2023 Financial review

posti.com

Content

Posti in brief

Posti is one of the leading delivery and fulfillment companies in Finland, Sweden, and the Baltics. We make our customers' everyday lives smoother with a wide range of services which include parcels, freight, and postal services as well as warehouse, fulfillment, and logistics services.

We deliver responsibly what matters to you. Our goal is to zero our own emissions by 2030 and transport completely fossil-free throughout the value chain by 2040.

Net sales
1,586.1
EUR million

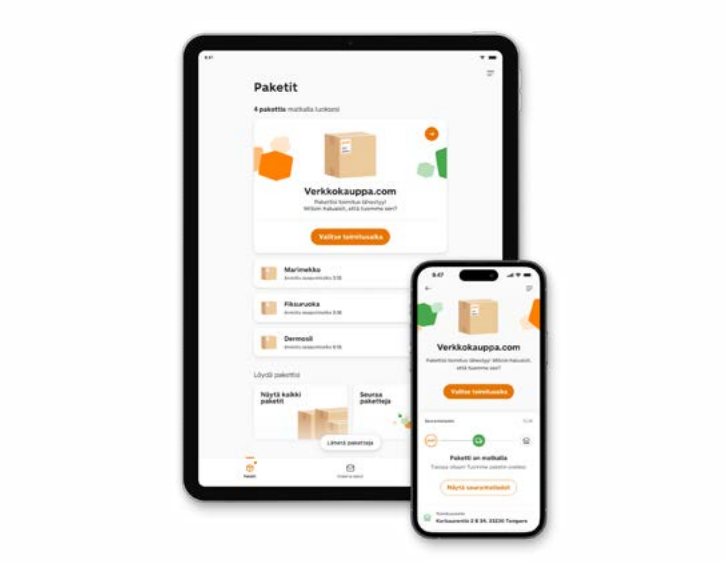
Personnel at the end of 2023 approximately
17,000
people

Adjusted EBITDA
197.7
EUR million

Our own emissions reduced by
16%

We Care about our customers, each other and the planet.

Highlights of the year



OmaPosti application renewed in 2023

In line with our strategic objective to continuously improve our customer experience, we renewed the OmaPosti app. Focusing on smooth parcel tracking, the app has a new user-friendly interface, clarified features and commitment to security and privacy. The digital mailbox offers an instant access to letters and invoices. OmaPosti's digital mailbox is an opportunity as for example the digitalization of communication of the Finnish Government proceeds.

→ **OmaPosti app has already 2 million registered users.**

Net sales

Our net sales decreased by 4% in 2023. Consumer purchasing demand and trust in the economy was low all year. The volumes and circulation of goods in our warehouses was low and this impacted net sales negatively.

Adjusted EBITDA

Our profitability developed positively throughout the year. This was the result of a good operational excellence, the strong implementation of our strategy and improved cost-efficiency.

Operating result

Despite the strong operational performance, the net profit was affected by the impairments on goodwill and purchase price allocations. This was mainly related to the challenges in Swedish economy.

Emissions decreased

We continued our ambitious work for the environment. We were one of the global development partners for the new guidance for reporting emissions of transport chains. Our own emissions (scope 1&2) decreased by 16% in 2023.

Investments in a more modern and sustainable future

We are investing in key strategic areas such as digital services, in-house technological resources, production facilities as well as new modern and automated warehouses, terminals, and sorting machines. As an example of this, in 2023, we announced an investment in a new Transval warehouse in Järvenpää, which will be one of the largest in Finland. The new warehouse will use geothermal heating and solar power.

The implementation of our clean transport roadmap continues. At the end of 2023 our fleet included over 350 electric vans, electric delivery trucks, Liquified BioGas trucks, Compressed BioGas truck and one electric heavy truck.

CEO review

Year 2023 was a year of uncertainties in the market, but it ended on a good note. Our profitability developed positively during the year due to operational excellence and the strong implementation of our strategy. Our ability to produce quality remained high and we managed to improve cost-efficiency throughout the year. This is an outstanding result from our teams which steered well in a demanding geopolitical and economic environment. I want to thank every Posti employee for their hard work and resilience during the year. I also want to thank our customers for their trust on us.

Our adjusted EBITDA increased to EUR 197.7 million (EUR 183.8 million) in 2023. This can be attributed to operational efficiency that improved remarkably for example in the form of optimized resourcing, successful cost management, and investments in automation in sorting capabilities. During the peak season we delivered nearly 7 million parcels and about 12 million Christmas cards.

Our Group net sales decreased by 4.0% to EUR 1,586.1 (EUR 1,651.6 million) in 2023. Consumer purchasing power and trust in the economy stayed low throughout the year, especially in Sweden. This resulted in an overall decrease in volumes and low circulation of goods in our warehouses, and unavoidably had a negative impact on net sales. Despite the strong operational performance, the net profit was affected by the impairments on goodwill and purchase price allocations in Q3. This was mainly related to the challenges in Swedish economy, and especially rapidly reduced e-commerce demand, combined with higher interest rates and heavily weakened Swedish Krona. The Group's operating result decreased to EUR -7.0 (51.0) million in 2023.

For the full reporting year, the eCommerce and Delivery Services' net sales and profitability decreased due to increased costs driven by inflation and high interest rates, and consequently declined volumes. Fulfillment and Logistics Services profitability increased due to improvements in operational efficiency, whereas the net sales declined. In the Postal Services segment both the net sales and the profitability increased. This was driven by the improvements in operational efficiency as well as the increased letter volumes in the early part of the year. Letter volumes decreased in 2023.

Our profitability developed positively during the year due to operational excellence and the strong implementation of our strategy.

