



POSTI GROUP CORPORATION FINANCIAL STATEMENTS BULLETIN, FEBRUARY 17, 2021 AT 9:00 A.M. (EET)

Posti Group Corporation Financial Statements Bulletin 2020



Posti Group 1–12/2020: Adjusted operating result improved significantly, driven by rapid and flexible scaling of operations

Posti Group Corporation Financial Statements Bulletin 2020

October–December

Financial highlights

- Net sales grew by 16.0% to EUR 455.9 (392.9) million.
- Adjusted EBITDA was EUR 64.1 (34.0) million, or 14.1% (8.7%) of net sales.
- EBITDA increased to EUR 56.0 (32.8) million, or 12.3% (8.4%) of net sales.
- The adjusted operating result improved to EUR 33.5 (4.4) million, representing 7.3% (1.1%) of net sales.
- The operating result improved to EUR 25.4 (-2.8) million, representing 5.6% (-0.7%) of net sales.

January–December

Financial highlights

- Net sales grew by 3.1% to EUR 1,613.6 (1,564.6) million.
- Adjusted EBITDA was 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 improved to EUR 66.1 (36.2) million, representing 4.1% (2.3%) of net sales.
- The operating result improved to EUR 55.0 (18.5) million, representing 3.4% (1.2%) of net sales.
- Net debt to adjusted EBITDA was 1.2x (1.1x).
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 31.3 million, i.e. EUR 0.78 per share, will be distributed for the financial year 2020.

Operational highlights

- The global COVID-19 pandemic had a significant impact on Posti's operations in 2020. Posti's Parcel and eCommerce business group clearly benefitted from the boom of online shopping. At the same time, the rapid decline of mail volumes was further accelerated by the pandemic. Also Posti's logistics services were negatively impacted by the pandemic.
- The execution of Posti's transformation continued:
 - The number of addressed letters decreased by 16% (16%) in Finland.
 - The share of mail items covered by the universal service obligation continued to decrease and accounted for only 3.4% (4.0%) of all Posti's mail items delivered.
 - The total parcel volume in Finland and the Baltic countries increased by 27% (7%).
 - The combined net sales of Parcel and eCommerce as well as logistics businesses represented already 57% (52%) of the Group's net sales.
 - Posti's transformation continued when it acquired Aditro Logistics and KV Turva and divested Posti Kotipalvelut Oy as well as Posti Messaging AB in Sweden and Posti Messaging AS in Norway.
 - Posti changed its operating model to accelerate the renewal of its business operations, improve customer experience as well as increase agility and productivity.

- Posti renewed its strategy. According to its strategy, Posti's strategic goal is to become a modern delivery and fulfillment company with progressive profitability. The core of Posti's growth is in parcels and contract logistics in Finland, Sweden and the Baltics, along the entire delivery and fulfillment value chain.

The figures in 10-12/2020 and 10-12/2019 as well as 1-12/2020 and 1-12/2019 are not fully comparable because the operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

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.

Key figures of Posti Group				
	10-12 2020	10-12 2019****	1-12 2020	1-12 2019****
Net sales*, EUR million	455.9	392.9	1,613.6	1,564.6
Adjusted EBITDA*, EUR million	64.1	34.0**	186.5	152.3**
Adjusted EBITDA margin*, %	14.1%	8.7%**	11.6%	9.7%**
EBITDA*, EUR million	56.0	32.8	177.6	140.6
EBITDA margin*, %	12.3%	8.4%	11.0%	9.0%
Adjusted operating result*, EUR million	33.5	4.4**	66.1	36.2**
Adjusted operating result margin*, %	7.3%	1.1%**	4.1%	2.3%**
Operating result*, EUR million	25.4	-2.8	55.0	18.5
Operating result margin*, %	5.6%	-0.7%	3.4%	1.2%
Result for the period*, EUR million	18.1	-4.1	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	16,110	16,036	16,227	16,569
Earnings per share, basic, EUR	0.45	-0.10	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 in the latter half of the year

Turkka Kuusisto, President and CEO

I am very pleased with our fourth quarter and full year 2020 result. In the fourth quarter, our net sales grew by 16% to EUR 456 (393) million and adjusted operating result improved to EUR 33.5 (4.4) million, representing 7.3% (1.1%) of net sales. I want to express my sincere thanks to every employee at Posti and our partners.

Our ambitious goal is to push our own emissions to zero by 2030. We are well on our way in reaching this goal. Last year, our own emissions already fell by 14%. The use of renewable fuels increased to 10% at the end of the year, and in total, we drove more than four million kilometers with electricity, renewable diesel, and gas. In 2020, we also committed to the Science Based Targets initiative and we are in process of submitting our targets to the SBTi for their approval.

