	100	Finland
Posti Scandinavia AB	100	Sweden
Suomen Transval Group Oy	100	Finland
Suomen Transval Oy	100	Finland
Transval 3PL Contract Logistics Oy	100	Finland
Transval 3PL EteläSuomi Oy	100	Finland
Transval 3PL Pääkaupunkiseutu Oy	100	Finland
Transval 4PL Contract Logistics Oy	100	Finland
Transval Action Oy	100	Finland
Transval Akatemia Oy	100	Finland
Transval Baltic Oü	100	Estonia
Transval Chain Oy	100	Finland
Transval Craft Oy	100	Finland
Transval Distribution Oy	100	Finland
Transval Espoo Oy	100	Finland
Transval Extra Oy	100	Finland
Transval Fast Oy	100	Finland
Transval Flex Oy	100	Finland
Transval Flow Oy	100	Finland
Transval Handling Oy	100	Finland
Transval Helsinki Oy	100	Finland
Transval Henkilöstöpalvelut Etelä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Itä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Keski-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Länsi-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Oy	100	Finland
Transval Jyväskylä Oy	100	Finland
Transval Kilo Oy	100	Finland
Transval Logistics 10 Oy	100	Finland
Transval Logistics Oy	100	Finland
Transval Management Oy	100	Finland
Transval Motion Oy	100	Finland
Transval Move Oy	100	Finland
Transval Myymäläpalvelut Oy	100	Finland
Transval Services Oy	100	Finland
Transval Sigma Oy	100	Finland
Transval Solutions Oy	100	Finland
Transval Supply Oy	100	Finland
Transval Support Oy	100	Finland

Subsidiaries Dec 31, 2020	Group's holding %	Country
Transval Terminal Oy	100	Finland
Transval Tuusula Oy	100	Finland
Transval Uusimaa Oy	100	Finland
Transval Vaasa Oy	100	Finland
Transval Vantaa Oy	100	Finland
Transval Warehousing Oy	100	Finland
Transval Wholesale Oy	100	Finland
Transval Works Oy	100	Finland
Valdoring Oy	100	Finland
Vindea Oy	100	Finland

28. Events after the reporting period

The Group does not have any events after the reporting period to disclose.

PARENT COMPANY FINANCIAL STATEMENTS, FAS

Income statement of the parent company

EUR	Note	2020	2019
Net sales	1	**16,833,461.14**	**13,107,794.42**
Other operating income	2	330,665.79	13,418,881.36
Personnel expenses	3	-5,677,134.22	-5,600,857.95
Depreciation, amortization and impairment losses	4	-765,942.08	-887,106.29
Other operating expenses	5	-23,253,286.74	-21,253,951.85
Operating profit/loss		**-12,532,236.11**	**-1,215,240.31**
Financial income and expenses	7	1,286,471.84	-94,896,875.33
Profit/loss before appropriations		**-11,245,764.27**	**-96,112,115.64**
Group contributions	8	46,429,000.00	16,268,000.00
Profit/loss before income tax		**35,183,235.73**	**-79,844,115.64**
Income tax	9	-15,128,491.35	-2,093,414.41
Profit/loss for the financial period		**20,054,744.38**	**-81,937,530.05**

Balance sheet of the parent company

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	10	637,991.09	1,036,986.40
Tangible assets	11	1,536,411.24	1,499,478.73
Investments	12	509,220,852.71	464,363,041.69
Total non-current assets		**511,395,255.04**	**466,899,506.82**
Current assets			
Non-current receivables	13	66,093,292.23	75,948,792.71
Current receivables	14	81,893,773.04	63,149,716.32
Current investments	15	75,609,382.10	126,757,517.78
Cash and bank		1,759.98	88,065.44
Total current assets		**223,598,207.35**	**265,944,092.25**
Total assets		**734,993,462.39**	**732,843,599.07**

EUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity	16		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		-1,155,756.35	-1,286,756.70
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		151,682,223.36	263,419,753.41
Profit/loss for the financial period		20,054,744.38	-81,937,530.05
Total equity		**383,284,973.32**	**392,899,228.59**
Provisions	17	**277,465.00**	**301,536.84**
Liabilities			
Non-current	19	123,977,484.40	123,711,290.97
Current	20	227,453,539.67	215,931,542.67
Total liabilities		**351,431,024.07**	**339,642,833.64**
Total equity and liabilities		**734,993,462.39**	**732,843,599.07**