The year presented challenges in our operating market. Inflation remained high and interest rates peaked, which had a negative impact on the economy and kept the demand for logistic services low. While we are mindful that the uncertainties in our operating environment will somewhat continue in 2024, we do see some signs indicating that the market will pick up momentum and that purchasing power will improve. We continue to seek growth according to our strategy and expect the long-term market potential of e-commerce to remain positive in the Nordics. I'm satisfied that our digital service for letters and parcels, the OmaPosti application was revamped during the fourth quarter, and now offers more intuitive parcel experience for the consumer. The OmaPosti application already has over one million active users and is gaining new users every day.

Sustainability has long been at the core of Posti's strategy, and I have many times stated that sustainability is a choice. Posti was one of the global development partners for the new guidance for reporting emissions of transport chains, released by the Smart Freight Centre, and the World Business Council for Sustainable Development (WBCSD). It was also an honor to be able to discuss the 2030 Agenda for Sustainable Development with other leaders at the UN General Assembly as part of Finland's official delegation. In May, we took our first electric semi-trailer truck into use in selected routes in Finland. The Q4 highlights include our first ever diesel to electric conversion truck and inauguration of Finland's first heavy-duty charging station.

I am especially delighted to report positive developments in our work safety and the 2023 metrics in this area showed favorable progress. Also, our own emissions decreased by 16% (scope 1&2) in 2023. We remain steadfast in our pursuit of sustainable growth within planetary boundaries, strengthening our societal handprint, and ensuring a caring workplace for all our employees.

We are in a good shape to continue the year 2024. Our strategy is solid, and we keep executing it on all fronts. Looking forward, we continue to focus on operational excellence and business development, and we hold our eyes steadily on the future, together as a team.

Turkka Kuusisto
CEO and President

Posti’s strategy

Posti’s strategy is to focus on its delivery and logistics business. Posti has defined parcel deliveries, contract logistics and eCommerce fulfillment as its core businesses. The company made progress in its strategic focus areas as planned in 2023.

Posti’s strategy, which was updated three years ago, is to focus on the delivery and logistics business. Our growth consists of delivery and logistics services in Finland, Sweden and the Baltic region.

Our operations are based on our purpose, “Responsibly delivering what matters to you—on your terms”, and our values: reliable, respectful and progressive.

Our vision is to become a modern delivery and fulfillment company with progressive profitability. The aim is to have a significant part of net sales generated from these businesses.

Posti has defined parcel deliveries, contract logistics and eCommerce fulfillment as its strategic core businesses. These core businesses are supported by in-house logistics, 4PL transport solutions, industrial logistics, freight, logistics staffing and postal services.

In 2023, eCommerce and Delivery Services and Fulfillment and Logistics Services, together, accounted for approximately 60.5% of the Group’s net sales.

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

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

The following focus areas are defined in our strategy: development of the customer experience and brand, development and growth of the business portfolio in Sweden and the Baltic countries, achieving industry-leading operational efficiency and fossil-free operations by 2030.

The company made progress in its strategic focus areas as planned in 2023. Customer satisfaction for home parcels and postal parcels remained excellent throughout the year. We released a new version of the OmaPosti parcel tracking and digital mailbox application. OmaPosti will help Posti to ensure that its competitiveness as the digitalization of letters from the authorities, which is currently being prepared by the Finnish Government, moves ahead.

We further improved our delivery speed for eCommerce parcels. For example, the delivery time for orders from Verkkokauppa.com was halved. Posti had the strongest improvement in reputation (+0.18 units) among the companies included in T-Media's Trust & Reputation survey. Posti’s reputation also improved significantly in 2021 and 2022.

Organic growth continued in the Baltic countries. Posti divested Transval’s store logistics services, which was a non-core business.

Consumer confidence in the economy bottomed out in 2023 but begun to recover during the latter part of the year. High inflation and increased interest rates have affected household purchasing power.

In spite of the challenging business environment, we managed to improve the operational efficiency of production and operate more cost-effectively. This enabled us to improve our profitability during the year.

Posti is also continuing to invest in its own technological capabilities and production facilities, such as new, modern and efficient automated sorting machines, terminals and warehouses. One example of these developments is the construction of Transval's new warehouse in Järvenpää.

Posti's own emissions (Scope 1 & 2) continued on a downward trend and decreased by 16.1%. More information on our environmental targets and related progress is provided in the Planet section of Posti's Sustainability Report.

In the fall of 2023, Posti's Board of Directors concluded that the strategy is still effective and its execution is moving in the desired direction.

The amended Postal Act came into effect

The Postal Act reforms that entered into force in October 2023 reduced Posti's universal service obligation to three days in mainland Finland. Five-day delivery of print newspapers in sparsely populated areas will continue with newspapers being delivered on two weekdays with new temporary delivery support. Traficom awarded the government grant to Posti in 17 of the eligible areas after a public application process, and in Lapland a separate public service obligation was imposed on Posti.

The changes represent responsible decisions that adapt the regulation of the industry to the sharp decline in postal volumes while simultaneously supporting the delivery of print newspapers in sparsely populated areas. We are satisfied with the reforms enabling continued full-time employment in mail delivery along with significant reductions in emissions. The reforms will also enable us to better respond to the changing needs of our customers. By easing postal regulation, the state will not have to finance the universal service with tax revenue.

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

The Postal Act reforms also benefit the environment. By reducing the number of delivery days and making delivery more efficient, Posti is able to significantly reduce its carbon dioxide emissions.

Board of Directors report

Description of the business model

Posti is one of the leading delivery and fulfillment companies in Finland, Sweden, and the Baltics. We make our customers' everyday lives smoother with a wide range of services which includes parcels, freight, and postal services as well as warehouse, fulfillment, and logistics services.

Posti has three reportable segments: eCommerce and Delivery Services, Fulfillment and Logistics Services, and Postal Services.