During the last quarter, the strong customer demand of our Parcel and eCommerce services continued. The peak season starting from Black Friday and ending to Christmas was very strong for us. During this period, the Parcel and eCommerce business group broke all previous records and delivered approximately 7.7 million parcels. Overall, our parcel volumes in Finland and the Baltics grew by 47% in the fourth quarter. For our postal services, the peak season turned out to be even busier than expected. There were almost 18 million Christmas cards sent, an increase of almost 20% compared to last year. However, the overall volume of addressed letters decreased by 3% in the fourth quarter compared to the same period last year. So, despite the stronger than expected demand of season greetings, the rapid transformation of postal services

continued. Regarding both the parcel and mail volumes, the comparability to the fourth quarter was influenced by the postal strike in the latter half of 2019.

Transval's net sales grew and the business group continued to work on its efficiency during the fourth quarter. The COVID-19 pandemic impacted the operations of Aditro Logistics and the company continued to focus on improving its efficiency, especially related to its new Arlanda site. Our Freight Services grew their net sales and their turnaround program continued to deliver a significant profitability improvement. Under difficult market circumstances and due to a strong comparison period, Itella Russia's profitability decreased in the fourth quarter.

The full year 2020 result was very strong for us, as well, thanks to the successful and flexible development of our operations, restructuring activities and cost efficiency measures. Especially the successful turnaround program in Freight Services, the fast and agile scaling of operations and the excellent performance of our Parcel and eCommerce business group were the main drivers behind this.

I want to sincerely thank our employees for their incredibly hard work and flexibility in making this happen. This was an excellent performance, especially considering the extremely high volumes during the peak season and the demanding COVID-19 circumstances. We rewarded our personnel for their outstanding work by paying some EUR 3 million in Spot bonuses, directed in particular to those employees working in our operations.

The health and safety of our employees is our key priority. We are happy to see that our work safety is developing favorably. In 2020, our LTA1 indicator (occupational accidents per million working hours) reduced to 37 (44) for the Finnish operations and 34 (39) for the whole Group. It was also a pleasure to notice that according to our surveys, Posti's employees feel the work they are doing for our customers and partners is meaningful and motivates them.

We continued to transform and streamline our business portfolio in 2020. In spring, we acquired Aditro Logistics, one of the leading contract logistics companies in the Nordics. In autumn, we divested Posti Kotipalvelut Oy and Posti Messaging Scandinavia companies. These transactions were in line with our strategy to continue our renewal and focus on our core businesses. The divestments and our strong 2020 result give us the possibility to invest in future growth. During the coming years, our plan is to invest EUR 100 million into growth and developing our eCommerce as well as delivery and fulfillment capabilities.

We are now at an inflection point. The last year showed the strength and future potential of our Parcel and eCommerce operations as well as logistics services. However, we must prepare for the possibility that the growth of online shopping will not continue at such a fast pace in 2021 than it did in 2020. It is imperative that we continue to improve our customer experience, develop the quality of our services and maintain a competitive and flexible cost structure. Our new operating model that was taken into use at the beginning of November 2020 will enable us to achieve these goals.

Today, we announced our revised group strategy. Tomorrow's Posti is a modern delivery and fulfillment company with progressive profitability. The core of our growth is in parcels and contract logistics in Finland, Sweden and the Baltics, along the entire delivery and fulfillment value chain. In a rapidly changing operating environment, a success requires industry-leading operational efficiency, ongoing reassessment of our business portfolio and integrated value chain that covers both logistics outsourcing and eCommerce.

The market transformation during the last decade has been drastic and it has challenged us in many ways. While building future growth, we need to manage the unavoidable changes to our organization and businesses in a controlled and responsible way. I am confident that our revised strategy brings us clarity, and by working together in a systematic and persistent way, we have all the prerequisites to succeed.

APPENDICES

[Posti Group's Financial Statements Bulletin 2020 in full \(PDF\)](#)

FURTHER INFORMATION

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Posti is the leading postal and logistics service company in Finland. Our core business includes postal services, parcels, freight and logistics solutions. We have the widest network coverage in Finland, and we visit about three million households and companies every weekday. We have operations in eight countries. Our net sales in 2020 amounted to some EUR 1.6 billion and we have approximately 21,000 employees. www.posti.com.

Market situation and business environment, January–December 2020

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.

Net sales and profitability

October–December 2020

Net sales

The Group's net sales grew by 16.0% to EUR 455.9 (392.9) million. The acquisition of Aditro Logistics in Sweden and Norway impacted Posti's net sales positively as it was included in Posti's financials as of April 2020. The figures in 2019 were significantly burdened by the postal strike in the latter half of the year. The number of working days in Finland in the fourth quarter was 64 (62). The number of working days affects the Group's net sales and result.

Net sales increased by 12.8% in Finland and by 43.2% in other countries, mainly due to the acquisition of Aditro Logistics. The share of international operations in Posti's business increased and accounted for 13.2% (10.7%) of net sales in the fourth quarter of the year.