Cash flow statement of the parent company

EUR	2020	2019
Cash flow from operations		
Profit/loss before appropriations	-11,245,764.27	-96,112,115.64
Adjustments:		
Depreciation and amortization	765,942.08	887,106.29
Gains or losses on disposal of fixed assets	884,819.74	-12,949,708.83
Financial income (-) and expense (+)	-1,286,471.84	-11,703,124.67
Impairment losses on non-current investments	0.00	106,600,000.00
Other adjustments	24,071.84	37,944.85
Cash flow before change in working capital	**-10,857,402.45**	**-13,239,898.00**
Interest-free current receivables, increase (-), decrease (+)	-3,908,889.34	-4,624,319.18
Interest-free non-current receivables, increase (-), decrease (+)	0.00	57,006.94
Interest-free current liabilities, increase (+), decrease (-)	-180,141.66	1,514,877.02
Interest-free non-current liabilities, increase (+), decrease (-)	834,901.53	-1,288,718.28
Change in working capital	**-3,254,129.47**	**-4,341,153.50**
Cash flow from operating activities before financial items and taxes	**-14,111,531.92**	**-17,581,051.50**
Interests paid	-2,418,176.77	-1,991,533.44
Interests received	10,836,280.19	7,607,543.56
Other financial items	75,786.22	3,782,740.71
Income tax paid	-159,925.74	-4,632,916.63
Cash flow from financial items and taxes	**8,333,963.90**	**4,765,834.20**

EUR	2020	2019
Cash flow from operating activities	**-5,777,568.02**	**-12,815,217.30**
Investments in tangible and intangible assets	-403,879.28	-290,405.35
Proceeds from sale of tangible and intangible assets	0.00	6,340.62
Other investments	-48,850,102.92	-58,921,289.27
Proceeds from sale of other investments	222,500.00	47,480,929.52
Loans granted	-25,671,639.00	-34,099,535.91
Repayments of loan receivables	29,752,246.79	45,646,718.62
Dividends received	4,539,994.67	438,949.00
Cash flow from investing activities	**-40,410,879.74**	**261,707.23**
Increases in current loans	167,500,000.00	4,999,986.11
Repayment of current loans	-137,534,725.11	-753,794.69
Dividends paid	-29,800,000.00	-28,400,000.00
Group contributions received and paid	16,268,000.00	33,445,000.00
Cash flow from financing activities	**16,433,274.89**	**9,291,191.42**
Change in cash and cash equivalents	**-29,755,172.87**	**-3,262,318.65**
Change in group cash pool	-21,479,268.27	44,640,941.86
Change in cash and cash equivalents	**-51,234,441.14**	**41,378,623.21**
Cash and cash equivalents at the beginning of the financial period	**126,845,583.22**	**85,466,960.01**
Cash and cash equivalents at the end of the financial period	**75,611,142.08**	**126,845,583.22**

Accounting policies

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

Revenue recognition and net sales

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

Other operating income

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

Valuation of fixed assets

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

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

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

Land and water are not subject to depreciation.

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

Leasing

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

Cash in hand and at banks

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

Pension schemes

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

Provisions

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

Income taxes

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

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

Foreign currency transactions

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

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

Financial assets and liabilities

Financial assets

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

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

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

Posti Group Corporation assesses the expected credit losses associated with its debt instruments carried at amortized cost on forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For low credit risk bond investments, Posti Group Corporation applies a low credit risk exemption, where the loss allowance recognized is limited to 12 months expected credit losses. The changes in loss allowance are presented in other financial expenses.