Posti operated in 2023 in seven countries. At the end of the financial year 2023, the number of personnel stood at approximately 17,000 people. In Finland, the company employed about 15,000 people at the end of the financial year, which makes it one of the largest employers of the country.

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

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

Year 2023

Posti Group adjusted EBITDA increased to EUR 197.7 (183.8) despite the demanding geopolitical and economic environment. This was due to significant improvements in operational excellence and strong implementation of our strategy. Group net sales decreased by 4.0% compared to year before and was EUR 1,586.1. Consumer purchasing power and trust in economy remained low throughout the year, especially in Sweden. This resulted in low circulation of goods in Posti warehouses and overall low volumes and impacted Group net sales negatively. eCommerce and Delivery Services segment's net sales and profitability decreased due to increased costs driven by inflation and high interest rates, and consequently declined volumes. Fulfillment and Logistics Services profitability increased due to improvements in operational efficiency, whereas the net sales declined. In the Postal Services segment both the net sales and the profitability increased. This was driven by the improvements in operational efficiency as well as the increased letter volumes in the early part of the year. Total letter volumes decreased in 2023.

Despite the strong operational performance, the net profit was affected by the impairments on goodwill and purchase price allocations. This was mainly related to the challenges in Swedish economy, and especially rapidly reduced e-commerce demand, combined with higher interest rates and heavily weakened Swedish Krona. The Group's operating result decreased to EUR -7.0 (51.0) million in 2023.

Market situation and business environment

The demand for logistics services lowered throughout the year, and the overall economic sentiment indicator is below the long-term average both in Finland and Sweden. On average, the overall economic sentiment indicator picked up mildly in the EU and in the euro area during Q4 but not yet in Finland and Sweden. The economic sentiment predicts weak economic development.

Finnish (-0.5%) and Swedish (-0.7%) economies decreased in 2023, and according to Statistics Finland, the number of bankruptcy applications in Finland increased by 25% in 2023 compared to 2022. Consumer confidence has recovered from all-time lows, but confidence is still clearly below the long-term average. High inflation and increased interest rates have affected households' purchasing power and restrained companies' desire to invest in machinery, equipment, and construction projects. Inflation is already slowing down but there is no certainty that the European Central Bank will lower its interest rate in 2024.

The economic situation affected the circulation of goods in Posti’s warehouses and Posti's parcel volumes negatively. Logistics is a supporting industry for trade and industry sectors and the demand of logistics services therein has continued to be low, with a direct impact on Posti's business operations and performance.

The amended Postal Act came into effect in October 2023 and reduced Posti’s universal service delivery obligation to three days throughout mainland Finland. Five-day delivery of paper newspapers in sparsely populated areas will continue, as newspapers will be delivered on two weekdays with the help of the new, temporary State Aid. Traficom awarded the government grant to Posti in 17 of the eligible areas after a public application process, and in Lapland a separate public service obligation was imposed on Posti. The changes in the Postal Act are responsible decisions that help the sector adapt to the sharply decreasing mail volumes and at the same time support the delivery of paper newspapers in sparsely populated areas. Posti is satisfied that the reforms enable full-time work in mail delivery, significant emission reductions and meeting the changing needs of customers.

According to the latest forecast from the Bank of Finland, GDP contracted by 0.5% in 2023 (+1.6% in 2022). Based on Riksbank forecast, Sweden's GDP decreased by 0.7% during 2023 (+2.8% in 2022). Economies of Finland and Sweden are not expected to grom yet in 2024, but to return to rowth path in 2025. Political strikes in Finland may have an impact on economic development in 2024 and have a greater impact on Posti’s financial performance compared to its competitors. Geopolitical tensions and several important elections, including the US presidential election, bring uncertainty to the economic prospects.

Key figures of Posti Group

	1–12 2023	1–12 2022
Net sales, EUR million	1,586.1	1,651.6
Adjusted EBITDA, EUR million	197.7	183.8
Adjusted EBITDA margin, %	12.5%	11.1%
EBITDA, EUR million	188.6	178.2
EBITDA margin, %	11.9%	10.8%
Adjusted operating result, EUR million	66.4	58.9
Adjusted operating result margin, %	4.2%	3.6%
Operating result, EUR million	-7.0	51.0
Operating result margin, %	-0.4%	3.1%
Result for the period, EUR million	-25.2	31.7
Return on capital employed (12 months), %	-1.0%	7.8%
Net debt, EUR million	240.0	208.5
Net debt / adjusted EBITDA	1.2x	1.1x
Operative free cash flow, EUR million	28.6	28.5
Personnel, end of period	17,024	19,996
Personnel on average, FTE	14,272	14,985
Earnings per share, basic, EUR	-0.63	0.79
Dividend per share, EUR	0.80*	0.79
Dividend, EUR million	31.8*	31.7

* Board of Directors' proposal to the Annual General Meeting.

Group net sales and profitability

Net sales

The Group's net sales decreased by 4.0% to EUR 1,586.1 (1,651.6) million. Net sales decreased by 1.7% in Finland and by 21.9% in other countries. The net sales in other countries declined mainly due to the challenging macroeconomic environment that has continued in Sweden throughout the reporting period, and the weakened Swedish Krona compared to the reporting currency. Therefore, the share of Posti's business operations outside Finland decreased and accounted for 9.3% (11.4%) of net sales.

Net sales in the eCommerce and Delivery Services segment decreased by 4.2% to EUR 651.5 (679.9) million.

Net sales in the Fulfillment and Logistics Services segment decreased by 10.3% to EUR 328.4 (366.1) million.

The combined external net sales of eCommerce and Delivery Services and Fulfillment and Logistics Services represented 60.5% (62.0%) of the Group's net sales.

Net sales in the Postal Services segment slightly increased by 0.2% to EUR 631.4 (630.2) million.