Net sales increased in Mail, Parcel and Logistics Services segment by 11.6%. Within the segment, net sales increased in Postal services, Parcel and eCommerce as well as Transval, but decreased in Freight Services mainly due to the discontinuation of Posti's Grocery Logistics business.

Net sales were at the previous year's level in Aditro Logistics, despite the impact of the coronavirus situation and changes in customer mix. Aditro Logistics was integrated into Posti's financials as of April 2020, so its figures are not included in Posti's financials for the comparison period.

Net sales decreased in Itella Russia by 38.6%, mainly due to the restructuring actions of warehouses.

Posti has continued its growth in logistics solutions according to its strategy. The net sales of Parcel and eCommerce and logistics businesses increased to almost 59% (52%) of the Group's net sales.

Operations under the universal service obligation amounted to EUR 44.7 (40.1) million, or 9.8% (10.2%) of the Group's net sales and 5.4% (6.7%) of delivery volumes.

Profitability

The Group's adjusted EBITDA increased to EUR 64.1 (34.0) million, or 14.1% (8.7%) of net sales. EBITDA increased to EUR 56.0 (32.8) million, or 12.3% (8.4%) of net sales. The adjusted operating result increased to EUR 33.5 (4.4) million, or 7.3% (1.1%) of net sales, mainly due to the improved profitability of Postal Services, Freight Services as well as Parcel and eCommerce. Posti's profitability in the fourth quarter of 2019 was significantly burdened by the strike organized by The Finnish Post and Logistics Union PAU.

The operating result improved to EUR 25.4 (-2.8) million, or 5.6% (-0.7%) of net sales. Special items affecting the operating result in the fourth quarter, EUR 8.1 (7.2) million, were mainly related to personnel restructuring costs, EUR 2.0 million, a loss of EUR 3.8 million on the disposal of the Russian real estate company OOO NLC-Bataisk and a loss of EUR 1.0 million on the sales of Posti Messaging Scandinavia companies in Sweden and Norway.

January–December 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 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

October–December 2020

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

- Addressed letters: -3% (-24%)
- Parcels in Finland and the Baltics: 47% (-1%)
- Freight volumes measured in waybills: 3% (-10%)

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 20.3 (13.9) million parcels. The figure does not include letter-like e-commerce items.

Net sales

The net sales of Mail, Parcel and Logistics Services grew to EUR 413.0 (370.1) million. Net sales are itemized in the following table.

Net sales of Mail, Parcel and Logistics Services			
Net sales, EUR million	10-12 2020	10-12 2019*	Change
Postal Services	180.8	171.2	5.6 %
Parcel and eCommerce	138.5	105.2	31.7 %
Transval	54.6	51.7	5.6 %
Freight Services	44.8	45.7	-2.1 %
Other and eliminations	-5.7	-3.7	
Total	413.0	370.1	11.6 %

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

The net sales of Postal Services increased mainly due to low comparison figures that were burdened by the strike organized by The Finnish Post and Logistics Union PAU in the second half of 2019. Even though the volume of Christmas cards increased by almost 20% to 18 million cards, the overall volume of addressed letters decreased by -3% in the fourth quarter, compared to the same period last year.

The net sales of Parcel and eCommerce increased significantly in the fourth quarter. The increase was mainly due to the continued volume growth of eCommerce, the growth of online shopping due to the coronavirus situation and the negative impact of the postal strike to the fourth quarter of 2019 figures. During the peak season leading to Christmas, a record number of parcels, some 7.7 million, were delivered.

The total number of parcels delivered by Posti in Finland and the Baltic countries increased to 20.3 (13.9) million parcels. The figure does not include letter-like e-commerce items. At the end of December, Posti had 2,062 (1,673) parcel lockers, making Posti's parcel locker network one of the largest in Europe. In the fourth quarter, the number of parcels going through Posti's parcel lockers grew by 88.1% compared to the last quarter of 2019. Posti aims to increase the number of parcel



lockers to 4,000 by the end of 2022. By increasing the number of parcel lockers, Posti can meet consumers' needs and tackle the challenges posed by the rapid growth in e-commerce.

The net sales of Freight Services decreased by 2.1% to EUR 44.8 (45.7) million, mainly due to the refocusing of operations and discontinuation of Posti's Grocery Logistics business.

Transval business group's net sales increased by 5.6% to EUR 54.6 (51.7) million, mainly due to the positive impact of growing online shopping and the acquisition of KV Turva in March 2020.

Profitability

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 59.8 (24.8) million, or 14.5% (6.7%) of net sales. EBITDA increased to EUR 55.6 (25.2) million. The adjusted operating result improved to EUR 36.5 (1.4) million, or 8.8% (0.4%) of net sales. The improvement was due to improved profitability in Postal Services, Freight Services as well as in Parcel and eCommerce. The profitability of the fourth quarter in 2019 was burdened by the negative impact of the postal strike.