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

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

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

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

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

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

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

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

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

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

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

1. Net sales by geographical location

EUR	2020	2019
Finland	16,304,626.53	12,573,797.65
Russia	528,834.61	533,996.77
Total	**16,833,461.14**	**13,107,794.42**

2. Other operating income

EUR	2020	2019
Gains on sale of intangible and tangible assets	222,500.00	13,087,821.01
Rental income	66,030.64	66,229.33
Other operating income	42,135.15	264,831.02
Total	**330,665.79**	**13,418,881.36**

3. Personnel expenses

EUR	2020	2019
Wages and salaries	6,250,678.70	5,746,095.56
Pension expenses	-767,036.73	-233,270.08
Other social expenses	193,492.25	88,032.47
Total	**5,677,134.22**	**5,600,857.95**
Management remuneration		
President and CEO	480,537.00	915,355.00
Executive Board (excl. CEO)	992,194.00	1,327,168.00
Board of Directors	394,557.00	433,935.00
Supervisory Board	30,900.00	21,500.00
Total	**1,898,188.00**	**2,697,958.00**

	2020	2019
Average number of personnel during the financial period		
Administrative employees	39	44
Total	**39**	**44**

4. Depreciation, amortization and impairment losses

EUR	2020	2019
Intangible rights	736,724.59	862,271.03
Machinery and equipment	29,217.49	24,835.26
Total	**765,942.08**	**887,106.29**

5. Other operating expenses

EUR	2020	2019
Rents and leases	300,982.22	411,453.01
Losses on sale of fixed assets	1,107,319.74	13,780.01
Personnel related costs	300,650.42	530,596.19
Travelling expenses	130,990.64	317,557.26
Marketing expenses	757,701.98	556,127.31
Entertainment expenses	32,791.22	29,019.03
Facility maintenance expenses	18,079.22	12,666.16
Office and administrative expenses	5,851,937.59	7,371,923.86
IT operating costs	13,459,414.41	10,741,438.86
Materials and services	2,568.05	1,101.29
Other operating expenses	1,290,851.25	1,268,288.87
Total	**23,253,286.74**	**21,253,951.85**

6. Auditors' remuneration

EUR	2020	2019
Audit	181,338.98	226,132.08
Tax advisory	3,850.00	14,886.50
Other services	54,011.00	90,997.02
Total	**239,199.98**	**332,015.60**

7. Financial income and expenses

EUR	2020	2019
Financial income		
Dividend income from Group companies	4,539,994.67	0.00
Dividend income from others	0.00	438,949.00
Interest income from Group companies	2,763,601.52	5,119,423.69
Interest income from others	714,373.49	504,985.60
Exchange rate gains		
Interest-bearing receivables and liabilities	1,229,974.00	9,152,077.45
Currency derivatives, non-hedge accounting	323,800.59	329,409.61
Other financial income from Group companies	1,097,741.27	0.00
Total	**10,669,485.54**	**15,544,845.35**
Financial expense		
Interest expense to Group companies	1,033,443.41	724,767.94
Interest expense to others	1,455,553.92	1,225,461.09
Exchange rate losses		
Interest-bearing receivables and liabilities	5,215,152.22	6,101,742.87
Currency derivatives, non-hedge accounting	1,424,069.98	296,175.67
Impairment losses in Group companies	49,576.74	106,600,000.00
Reversals of impairment losses in Group companies	-	-4,950,000.00
Impairment losses on non-current investments	-67,718.60	99,800.67
Other financial expences	272,936.03	343,772.44
Total	**9,383,013.70**	**110,441,720.68**

EUR	2020	2019
Change in fair value of hedging interest rate derivatives recognized in the fair value reserve loss (-), gain (+)	-1,444,695.44	-1,608,455.87
of which deferred tax	288,939.09	321,691.17

8. Group contributions

EUR	2020	2019
Group contributions received	55,817,000.00	32,120,000.00
Group contributions distributed	-9,388,000.00	-15,852,000.00
Total	**46,429,000.00**	**16,268,000.00**

9. Income tax

EUR	2020	2019
Income tax on group contributions	9,285,800.00	3,253,600.00
Income tax on business activities	-2,986,520.62	-1,284,269.50
Income tax from previous years	8,309,461.12	79,924.81
Change in deferred tax assets	519,750.85	44,159.10
Total	**15,128,491.35**	**2,093,414.41**