Operations under the universal service obligation decreased and amounted to EUR 90.1 (100.2) million, or 5.7% (6.1%) of the Group's net sales, representing 3.4% (3.1%) of delivery volumes.

Profitability

The Group's adjusted EBITDA increased to EUR 197.7 (183.8) million, or 12.5% (11.1%) of net sales, mainly due to the increased profitability of Postal Services. EBITDA increased to EUR 188.6 (178.2) million, or 11.9% (10.8%) of net sales.

The adjusted operating result increased to EUR 66.4 (58.9) million, or 4.2% (3.6%) of net sales. The operating result decreased to EUR -7.0 (51.0) million, or -0.4% (3.1%) of net sales, mainly due to impairments and other special items in Q3.

Special items affecting the operating result

EUR million	1–12 2023	1–12 2022
Personnel restructuring costs	-5.7	-3.0
Impairments on goodwill and purchase price allocations	-57.4	-1.6
Impairments of other assets	-6.9	-0.6
Other special items	-3.4	-2.6
Total	**-73.4**	**-7.9**

Special items affecting the operating result in January–December amounted to EUR -73.4 (-7.9) million.

The macroeconomic environment has been challenging especially in Sweden. The decreased outlook for the next few years, along with the increased WACC (weighted average cost of capital) rate resulted in impairments of EUR -57.4 million on the goodwill and purchase price allocations in the third quarter. The impairments primarily resulted from challenges in the Swedish economy, and especially from the rapidly reduced e-commerce demand, combined with higher interest rates and heavily weakened the Swedish Krona. We continue to ensure operational efficiency and implement our strategy and see the market potential in Sweden to be positive in the long-term.

Transfers between segments

In the fourth quarter, Posti transferred businesses between the reportable segments. Previously, international letter products have been part of the eCommerce and Delivery Services segment. After restatements, all letter products are part of the Postal Services segment. Both segments' data has been restated from the beginning of 2022. At the annual level, the restated net sales were EUR 13.0 (13.4) million. Also, Tampere Postal Center sorting responsibility was shifted from the Postal Services segment to the eCommerce and Delivery Services segment. Restatements have been made to all segment data in the financial statements.

eCommerce and Delivery Services

Net sales

The net sales of eCommerce and Delivery Services decreased by 4.2% to EUR 651.5 (679.9) million. The union strikes in Finland during the first and fourth quarters, high inflation and interest rates, consumers' low confidence in the economy and low consumer spending had a negative impact on the volumes and net sales.

- The total number of parcels delivered by Posti in Finland and the Baltic countries increased by 1% (decreased by 4%) to 69 (68) million. The figure does not include letter-like eCommerce items.
- Transportation volumes measured in waybills decreased by 10% (7%).

Profitability

The adjusted EBITDA of eCommerce and Delivery Services decreased to EUR 75.5 (78.3) million, or 11.6% (11.5%) of net sales. Despite the improvements made in operational efficiency, including optimized resourcing, route planning and the positively developed parcel redirection rate segment's profitability declined. Also, the inflation, increased costs and decreased net sales had a negative impact on the profitability. EBITDA decreased to EUR 73.5 (77.5) million.

Fulfillment and Logistics Services

Transval ja Aditro Logistics business groups are included in Fulfillment and Logistics Services segment.

Net sales

Fulfillment and Logistics Services' net sales decreased by 10.3% and were EUR 328.4 (366.1) million. Transval's net sales decreased mainly because of declined volumes and the divestment of KV Turva Oy in December 2022 and the divestment of Transval Myymäläpalvelut Oy in September 2023. The low consumer demand in Sweden throughout the year had a negative impact on market volumes and Aditro Logistics' net sales. Also, the weakened Swedish Krona compared to the reporting currency had a negative impact on the segment's net sales.

Profitability

The adjusted EBITDA of Fulfillment and Logistics Services increased to EUR 37.3 (34.8) million, or 11.4% (9.5%) of net sales. Even though the net sales declined, improvements in operational efficiency throughout the year increased profitability. EBITDA increased to EUR 35.4 (32.9) million.

Postal Services

The decline of Postal volumes continued. The number of addressed letters decreased by 9% (4%).

Net sales

The net sales of Postal Services increased by 0.2% to EUR 631.4 (630.2) million. Letters sent by the Finnish public sector regarding the parliamentary elections and letters sent by other public sector bodies in the early part of the year had an exceptionally positive impact on Posti's letter volumes, which consequently increased net sales. Also, the 2022 acquisition of Mediatalo Keskisuomalainen Oyj's early-morning delivery operations and various price increases impacted net sales positively.

Profitability

The adjusted EBITDA of Postal Services increased to EUR 96.4 (81.0) million, or 15.3% (12.8%) of net sales. Profitability improved mainly because of highly effective improvements in operational efficiency such as investments in automation in sorting capabilities and increased letter volumes in the early part of the year. EBITDA increased to EUR 92.9 (78.3) million.

Key figures for segments

EUR million	1–12 2023	1–12 2022
Net sales		
eCommerce and Delivery Services	651.5	679.9
Fulfillment and Logistics Services */**/***	328.4	366.1
Postal Services ****	631.4	630.2
Intra-Group sales	-25.3	-24.5
Posti Group	**1,586.1**	**1,651.6**
Net sales change-%		
eCommerce and Delivery Services	-4.2%	-0.2%
Fulfillment and Logistics Services */**/***	-10.3%	10.9%
Postal Services ****	0.2%	3.2%
Posti Group	**-4.0%**	**3.6%**
Adjusted EBITDA		
eCommerce and Delivery Services	75.5	78.3
Fulfillment and Logistics Services */**/***	37.3	34.8
Postal Services ****	96.4	81.0
Other and unallocated	-11.5	-10.3
Posti Group	**197.7**	**183.8**
Adjusted EBITDA, %		
eCommerce and Delivery Services	11.6%	11.5%
Fulfillment and Logistics Services */**/***	11.4%	9.5%
Postal Services ****	15.3%	12.8%
Posti Group	**12.5%**	**11.1%**