The operating result improved to EUR 32.2 (-2.1) million. Special items affecting the operating result in the fourth quarter amounted to EUR 4.2 (3.6) million.

January–December 2020

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 Mail, Parcel and Logistics Services			
Net sales, EUR million	1-12 2020	1-12 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.

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 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.

Itella Russia

October–December 2020

Net sales

Itella Russia's net sales measured in local currency decreased by 20.9%. Reported euro-denominated net sales decreased by 38.6% to EUR 14.1 (23.0) million. Net sales decreased in Contract Logistics due to restructuring actions of warehouses and the impact of the coronavirus situation on Transport. According to its strategy, Itella Russia focuses on its core businesses, contract logistics and transportation.

The average fill rate for warehouses in Moscow was 84.9% (91.7%), while in other regions it was 33.4% (71.9%).

Profitability

The adjusted EBITDA was EUR 3.2 (5.1) million, or 22.4% (22.0%) of net sales. EBITDA was EUR -0.7 (1.9) million.

The adjusted operating result was EUR 2.0 (2.7) million. The decrease was mainly due to the fall of the Russian ruble. The operating result was EUR -1.8 (-0.5) million. Special items affecting the operating result amounted to EUR 3.8 (3.2) million and were related to the divestment of the Russian real estate company OOO NLC-Bataisk.

January–December 2020

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

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.

October–December 2020

Net sales

In October–December, Aditro Logistics' net sales were EUR 29.1 million. Aditro Logistics' operations consist of contract logistics, transportation and staffing businesses. Especially contract logistics and transportation businesses were impacted by the coronavirus situation. Additionally, the customer mix changes that were carried out as planned during 2020 negatively impacted net sales.

Profitability

In October–December, the adjusted and reported EBITDA were EUR 3.6 million, or 12.4% of net sales. The adjusted and reported operating result were EUR -0.5 million. The result was negatively impacted by investments in the large warehouse in Arlanda and the coronavirus situation.

January–December 2020

As Aditro Logistics was integrated into Posti's financials as of April 2020, the figures below are from the period April–December 2020.

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	10-12 2020	10-12 2019*	1-12 2020	1-12 2019*
Net sales				
Mail, Parcel and Logistics Services	413.0	370.1	1,481.6	1,482.2
Itella Russia	14.1	23.0	58.3	82.8
Aditro Logistics**	29.1	0.0	74.7	0.0
Other and unallocated	0.3	0.4	1.8	2.0
Intra-Group sales	-0.7	-0.6	-2.9	-2.5
Posti Group	455.9	392.9	1,613.6	1,564.6
Net sales change-%				
Mail, Parcel and Logistics Services	11.6%	-6.0%	0.0%	1.7%
Itella Russia	-38.6%	-15.5%	-29.6%	-20.3%
Aditro Logistics**	N/A	N/A	N/A	N/A
Posti Group	16.0%	-6.6%	3.1%	0.3%
Adjusted EBITDA				
Mail, Parcel and Logistics Services	59.8	24.8	168.2	139.4
Itella Russia	3.2	5.1	12.6	13.9
Aditro Logistics**	3.6	0.0	10.2	0.0
Other and unallocated	-2.5	4.2	-4.5	-1.0
Posti Group	64.1	34.0	186.5	152.3
Adjusted EBITDA, %				
Mail, Parcel and Logistics Services	14.5%	6.7%	11.4%	9.4%
Itella Russia	22.4%	22.0%	21.7%	16.8%
Aditro Logistics**	12.4%	N/A	13.6%	N/A
Posti Group	14.1%	8.7%	11.6%	9.7%
EBITDA				
Mail, Parcel and Logistics Services	55.6	25.2	163.2	133.8
Itella Russia	-0.7	1.9	12.2	10.4
Aditro Logistics**	3.6	0.0	10.2	0.0
Other and unallocated	-2.6	5.7	-7.9	-3.6
Posti Group	56.0	32.8	177.6	140.6
EBITDA, %				
Mail, Parcel and Logistics Services	13.5%	6.8%	11.0%	9.0%
Itella Russia	-4.7%	8.4%	21.0%	12.6%
Aditro Logistics**	12.4%	N/A	13.6%	N/A
Posti Group	12.3%	8.4%	11.0%	9.0%