10. Intangible assets

EUR	2020	2019
Intangible rights		
Acquisition cost 1 Jan	28,092,317.84	27,874,651.66
Additions	337,729.28	226,586.35
Disposals	-17,926,279.68	-8,920.17
Acquisition cost 31 Dec	**10,503,767.44**	**28,092,317.84**
Accumulated amortization 1 Jan	27,055,331.44	26,201,980.58
Accumulated amortization on disposals	-17,926,279.68	-8,920.17
Amortization for the financial period	736,724.59	862,271.03
Accumulated amortization 31 Dec	**9,865,776.35**	**27,055,331.44**
Book value 31 Dec	**637,991.09**	**1,036,986.40**
Total intangible assets	**637,991.09**	**1,036,986.40**

11. Tangible assets

EUR	2020	2019
Land and water		
Acquisition cost 1 Jan	891,396.01	891,396.01
Acquisition cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**
Machinery and equipment		
Acquisition cost 1 Jan	101,495.26	95,037.14
Additions	66,150.00	63,819.00
Disposals	-6,431.05	-57,360.88
Acquisition cost 31 Dec	**161,214.21**	**101,495.26**
Accumulated depreciation 1 Jan	45,010.04	77,534.76
Depreciation for the financial period	29,217.49	24,835.26
Accumulated depreciation on disposals	-6,431.05	-57,359.98
Accumulated depreciation 31 Dec	**67,796.48**	**45,010.04**
Book value 31 Dec	**93,417.73**	**56,485.22**
Other tangible assets		
Acquisition cost 1 Jan	617,122.27	636,568.19
Disposals	0.00	-19,445.92
Acquisition cost 31 Dec	**617,122.27**	**617,122.27**
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	**65,524.77**	**65,524.77**
Book value 31 Dec	**551,597.50**	**551,597.50**
Total tangible assets	**1,536,411.24**	**1,499,478.73**

12. Investments

EUR	2020	2019
Shares in Group companies		
Acquisition cost 1 Jan	993,077,934.40	978,070,360.24
Additions	48,850,102.92	59,401,289.27
Disposals	-4,034,820.46	-44,393,715.11
Acquisition cost 31 Dec	**1,037,893,216.86**	**993,077,934.40**
Accumulated impairment losses 1 Jan	529,289,539.92	435,089,539.91
Impairment losses	0.00	106,600,000.00
Reversals of impairments	0.00	-12,399,999.99
Book value 31 Dec	**508,603,676.94**	**463,788,394.48**
Other shares and holdings		
Acquisition cost 1 Jan	919,361.33	5,919,428.53
Additions	42,528.56	0.00
Disposals	0.00	-5,000,067.20
Acquisition cost 31 Dec	**961,889.89**	**919,361.33**
Accumulated impairment losses 1 Jan	344,714.12	2,944,714.12
Reversal of impairment losses	0.00	-2,600,000.00
Book value 31 Dec	**617,175.77**	**574,647.21**
Receivables from Group companies		
Capital loan receivables		
Acquisition cost 1 Jan	28,511,000.00	28,511,000.00
Acquisition cost 31 Dec	**28,511,000.00**	**28,511,000.00**
Accumulated impairment losses 1 Jan	28,511,000.00	28,511,000.00
Book value 31 Dec	**0.00**	**0.00**
Total investments	**509,220,852.71**	**464,363,041.69**

13. Non-current receivables

EUR	2020	2019
Receivables from Group companies		
Loan receivables	63,434,666.13	74,703,469.41
Total	**63,434,666.13**	**74,703,469.41**
Receivables from others		
Loan receivables	2,101,290.43	135,486.70
Deferred tax assets	557,335.67	1,109,836.60
Total	**2,658,626.10**	**1,245,323.30**
Total non-current receivables	**66,093,292.23**	**75,948,792.71**

14. Current receivables

EUR	2020	2019
Receivables from Group companies		
Trade receivables	93,314.92	14,539,679.23
Loan receivables	1,533,228.89	0.00
Interest receivables	378,945.66	7,688,342.47
Prepayments and accrued income	74,982,299.26	32,244,990.17
Total	**76,987,788.73**	**54,473,011.87**
Receivables from others		
Trade receivables	8,010.44	0.00
Other receivables	1,334,906.21	571,479.88
Prepayments and accrued income	3,563,067.66	8,105,224.57
Total	**4,905,984.31**	**8,676,704.45**
Total current receivables	**81,893,773.04**	**63,149,716.32**
Key items in prepayments and accrued income		
Interest receivables	495,645.69	335,151.80
Income tax receivable	0.00	3,965,906.34
Other prepayments and accrued income	3,067,421.97	3,804,166.40
Total	**3,563,067.66**	**8,105,224.54**