EUR million	1–12 2023	1–12 2022
EBITDA		
eCommerce and Delivery Services	73.5	77.5
Fulfillment and Logistics Services */**/***	35.4	32.9
Postal Services ****	92.9	78.3
Other and unallocated	-13.2	-10.5
Posti Group	**188.6**	**178.2**
EBITDA, %		
eCommerce and Delivery Services	11.3%	11.4%
Fulfillment and Logistics Services */**/***	10.8%	9.0%
Postal Services ****	14.7%	12.4%
Posti Group	**11.9%**	**10.8%**

* Veddestagruppen has been part of the segment since February 2022.
** KV Turva Oy was divested in December 2022.
*** Transval Myymäläpalvelut Oy was divested in September 2023.
**** Mediatalo Keskisuomalainen Oyj's early-morning delivery operations have been part of the segment since April 2022.

Cash flow, financial position, and major investments

In January–December, the consolidated cash flow from operating activities was EUR 155.1 (150.8) million, the cash flow from investing activities was EUR -74.2 (-72.5) million of which EUR -3.1 (-44.3) million for business acquisitions, and the cash flow from financing activities was EUR -98.8 (-92.1) million.

At the end of December, liquid assets amounted to EUR 110.8 (114.9) million and undrawn committed credit facilities totaled EUR 150.0 (150.0) million. The Group's interest-bearing borrowings were EUR 350.8 (323.4) million of which a bank loan of EUR 60.0 million is due in May 2024. Net debt totaled EUR 240.0 (208.5) million. Equity ratio was 37.7% (41.5%).

Posti is investing in strategic key development areas such as digital services, including its OmaPosti application. With the OmaPosti application Posti aims to stay competitive as the digitalization of government communication, prepared by the Finnish Government, proceeds. We also continue to invest in in-house technological resources and production facilities. These include new modern and efficient automated warehouses and terminals as well as sorting machines. Building the new Transval warehouse in Järvenpää, Finland is proceeding, and the first phase of the construction investment will total around EUR 60 million. Thus, Posti wants to improve the competitive advantage of its core business and respond to the changing market and customer needs. We also continue to invest in sustainability to support reaching our net-zero targets.

The surrounding land area of Posti Group Headquarters has been transferred into an investment property for a development purposes. Negotiations between Posti, the City of Helsinki, and third parties regarding the use of the land and the future exchanges of land have been completed and the changed city plan has entered into force in November 2023. The Group has an estimated environmental liability of EUR 26 million related to the cleaning of the land areas in the Eteläinen Postipuisto. The cleaning of the area is estimated to start at the end of 2024 and progress in stages in 2025-2026.

Research and development

Research and development expenditure in 2023 amounted to EUR 7.2 (5.7) million, or 0.5% (0.4%) of Group's total operating expenses. In addition, EUR 9.3 (15.7) million was capitalized as development costs.

Statement of non-financial information

Posti is committed to sustainability and ethical business in all aspects of its operations. This Statement of Non-Financial Information provides an overview of our environmental, social, and governance (ESG) practices, outlining our commitment to responsible business conduct and the impact of our business activities on the wider community. Our governance framework emphasizes ethical conduct, compliance with laws and regulations, and responsible business practices.

Posti's sustainability is based on the company's strategy, values, commitments, and the Finnish Government's Resolution on State Ownership, indicating that state-owned companies should adhere to a high standard of corporate responsibility. The Board of Directors and Posti Leadership Team regularly monitor the progress of the company's sustainability program. The cross-functional Sustainability Forum steering group, comprising representatives from all business and support functions within Posti, leads the sustainability efforts of the group. In Posti's incentive programs, sustainability-related goals include climate objectives, workplace safety targets, and employee engagement objectives.

Posti is committed to the fundamental principles of the UN Global Compact initiative regarding labor, the environment, anti-corruption, and human rights. In addition, Posti is committed to respecting human rights in its own operations and in its subcontractor supply chain in accordance with the UN Guiding Principles on Business and Human Rights. Calculations of greenhouse gas emissions are based on the Greenhouse Gas (GHG) Protocol developed by the World Business Council for Sustainable Development and the World Resources Institute. Environmental management at Posti is based on the ISO 14001 environmental management standard.

Regulation of sustainability reporting

Posti's Sustainability Report has been prepared with reference to the sustainability reporting standards issued by the Global Reporting Initiative (GRI).

With the implementation of the Corporate Sustainability Reporting Directive (CSRD), Posti is required to report its sustainability in accordance with the European Sustainability Reporting Standards (ESRS) starting from the financial year 2025. The European Union's sustainable finance regulation, known as the EU taxonomy, will also be relevant to Posti from then on.

In preparation for this, Posti assessed its sustainability impacts, risks, and opportunities in line with the double materiality principle during the autumn of 2023 (double materiality assessment, DMA). Additionally, Posti evaluated its climate-related risks and opportunities utilizing the TCFD framework in 2023. Also, Posti will likely be under sector-specific standards in the ESRS (notably on road transportation) that the EU Commission is expected to adopt in 2026.

This work will support the implementation of the ESRS standards into Posti's sustainability reporting. Based on the DMA, Posti will continue developing its capability to report on its sustainability in compliance with the CSRD and ESRS from the financial year 2025. More details on the DMA and the TCFD can be found in Posti's Sustainability Report 2023 published at the same time as Financial Review 2023. Posti is monitoring regulatory developments related to sustainability reporting and preparing for future changes in this area.

Environmental responsibility

Posti is committed to fossil-free road transport including purchased transport and acquiring only fossil-free energy for all our facilities by 2030. Our goal is to be net-zero in terms of both our own and the value chain's greenhouse gas emissions by 2040. Posti's climate targets have been validated by the Science Based Targets initiative.