Key figures for segments, continuing operations				
EUR million	10-12 2020	10-12 2019*	1-12 2020	1-12 2019*
Adjusted operating result				
Mail, Parcel and Logistics Services	36.5	1.4	73.7	45.8
Itella Russia	2.0	2.7	5.6	3.4
Aditro Logistics**	-0.5	0.0	-2.0	0.0
Other and unallocated	-4.5	0.3	-11.3	-13.0
Posti Group	33.5	4.4	66.1	36.2
Adjusted operating result, %				
Mail, Parcel and Logistics Services	8.8%	0.4%	5.0%	3.1%
Itella Russia	14.4%	11.7%	9.6%	4.1%
Aditro Logistics**	-1.9%	N/A	-2.6%	N/A
Posti Group	7.3%	1.1%	4.1%	2.3%
Operating result				
Mail, Parcel and Logistics Services	32.2	-2.1	68.7	36.2
Itella Russia	-1.8	-0.5	5.2	-0.1
Aditro Logistics**	-0.5	0.0	-2.0	0.0
Other and unallocated	-4.5	-0.2	-17.0	-17.6
Posti Group	25.4	-2.8	55.0	18.5
Operating result, %				
Mail, Parcel and Logistics Services	7.8%	-0.6%	4.6%	2.4%
Itella Russia	-12.7%	-2.0%	8.9%	-0.1%
Aditro Logistics**	-1.9%	N/A	-2.6%	N/A
Posti Group	5.6%	-0.7%	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 January–December, 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.

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 Sjödel, 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 Sjödel 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*				
	10-12 2020	10-12 2019	1-12 2020	1-12 2019
Personnel at period-end*			20,909	20,468
<i>Finland</i>			17,666	18,307
<i>Other countries of operation</i>			3,243	2,161
Personnel on average, FTE**	16,110	16,036	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 January–December, 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, 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, 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 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.

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

APPENDICES

Calculation of key figures
Financial Statement Bulletin 2020 tables

Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses alternative performance measures as additional information to financial measures presented in the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows and in the notes disclosures. Management believes that adjusted performance measures provide meaningful supplemental information to both management and 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	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$
Return on equity, %	100 x	$\frac{\text{Result for the period (12 months rolling)}}{\text{Total equity (average of opening and closing balance of the previous 12 months)}}$
Return on capital employed, %	100 x	$\frac{\text{Operating result (12 months rolling)}}{\text{Capital employed (average of opening and closing balance of the previous 12 months)}}$
Capital employed		Non-current assets less deferred tax assets plus inventories and trade and other receivables less other non-current liabilities, less advances received, less provisions, less defined benefit pension obligations, less trade and other payables.
Net debt		Interest bearing borrowings - liquid funds - debt certificates.
Net debt / adjusted EBITDA		$\frac{\text{Net debt}}{\text{Adjusted EBITDA (12 months rolling)}}$
Interest-bearing borrowings		Non-current and current 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

** New key figure from 1 Jan 2020. See additional information in note 1.

Financial Statements Bulletin tables January-December 2020

Consolidated Income statement and consolidated Statement of comprehensive income

Consolidated income statement

EUR million	10-12 2020	10-12 2019	1-12 2020	1-12 2019
Net sales	455.9	392.9	1,613.6	1,564.6
Other operating income	4.2	5.0	19.2	19.3
Materials and services	-138.4	-125.9	-483.1	-482.9
Employee benefits	-187.0	-157.8	-686.4	-672.7
Other operating expenses	-78.7	-81.5	-285.7	-287.8
Depreciation and amortisation	-30.6	-28.5	-120.1	-114.9
Impairment losses	-0.1	-7.1	-2.5	-7.2
Operating result	25.4	-2.8	55.0	18.5
Finance income	0.9	1.8	3.3	11.9
Finance expenses	-2.6	-2.6	-12.8	-13.9
Result before income tax	23.7	-3.6	45.4	16.5
Income tax	-5.6	-0.5	-15.8	-2.4
Result for the period from continuing operations	18.1	-4.1	29.7	14.1
Result for the period from discontinued operations	0.0	0.0	0.0	4.9
Result for the period	18.1	-4.1	29.7	19.0
Earnings per share (EUR per share)				
Group total	0.45	-0.10	0.74	0.47
Continuing operations	0.45	-0.10	0.74	0.35
Discontinued operations	0.00	0.00	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

Result for the period	18.1	-4.1	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	0.4	0.2	-0.8
Translation differences	12.8	1.4	-3.9	10.4
Income tax relating to these items	0.0	-0.1	0.0	0.2
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit obligations	0.1	2.2	0.1	1.1
Income tax relating to these items	0.0	-0.4	0.0	-0.2
Comprehensive income for the period	31.1	-0.7	26.0	29.6

Consolidated Balance Sheet

Assets

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

Equity and liabilities

EUR million	Dec 31, 2020	Dec 31, 2019
Equity attributable to the shareholders of the parent company		
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
Non-current liabilities		
Deferred tax liabilities	20.0	20.6
Non-current interest-bearing borrowings	121.2	122.4
Non-current interest-bearing lease liabilities	214.9	146.8
Other non-current payables	9.7	6.9
Advances received	13.2	13.6
Non-current provisions	4.0	4.8
Defined benefit pension plan liabilities	7.2	8.0
Total non-current liabilities	390.3	323.1
Current liabilities		
Current interest-bearing borrowings	1.4	6.5
Current interest-bearing lease liabilities	51.3	45.3
Trade and other payables	312.8	296.2
Advances received	76.3	67.4
Current income tax liabilities	11.1	0.7
Current provisions	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