15. Financial instruments and financial risk management

2020

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities atamortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		65.5		65.5	65.5	
Non-current financial assets	**1.0**	**65.5**		**66.5**	**66.5**	
Financial assets – current						
Trade and other receivables		81.9		81.9	81.9	
Money market investments		42.7		42.7	42.8	1
Investments in quoted bonds		23.4		23.4	23.1	2
Investments in unlisted bonds		3.0		3.0	3.0	2
Current financial assets	**0.0**	**151.0**		**151.0**	**150.8**	
Money market investments		6.5		6.5	6.5	2
Cash and bank		0.0		0.0	0.0	
Cash and cash equivalents		**6.5**		**6.5**	**6.5**	
Total financial assets	**1.0**	**223.0**	**0.0**	**224.0**	**223.8**	
Financial liabilities – non-current						
Loans from financial institutions		119.8		119.8	120.2	
Non-current borrowings		**119.8**		**119.8**	**120.2**	
Interest-rate derivatives			1.4	1.4	1.4	2
Other non-current financial liabilities	**0.0**	**0.0**	**1.4**	**1.4**	**1.4**	
Financial liabilities – current						
Liabilities to Group companies		208.9		208.9	208.9	
Currency derivatives	0.5			0.5	0.5	2
Trade and other payables		18.5		18.5	18.5	
Current borrowings	**0.5**	**227.4**	**0.0**	**227.9**	**227.9**	
Total financial liabilities	**0.5**	**347.2**	**1.4**	**349.1**	**349.5**	

2019

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities atamortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	1.0			1.0	1.0	3
Non-current receivables		74.8		74.8	74.8	
Non-current financial assets	**1.0**	**74.8**		**75.8**	**75.8**	
Financial assets – current						
Trade and other receivables		26.8		26.8	26.8	
Equity fund investments	0.1			0.1	0.1	2
Currency derivatives		60.2		60.2	60.3	2
Money market investments		23.6		23.6	23.7	1
Investments in quoted bonds		3.0		3.0	3.0	2
Debt certificates		15.0		15.0	15.0	
Current financial assets	**0.1**	**128.6**		**128.7**	**128.8**	
Money market investments		24.9		24.9	25.0	2
Cash and bank		0.0		0.0	0.0	
Cash and cash equivalents		**24.9**		**24.9**	**25.0**	
Total financial assets	**1.1**	**228.4**	**0.0**	**229.5**	**229.7**	
Financial liabilities – non-current						
Loans from financial institutions		119.8		119.8	120.2	
Non-current borrowings		**119.8**		**119.8**	**120.2**	
Interest-rate derivatives			1.6	1.6	1.6	2
Other non-current financial liabilities	**0.0**	**0.0**	**1.6**	**1.6**	**1.6**	
Financial liabilities – current						
Commercial papers		5.0		5.0	5.0	
Liabilities to Group companies		186.4		186.4	186.4	
Trade and other payables		5.4		5.4	5.4	
Current borrowings	**0.0**	**196.8**	**0.0**	**196.8**	**196.8**	
Total financial liabilities	**0.0**	**316.6**	**1.6**	**318.2**	**318.7**	