The carbon-dioxide emissions arising from transport are reduced by route and fill rate optimization, smooth and safe driving styles, fossil-free fuels, and the renewal of the fleet. In 2022, Posti decided on a clean vehicle roadmap for its own fleet, which includes a plan to deploy up to thousands of new electric, biogas, and hydrogen vehicles by 2030. During 2023, the roadmap work continued with Posti's contract carriers.

The Group's absolute greenhouse gas emissions, including Posti's own and value chain emissions (scopes 1, 2 and 3), totaled 202,530 (245,306) tCO_2e in 2023. In Finland, the total emissions amounted to 180,204 (214,753) tCO_2e.

The Group's own greenhouse gas emissions (scopes 1 and 2) amounted to 35,662 (42,499) tCO_2e. The reduction of 16% in own emissions has been achieved through efficiency improvement, increasing the use of renewable fuels and electric vehicles, and increasing the share of fossil-free electricity outside Finland.

The value chain emissions (scope 3) were 166,868 (202,807) tCO_2e. Emissions from purchased transport services, which is the largest source of Posti's scope 3 emissions, decreased by almost 19%. In the second largest emission category, that is other purchased products and services, the emissions decreased by 26%. However, as the emissions in this category have been estimated using cost-based emission factors, the estimate of emissions is indicative in that regard. Posti has a strong focus on improving scope 3 data quality during 2024.

As a large company, it is essential for Posti to understand its impacts related to biodiversity. By mitigating climate change and reducing pollution, Posti also mitigates biodiversity loss. In 2023, Posti participated in developing a biodiversity roadmap for the Finnish service sector. This work is coordinated by Service Sector Employers Palta, and the results are planned to be published during spring 2024. Additionally, Posti started a three-year cooperation with WWF Finland for protecting biodiversity.

Environmental management at Posti is based on the ISO 14001 environmental management standard. Employee awareness of environmental issues is promoted through, for example, Group-wide sustainability training, and environmental issues are regularly highlighted in various discussion forums, such as sustainability briefings organized for the personnel and the Group's various internal channels. At the end of 2023, certified environmental management systems covered 97% (94%) of the Group's employees.

Social sustainability and personnel

The well-being and safety of Posti employees has always been high in importance and part of Posti's strategy. We focus on ensuring a healthy and safe working environment for everyone, supported by good leadership, an equal and inclusive culture, and possibilities for growth. Our health and safety work is guided by the People Policy, updated in 2023.

Our occupational safety management system complies with the requirements of the ISO 45001 standard. Certified occupational safety management systems covered 95% (93%) of personnel at the end of 2023.

In Posti's labor-intensive sector, the most significant work safety risks arise from the movement of the personnel, traffic such as forklifts, and work ergonomics. We succeeded well in reaching our goal of reducing accidents and the number of sick leaves in 2023. The total accident frequency rate LTA0 decreased from 56 to 39, which means that 300 fewer accidents were reported in 2023 compared to the previous year, and this target was reached in all our business groups. Although the development has generally been good, at the very beginning of 2023 there was a traffic accident involving our employee who tragically deceased. The accident was caused by an outsider.

We paid special attention to monitoring serious accidents and launched an internal practice of starting all leadership team meetings with a review of the past month's severe situations. This has proven to be a working practice to maintain a common situational awareness. The number of serious accidents which resulted in an absence of more than 30 days (and/or hospitalization) increased by 34% in 2023, compared to the previous year. These represented approximately 4% of all reported accidents. Most of these accidents were classified as serious due to prolonged absences. We are monitoring this development closely, as our age structure in physical work may predispose our employees to prolonged absences.

In 2023, reported safety observations increased by 20%. In addition to Finland, we introduced a common reporting tool also in the Baltics and Sweden. This will lead to transparency in the monitoring of our joint procedures. Common procedures promoting work safety include safety walks, safety discussions, and keeping safety meetings for personnel at our sites. For our Site Safety Meeting concept, we also started to introduce monthly well-being themes, which were well received.

The sick leave rate also decreased at the Group level from 5.9 to 5. The positive development was facilitated by the fact that there were no more quarantines related to COVID-19 in 2023 and that operations normalized in this regard. Another significant factor was that we were very effective in reducing prolonged sickness absences (more than 90 days). This was also positively reflected in the disability pensions granted. The most significant cause of sickness absences is musculoskeletal disorders, and we invested especially in the preventive use of occupational physiotherapists and made it possible to see an occupational physiotherapist directly without a doctor's referral.

After completing a tender round of occupational health care providers, we decided to continue with our current partner. In this context, we changed the way we monitor the impact of our cooperation; we were able to intensify the practice of obtaining a sick leave with the permission of a supervisor. Our goal was also to shift the focus of occupational health care away from medical care towards preventive care. The share of preventive services increased to 39% (33%).

In April, we published our new leadership principles – we care, we develop, and we deliver. One concrete measure in leadership development was launching a new Caring Leader training program. Our goal is for every Posti supervisor to participate in the training by the end of 2024. In the spring of 2023, we also published Posti's new leadership promise – Every Posti employee has a right for good and caring leadership.

The caring leadership program and leadership principles are linked to work ability and safety management and are also included in our supervisor training. We also trained a significant number of our employees in logistics and delivery. Employees are trained for the occupational safety card that companies can tailor to suit their own operations. Card trainings are held in all business groups in Finland both by our own and external trainers. In addition to this, targeted safety training, including forklift training, training related to handling dangerous goods, emergency response exercises and first aid training, was arranged for personnel. Targeted work ability and well-being management training was offered for supervisors, HR and occupational safety and health delegates. We carried out our own occupational well-being training as well as training in cooperation with a pension insurance company.