Condensed consolidated Statement of Cash Flows

EUR million	1-12 2020	1-12 2019
Result for the period	29.7	19.0
Adjustments to cash flow	139.9	111.1
Change in net working capital	29.6	8.1
Cash flow before financial items and income tax	199.2	138.2
Financial items (net)	-5.8	-5.4
Income tax paid	-1.6	-6.5
Cash flow from operating activities	191.8	126.3
Purchase of intangible assets	-29.7	-22.2
Purchase of property, plant and equipment	-27.2	-34.2
Proceeds from sale of intangible and tangible assets	11.8	4.9
Business acquisitions, net of cash acquired	-48.8	-49.8
Proceeds from business disposals less cash and cash equivalents	4.8	67.6
Cash flow from financial assets	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	60.0	
Repayment of current loans	-69.9	-14.2
Repayment of non-current loans	-1.3	-0.9
Payments of lease liabilities	-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

Operative free cash flow, reconciliation

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

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
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
Comprehensive income for the period			0.1	-3.9	29.7	26.0
Transactions with equity holders						
Dividends paid					-29.8	-29.8
Dec 31, 2020	70.0	142.7	-1.2	-94.2	323.7	441.1
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
Comprehensive income for the period			-0.6	10.4	19.8	29.6
Transactions with equity holders						
Dividends paid					-28.4	-28.4
Dec 31, 2019	70.0	142.7	-1.3	-90.3	323.8	444.9

Dividends

Posti Group Corporation's Annual General Meeting was held in Helsinki on May 14, 2020. The Annual General Meeting decided to distribute a dividend of EUR 29.8 million based on the result for the year 2019.

Notes

1. Accounting Policies

Bulletin has been prepared in accordance with IAS 34 Interim financial reporting. In the preparation of this Bulletin, Posti Group (the "Group") has applied the same accounting policies, methods of computation and presentation as in the consolidated financial statements for 2019. Amendments to IFRS standards effective as of 1 January 2020 had no impact on consolidated income statement or balance sheet. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The Bulletin is unaudited.

Additional information on COVID-19 pandemic impacts in 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.

Operative free cash flow - new key figure

From 1st Jan 2020 onwards, 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. Cash flow from operating activities is deducted by purchase of intangible assets and property, plant and equipment and payments of lease liabilities. 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 statement changed essentially at 1.1.2019 after adoption of IFRS 16 leases standard. The lease payments cash flow related to lease liability is presented in the cash flow from financial activities in item "payments of lease liabilities" and payments related to off-balance sheet lease contracts in cash flow from operating activities. Operative free cash flow includes cash flows from all lease contracts.

2. Foreign exchange rates

	1-12 2020	1-12 2019
Average rate		
RUB	82.6454	72.4593
SEK	10.4881	10.5867
NOK	10.7248	9.8497
	Dec 31, 2020	Dec 31, 2019
Closing rate		
RUB	91.4671	69.9563
SEK	10.0343	10.4468
NOK	10.4703	9.8638

3. Operating segments

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

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 (MPLS), Itella Russia and Aditro Logistics. MPLS consists of four operating segments: Postal Services, Parcel and eCommerce, Transval and Freight Services. Operating segments have been changed at the beginning of 2020 by splitting Logistics Solutions into Transval and Freight Services. Logistics Solutions administration organization ceased simultaneously to exist. To ensure comparability, Logistics Solutions administration 2019 expenses have been restated from Mail, Parcel and Logistics Services segment to Other and unallocated. 2019 net sales reporting has been restated according to the new operating segments.

Postal Services operating segment consists of Corporate messaging, media, retail and consumer mail services. Parcel and eCommerce operating segment offers parcel and eCommerce services to both corporate and private customers, in Finland and internationally. Parcel and eCommerce also offers and develops Posti's new digital services. Posti Home services was part of this operating segment until its divestment in September 2020. Transval offers a large scale of supply chain outsourcing services including warehousing and in-house logistics services. The services can be delivered in own premises or in the client's premises such as warehouses, shops or production sites. 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 offers comprehensive logistics services to both Russian and international companies. Aditro Logistics is one of the leading logistics companies in the Nordic countries, supporting Posti's target to grow as parcel, e-commerce and logistics company.