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

16. Equity

EUR	2020	2019
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	**70,000,000.00**	**70,000,000.00**
Fair value reserve 1 Jan	-1,286,756.70	-739,655.37
Profit or loss at fair value, other current investments	131,000.35	-547,101.33
Fair value reserve 31 Dec	**-1,155,756.35**	**-1,286,756.70**
Restricted equity total	**68,844,243.65**	**68,713 243.30**
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	**142,703,761.93**	**142,703,761.93**
Retained earnings 1 Jan	181,482,223.36	291,819,753.41
Dividend distribution	-29,800,000.00	-28,400,000.00
Retained earnings 31 Dec	**151,682,223.36**	**263,419,753.41**
Profit/loss for the financial year 31 Dec	**20,054,744.38**	**-81,937,530.05**
Total unrestricted equity	**314,440,729.67**	**324,185,985.29**
Total equity	**383,284,973.32**	**392,899,228.59**
Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	151,682,223.36	263,419,753.41
Profit/loss for the financial period	20,054,744.38	-81,937,530.05
Total	**314,440,729.67**	**324,185,985.29**

17. Provisions

EUR	2020	2019
Pension provision	277,465.00	284,361.00
Restructuring provision	0.00	17,175.84
Total	**277,465.00**	**301,536.84**

18. Deferred tax assets

EUR	2020	2019
From provision	55,493.00	60,307.37
From impairments	68,942.82	68,942.82
From temporary differences	0.00	497,333.76
Other items	432,899.85	483,254.65
Total	**557,335.67**	**1,109,838.60**

19. Non-current liabilities

EUR	2020	2019
Loans from financial institutions	119,849,408.61	119,774,366.28
Additional purchase price accural	0.00	480,000.00
Interest-rate derivatives, hedge accounting	1,444,695.44	1,608,445.87
Other non-current liabilities	2,683,380.35	1,848,478.82
Total	**123,977,484.40**	**123,711,290.97**

20. Current liabilities

EUR	2020	2019
Amounts owed to Group companies		
Trade payables	-32,815.56	71,332.46
Interest liabilities	0.00	2,555.10
Other liabilities	208,936,162.32	202,207,632.59
Total	**208,903,346.76**	**202,281,520.15**
Amounts owed to others		
Trade payables	1,148,010.55	1,630,678.01
Commercial papers	0.00	4,999,986.11
Other liabilities	4,684,689.63	3,811,194.63
Accruals and deferred income	12,717,492.73	3,208,163.77
Total	**18,550,192.91**	**13,650,022.52**
Total current liabilities	**227,453,539.67**	**215,931,542.67**
Key items in other liabilities		
Payroll and related social costs	293,586.39	290,845.83
VAT-liability	3,259,195.03	2,135,867.99
Purchase price accrual	480,000.00	1,200,000.00
Other liabilities	651,908.21	184,480.81
Total	**4,684,689.63**	**3,811,194.63**
Key items in accruals and deferred income		
Payroll and related social costs	1,814,065.82	1,573,250.47
Accrued interests	143,421.67	145,088.34
Other accruals and deferred income	10,760,005.24	1,489,824.96
Total	**12,717,492.73**	**3,208,163.77**
Interest-bearing liabilities		
Non-current liabilities	119,849,408.61	119,774,366.28
Current liabilities	107,500,000.00	72,806,866.70
Total	**227,349,408.61**	**192,581,232.98**

21. Pledged assets, commitments and other liabilities

EUR	2020	2019
Pledges given for Group companies		
Guarantees	165,184,944.00	179,409,220.00
Total	**165,184,944.00**	**179,409,220.00**
Lease contracts unpaid amounts		
Payable within one year	71,280.44	56,658.69
Payable in later years	89,792.53	106,086.90
Total	**161,072.97**	**162,745.59**
Rental liabilities	**815.00**	**815.00**
Currency forward contracts		
Fair value	-477,091.80	94,482.76
Nominal value	18,874,931.70	6,199,639.72
Interest rate swaps		
Fair value	-1 444 695.44	-1,608,445.87
Nominal value	60,000,000.00	60,000,000.00