In 2023, we advanced our diversity, equity, and inclusion (DEI) work by, among other things, publishing measurable and time-bound DEI targets. These targets measure diversity in senior leadership, the experience of inclusion by the personnel and awareness raising.

Posti has a Group-wide employee survey that was conducted twice in 2023.

The employee survey regularly provides Posti with a comprehensive overview of the employee experience and potential development areas. The survey response rate in the second survey of 2023 was 78% (69%), and close to 43,000 open responses were received in that survey. These answers were analyzed and concrete development measures for 2024 were raised based on the answers.

Respecting human rights and preventing bribery and corruption

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

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

71% (71%) of the Group's personnel completed the basic-level training. The figure does not include Aditro Logistics. The figure is monitored based on the cumulative results for two calendar years. In addition, approximately 230 employees in expert work completed more in-depth data protection training in 2023. Data protection and cyber security training are aimed at preventing risks related to data protection and information security, including data protection violations concerning customer data and cyber security threats related to critical IT infrastructure.

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

The Code of Conduct also sets out the principles concerning the consequences of misconduct. It also specifies the whistleblowing channels established by the Group for employees to confidentially report suspected cases of misconduct or other problems. Reports can be submitted anonymously through Posti's whistleblowing channel, which is offered by an independent external service provider. If a person submitting a report wishes to include their contact details, they may do so via the whistleblowing channel. Posti is committed to protecting the rights and privacy of all individuals who make a report, and no form of retaliation is allowed against an employee who reports an alleged misconduct in good faith. The reporting process and instructions for reporting misconduct or other problems are described in separate instructions aimed at Posti's employees. Reported incidents are investigated promptly, independently, and objectively.

The other risks identified in this area are related to potential human rights violations, supplier management, failure of internal control and corruption. Posti prevents these risks by providing Code of Conduct training for 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. The content of the training is based on the Code of Conduct and practical examples collected from various business areas. At the end of 2023, 66% (83%) of the Group's employees had completed the training. This figure does not include the employees of Aditro Logistics. More in-depth training on the subject is also organized for the most significant target groups, such as management and the sales and sourcing functions.

Potential risks related to human rights and the prevention of corruption and bribery in the supply chain are prevented by monitoring suppliers' sustainability performance by means of supplier checks, including financial status, ownership, ESG status, PEP & sanction list checks, which are done before adding a supplier to the supplier base. The Supplier Code of Conduct is part of all new sourcing contracts. A self-assessment tool is also used, and sustainability audits of selected suppliers are conducted when necessary.

Share capital and shareholding

At Posti, the Finnish State exercises the shareholder's decision-making power. The State's direct ownership of Posti Group Corporation is 100%. Posti Group Corporation's share capital consists of 40,000,000 shares of equal value.

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

Leadership Team

Posti announced on August 18, 2023, that Timo Koskinen will leave his position as Posti Group's Senior Vice President, Human Resources and as a member of the Leadership Team. Koskinen will continue in the role of Senior Advisor at Posti until spring 2024. In this position, Koskinen is also responsible for future collective agreement matters.

On October 18, 2023, Posti announced that Anna Salmi, a member of Posti Group's Leadership Team, has been appointed as SVP, People, Communications and Sustainability as of 1st November 2023. She served as acting Senior Vice President, Human Resources in addition to her previous position as of August 2023.

General Meetings

Posti Group Corporation's Annual General Meeting was held in Helsinki on April 3, 2023. In line with the Board of Directors' proposal, the Annual General Meeting decided to distribute a dividend of EUR 31.7 million based on the result in 2022. The dividend was paid in two parts during the year 2023.

The meeting adopted the 2022 financial statements and discharged the members of the Board of Directors, Supervisory Board and President and CEO from liability.

The Annual General Meeting decided that Sanna Suvanto-Harsaae continued as the Chair of the Board of Directors and Jukka Leinonen was elected as Deputy Chair. The following persons continued as members of the Board of Directors: Raija-Leena Hankonen-Nybom, Kari-Pekka Laaksonen, Jukka Leinonen, Frank Marthaler, Minna Pajumaa, Sanna Suvanto-Harsaae, Hanna Vuorela and Satu Ollikainen. The following persons were elected as new members of the Board of Directors: Anni Ronkainen and Stefan Svensson. Harri Hietala and Per Sjödell left their positions in the Board of Directors.

The Board appointed in its constitutive meeting on 3 April 2023 three permanent Committees to assist in its work: the Audit, Risk and Sustainability Committee (previously Audit Committee), the Personnel Committee and the Strategy Committee.

The Audit, Risk and Sustainability Committee (formerly Audit Committee) with members Raija-Leena Hankonen-Nybom (Chair), Kari-Pekka Laaksonen, Frank Marthaler and Hanna Vuorela.

Personnel Committee with members Sanna Suvanto-Harsaae (Chair), Jukka Leinonen, Minna Pajumaa and Anni Ronkainen.

Strategy Committee with members Sanna Suvanto-Harsaae (Chair), Jukka Leinonen, Frank Marthaler and Anni Ronkainen.

The Annual General Meeting decided that Aki Lindén continued as the Chair of the Supervisory Board and Heli Järvinen as the Deputy Chair. Following persons continued as members of the Supervisory Board: Sari Essayah, Heli Järvinen, Eeva Kalli, Kimmo Kiljunen, Mia Laiho, Rami Lehto, Aki Lindén, Pia Lohikoski, Mari Rantanen, Veronica Rehn-Kivi, Ari Torniainen and Paula Werning.

The fees of the members of the Board of Directors and the Supervisory Board were reviewed. Members of the Board of Directors received a monthly remuneration and a meeting fee. The meeting fee was paid in double to the Board members when they attended at meeting physically outside their country of residence. The employee representative and members of the Supervisory Board received a meeting fee.