10-12
2020

EUR million	Mail, Parcel and Logistics Services			Itella Russia	Aditro Logistics	Segments total	Other and unallocated	Elimi- nations	Group total
External sales	412.7	14.1	29.1	455.9	0.0				455.9
Inter-segment sales	0.4		0.0	0.4	0.3		-0.7		
Net sales	413.0	14.1	29.1	456.3	0.3		-0.7		455.9
EBITDA	55.6	-0.7	3.6	58.6	-2.6				56.0
Special items included in EBITDA:									
Personnel restructuring costs	2.3			2.3	-0.4				2.0
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	1.0	3.8		4.9					4.9
Onerous contracts		0.0		0.0					0.0
Other	0.9	0.0		0.9	0.4				1.3
Special items included in EBITDA total	4.2	3.8		8.1	0.0				8.1
Adjusted EBITDA	59.8	3.2	3.6	66.6	-2.5				64.1
Operating result	32.2	-1.8	-0.5	29.9	-4.5				25.4
Special items included in operating result:									
Special items included in EBITDA	4.2	3.8		8.1	0.0				8.1
Impairment losses									
Special items total	4.2	3.8		8.1	0.0				8.1
Adjusted operating result	36.5	2.0	-0.5	38.0	-4.5				33.5
Financial income and expense									-1.7
Income tax									-5.6
Result for the period from continuing operations									18.1

10-12
2019
restated**

EUR million	Mail, Parcel and Logistics Services						Eliminations	Group total
	Logistics Services	Itella Russia	Aditro Logistics*	Segments total	Other and unallocated			
External sales	369.9	23.0		392.9	0.0		392.9	
Inter-segment sales	0.2			0.2	0.4	-0.6		
Net sales	370.1	23.0		393.2	0.4	-0.6	392.9	
EBITDA	25.2	1.9		27.1	5.7		32.8	
Special items included in EBITDA:								
Personnel restructuring costs	-1.0			-1.0	-0.1		-1.1	
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)	0.5			0.5			0.5	
Onerous contracts		2.7		2.7			2.7	
Other		0.5		0.5	-1.5		-1.0	
Special items included in EBITDA total	-0.4	3.2		2.7	-1.5		1.2	
Adjusted EBITDA	24.8	5.1		29.8	4.2		34.0	
Operating result	-2.1	-0.5		-2.6	-0.2		-2.8	
Special items included in operating result:								
Special items included in EBITDA	-0.4	3.2		2.7	-1.5		1.2	
Impairment losses	4.0			4.0	2.0		6.0	
Special items total	3.6	3.2		6.7	0.5		7.2	
Adjusted operating result	1.4	2.7		4.1	0.3		4.4	
Financial income and expense							-0.8	
Income tax							-0.5	
Result for the period from continuing operations							-4.1	
Result for the period from discontinued operations							0.0	
Result for the period							-4.1	

* The operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

** 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.

1-12
2020

EUR million	Mail, Parcel and Logistics Services						Eliminations	Group total
	Logistics Services	Itella Russia	Aditro Logistics	Segments total	Other and unallocated			
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	

1-12
2019
restated**

EUR million	Mail, Parcel and Logistics Services		Itella Russia	Aditro Logistics*	Segments total	Other and unallocated	Eliminations	Group total
	Logistics Services	Itella Russia						
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
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

* The operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019.

** 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.

Net sales of Mail, Parcel and Logistics Services

EUR million	10-12 2020	10-12 2019	1-12 2020	1-12 2019
		restated		restated
Postal Services	180.8	171.2	646.5	684.4
Parcel and eCommerce	138.5	105.2	473.7	407.2
Transval	54.6	51.7	205.8	199.7
Freight Services	44.8	45.7	172.6	204.5
Other and eliminations	-5.7	-3.7	-17.1	-13.7
Total	413.0	370.1	1,481.6	1,482.2

Dec 31, 2020

EUR million	Mail, Parcel and				Segments total	Other and unallocated	Eliminations	Group total
	Logistics Services	Itella Russia	Aditro Logistics*					
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			0.3	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

Dec 31, 2019
restated

EUR million								
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

* The operations of Aditro Logistics have been included in Posti's financials as of April 2020, but they are not part of the financials of the comparable period in 2019. Personnel on average is calculated from acquisition date onwards.

4. Net sales by geographical area

EUR million	10-12 2020	10-12 2019	1-12 2020	1-12 2019
Finland	336.0	328.0	1,288.8	1,311.8
Other Nordic countries	69.3	19.1	164.9	81.8
Russia	11.0	22.8	57.9	82.4
Other countries	39.6	23.0	102.0	88.5
Total	455.9	392.9	1,613.6	1,564.6

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

5. Acquired businesses

Business acquisitions in January-December 2020

On April 2, 2020, Posti announced that it had completed the acquisition of the Swedish logistics company Aditro Logistics. As of April 1, 2020, Aditro Logistics has been 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 are based in Sweden and 50 in Norway. A goodwill of EUR 35.1 million was recognized on the acquisition. Aditro acquisition supports Posti's strategy to expand in Sweden. Acquisition-related costs of EUR 0.6 million were recognized in other operating expenses.