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

22. Shares and holdings of Posti Group Corporation

Company name and domicile	Number of shares	Owner-ship (%)	Book value
Group companies			
Global Mail FP Oy, Helsinki	4,200	99.92	45,838,632.95
Posti Scandinavia AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics SIA, Riga	20	100.00	400,000.00
Itella Logistics UAB, Vilnius	1,000	100.00	918,147.59
Posti Kiinteistöt Oy, Helsinki	103,488	100.00	192,730,895.55
Posti Palvelut Oy, Helsinki	500	50.00	102,500.00
Flexo Palvelut Oy, Helsinki	100	100.00	1,710,000.00
NLC International Corporation, Limassol	3,844	100.00	1.00
Posti Oy, Helsinki	2,538,295	100.00	106,659,037.70
Posti Messaging Oy, Helsinki	1,000	100.00	47,985,238.65
Posti Fokus Oy, Helsinki	500	100.00	2,500.00
Suomen Transval Group Oy	75,460	100.00	52,492,089.27
E-Log Services Oy	300	100.00	1,309,200.00
Aditro Logistics Holding AB, Bromma	1,910,200	100.00	48,450,102.92
Posti Global Oy, Helsinki	999	99.90	10,003,550.00
Total			**508,603,676.94**
Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	33,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
Cooperative Vereiniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy, Helsinki	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Vierumäki Golf Oy, Helsinki	7	0.06	61,516.41
Stella Care Oy	94,545	17	42,528.56
Golfsarfvik	1		28,560.00
Total			**617,175.77**

Board of Directors’ proposal for the distribution of profit

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2020, the parent company’s distributable funds total EUR 314,440,729.67 of which the profit for the financial year accounts for EUR 20,054,744.38.

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

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 31,300,000.00 to be distributed and EUR 283,140,729.67 to be retained in the shareholders' equity.

Signatures of the Board of Directors' report and the Financial Statements

Helsinki, February 16, 2021

Sanna Suvanto-Harsaae
Chair of the Board of Directors

Turkka Kuusisto
President & CEO

Per Sjödell

Raija-Leena Hankonen

Harri Hietala

Sirpa Huuskonen

Frank Marthaler

Minna Pajumaa

Hanna Vuorela

Satu Ollikainen

Our auditor's report has been issued today.

Helsinki, February 16, 2021

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen
Authorized Public Accountant

Auditor's Report

To the Annual General Meeting of Posti Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

What we have audited

We have audited the financial statements of Posti Group Oyj (business identity code 1531864-4) for the year ended 31 December, 2020. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

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

Key Audit Matters

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Goodwill valuation *Refer to Accounting policies and to note 11 in the consolidated financial statements for the related disclosures.*	
At 31 December 2020 the Group's goodwill balance is valued at 191 million euro and is allocated to the Group's four cash-generating units. The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying amount may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined by using a value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates. The goodwill allocated to Postal Services CGU amounts to 15 million euro, the goodwill allocated to Parcel and eCommerce CGU amounts to 75 million euro, the goodwill allocated to Transval amounts to 62 million euro and the goodwill allocated to Aditro amounts to 39 M€. Our work is focused on the risk that goodwill may be overstated in these CGU:s.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculation; • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors; • We tested the key underlying management assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period; • We compared the current year actual results in the impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; • We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and • The discount rates applied within the model were assessed by PwC business valuation specialists including comparison external benchmarks as appropriate. • We also considered the appropriateness of the related disclosures provided in note 11 in the financial statements.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment testing of Posti's cash generating unit Itella Russia *Refer to Accounting policies.* Itella Russia is a cash generating unit with most of its significant assets relating to real estate investments in several locations, following the impairment of all goodwill in prior years. Due to the uncertainties in the Russian market, Posti has determined that it is not possible to determine the value in use for Itella Russia as a whole. Management has therefore determined that the appropriate method to test Itella Russia's long-lived assets for impairment is using the fair value less cost to sell method. Posti has engaged external, independent and qualified valuers to determine the fair value of its real estate property in Russia each year. The valuation is performed at a minimum annually on an asset by asset basis and the valuation method takes into consideration the current market prices in each active market for the properties. We have determined this to be a key audit matter because the volatility of the real estate market in Russia.	Management has requested broker's opinions of values for the real estate owned by Itella Russia. We evaluated the competency, qualifications and experience and objectivity of the property valuation experts used. In addition, we have evaluated the methods and assumptions used. We compared the book values of real estate owned by Itella Russia to the market values provided by the property valuation expert.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting in 2012. Our appointment represents a total period of uninterrupted engagement of 9 years.

Other Information

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

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

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

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

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

Other statements

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

Helsinki 16 February 2021
PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)

www.posti.com/governance