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

Effect on assets

EUR million	Aditro Logistics Fair value
Intangible assets	16.5
Property, plant and equipment	98.9
Inventory	0.6
Receivables	14.8
Cash and cash equivalents	0.0
Effect on assets	130.7

Effect on liabilities

EUR million	
Deferred tax liability	3.3
Interest bearing liabilities	97.9
Trade payables and other liabilities	16.8
Effect on liabilities	118.1
Net assets acquired	12.7

Components of acquisition cost

EUR million	
Cash considerations	47.8
Total cost of acquisition	47.8
Fair value of net assets acquired	12.7
Goodwill	35.1

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	47.8
Cash and cash equivalents of the acquired subsidiary	0.0
Cash flow	47.8

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.

Business divestments in January-December 2020

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

In November, 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

Sold assets	Messaging
EUR million	Scandinavia
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	
EUR million	
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.

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

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

EUR million		Dec 31, 2020	Dec 31, 2019
Carrying amount	Jan 1	314.0	327.6
Change in accounting policy, IFRS 16			-9.5
Acquired businesses		6.2	5.9
Additions		27.5	32.8
Business divestments		-4.1	-5.7
Disposals and transfers between items		-11.9	-4.2
Amortization, continuing operations		-38.4	-43.4
Impairment, continuing operations		-0.3	-0.4
Amortization and impairment, discontinued operations			-0.1
Translation differences		-19.4	11.0
Carrying amount, end of the period		273.6	314.0

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

EUR million		Dec 31, 2020	Dec 31, 2019
Carrying amount	Jan 1	190.5	
Change in accounting policy, IFRS 16			217.4
Acquired businesses		97.4	4.8
Additions		36.7	28.5
Business divestments		-1.8	-1.0
Disposals and transfers between items		-1.5	-2.6
Depreciation, continuing operations		-58.1	-55.7
Depreciation and impairment, discontinued operations			0.1
Translation differences		-0.4	-1.1
Carrying amount, end of the period		262.8	190.5

Specification of right-of-use asset:

EUR million		Dec 31, 2020	Dec 31, 2019
Land		0.1	0.3
Buildings		229.6	163.7
Vehicles		24.5	21.3
Machinery and other		8.6	5.1
Carrying amount, end of the period		262.8	190.5

7. Goodwill and other intangible assets

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

EUR million		Dec 31, 2020	Dec 31, 2019
Carrying amount	Jan 1	210.4	204.4
Acquired businesses		66.5	66.2
Additions		29.7	22.2
Business divestments		-2.4	-60.9
Disposals and transfers between items		1.7	3.0
Amortization, continuing operations		-23.4	-15.8
Impairment, continuing operations		-2.2	-6.8
Amortization and impairment, discontinued operations			-0.9
Translation differences		0.0	-0.8
Carrying amount, end of the period		280.4	210.4

Impairment loss of EUR 2.2 million was related to an ICT project.

8. Net debt and liquid funds

EUR million		Borrowings	Lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	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 rates 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	Dec 31, 2020	122.1	266.7	388.8	160.1	0.0	228.7
Fair value	Dec 31, 2020	122.5	266.7	389.2			

EUR million		Borrowings	Lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount	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 rates 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	Dec 31, 2019	128.5	192.5	321.0	141.7	15.0	164.3
Fair value	Dec 31, 2019	129.0	192.5	321.5			

EUR million	Dec 31, 2020	Dec 31, 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

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

EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2020				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	1.0			1.0
Total	1.0			1.0
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.4		1.4	
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.5		0.5	
Total	1.9		1.9	
EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2019				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	1.0			1.0
Current financial assets				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Total	1.1		0.1	1.0
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	1.6		1.6	
Total	1.6		1.6	

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

Hierarchy levels:

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

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

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

The fair value of currency forward contracts is calculated by measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast cash flows of the contracts with the market interest rate curves on the reporting date. The fair value of the written put option is based on the expected contractual cash flows.

The group also has a number of financial instruments which are not measured at fair value in the balance sheet. The fair value of investments in bonds was EUR 26.2 million and their carrying value EUR 26.4 million. For the other instruments, the fair values are not materially different to their carrying amounts, since the instruments are short-term in nature.

10. Pledges, commitments and other contingent liabilities

Pledges

EUR million	Dec 31, 2020	Dec 31, 2019
Pledges for own behalf		
Bank guarantees	9.1	9.1
Guarantees	3.6	3.6
Pledges	0.9	0.0
Total	13.7	12.7

Lease commitments not recognized in balance sheet

EUR million	Dec 31, 2020	Dec 31, 2019
Maturity of minimum lease payments:		
Less than a year	9.6	8.8
1-5 years	1.2	0.5
Total	10.9	9.3

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.

Derivative contracts

EUR million	Dec 31, 2020	Dec 31, 2019
Currency derivatives		
Non-hedge accounting		
Fair value	-0.5	0.1
Nominal value	18.9	6.2
Interest rate derivatives		
Hedge accounting		
Fair value	-1.4	-1.6
Nominal value	60.0	60.0

11. Events after the reporting period

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