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

The Extraordinary General Meeting of Posti Group was held on August 11, 2023, in Helsinki. The Extraordinary General Meeting of Posti Group elected Oskari Valtola as the Chair and member of the Supervisory Board and Paula Werning to continue as a member and as a new Deputy Chair of the Supervisory Board.

The Extraordinary General Meeting elected the following persons as new ordinary members of the Supervisory Board: Oskari Valtola (Chair), Paula Werning (Deputy Chair), Milla Lahdenperä, Aleksi Jäntti, Tomi Immonen, Jorma Piisinen, Timo Suhonen, Pekka Aittakumpu, Tiina Elo, Timo Furuholm, Anders Norrback and Sari Tanus.

At the same time, the Extraordinary General Meeting approved the resignations of the following members of the Supervisory Board: Aki Lindén (Chair), Heli Järvinen (Deputy Chair) and Sari Essayah, Eeva Kalli, Kimmo Kiljunen, Mia Laiho, Rami Lehto, Pia Lohikoski, Mari Rantanen, Veronica Rehn-Kivi and Ari Torniainen.

Employees

The Group's personnel

	1–12 2023	1–12 2022
Personnel at period-end	17,024	19,996
Finland	14,937	17,642
Other countries of operation	2,087	2,354
Personnel on average, FTE *	14,272	14,985

* Full-time equivalent personnel on average

In January–December, the Group's personnel expenses amounted to EUR 685.1 (700.8) million, declining by 15.7% from the previous year. The personnel expenses included EUR 5.7 (3.0) million of restructuring costs. The number of personnel declined, decreasing the overall expenses, while the union-negotiated salary agreements increased personnel expenses. The decline in the number of personnel year-on-year is mainly a consequence of the sale of Transval Myymäläpalvelut Oy in 2023 and a reduced need for seasonal employees due to challenging market and lower volumes.

Divestments

In September 2023, Posti completed the sale of the entire shareholding of Transval Myymäläpalvelut Oy.

Changes in the corporate structure

Posti Group has reformed its legal corporate structure in Finland, effective as of January 1, 2023. In the new structure, parcel, eCommerce, and logistics services were centralized under the same company, named Posti Ltd. Letter, publication, and direct marketing business continued under the same company, but with the new name Posti Distribution Ltd. Posti Group subsidiary Posti Kiinteistöt Ltd. was renamed as Posti Group Suomi Ltd. Other subsidiaries of Posti, and their names remained unchanged.

Legal proceedings

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

Business risks

Posti's financial results are exposed to various operational and strategic risks and these risks are identified, monitored, and managed regularly. Posti has also started the work to integrate sustainability risks into its enterprise risk management framework.

The weak economy has affected Posti's operations in terms of rising costs and weakened customer demand. Inflation and interest rates have peaked but the prices of goods and services remain high and have weakened the purchasing power of households. Consumers remain cautious and customers are postponing growth plans and outsourcing decisions leading to longer sales cycles in the market. The outlook and forecasted growth of ecommerce may be weaker than previously estimated, and increasing competition and market disruption in parcel business could lead to market price erosion and a loss of market share. The competitive dynamics in last-mile delivery are undergoing changes as the e-commerce supply chain evolves and integrates. To stay competitive, Posti needs to monitor market developments and consumer preferences carefully and ensure an exceptional customer experience.

Posti invests in its business to support and accelerate the transformation into a fulfillment player within ecommerce and logistics, for example, by building one of Finland's largest warehouses in Järvenpää for Transval. In the current economic situation, Posti needs to carefully balance the future investment capacity with customer demand.

The number of addressed letters delivered by Posti has decreased by nearly 70% over the past decade due to digitalization and fierce competition. The number of printed newspapers also continues to decline as publishers are adapting their business models.

Posti's success in the declining postal delivery market depends on implementing efficient operating and delivery models to decrease costs in line with the declining volumes. Flexible postal regulation is a key enabler in ensuring that universal postal service can be maintained in an economically sustainable way in the coming years, and in adapting to the digital media environment. If public services and authorities were to switch more extensively to digital communications during the current government term, it could also have an impact on Posti's operations and financial result. Posti is responding to the digitalization of government communication prepared by the Finnish Government with its OmaPosti application, which puts Posti in a strong position in the competition.

Labor market tension in Finland is higher than normal, which increases the risk of strikes and other industrial actions. Several labor unions have initiated and are planning actions against the Finnish government's reforms. Strikes and other industrial actions may significantly affect Posti's operations and results, depending on the timing, duration, and extent of the strikes.

Posti's business activities cover various fulfillment, logistics, warehousing, delivery, and postal as well as digital services. The target for risk & business continuity management is to continuously improve the risk management framework and systematically train for major disturbances in order to enhance situation awareness and preparedness in case severe risks were to realize. Any unexpected operational event caused by e.g., human error, failed processes, technical failure, cyber security or data breach or any other external event that can endanger personal safety or result in environmental or physical damage or a disruption in business continuity could lead to financial losses and severe long-term reputational impacts for Posti's brand and future business.

Events after the reporting period

The Extraordinary General Meeting of Posti Group was held on January 9, 2024. The Extraordinary General Meeting of Posti Group accepted the resignation of Oskari Valtola as the Chair and member of the Supervisory Board and elected Mia Laiho as the new Chair of the Supervisory Board.

As of January 9, 2024, Posti Group Supervisory Board therefore comprises the following members: Mia Laiho (Chair), Paula Werning (Deputy Chair), Milla Lahdenperä, Aleksi Jäntti, Tomi Immonen, Jorma Piisinen, Timo Suhonen, Pekka Aittakumpu, Tiina Elo, Timo Furuholm, Anders Norrback and Sari Tanus.

On January 11, 2024, Posti announced that Posti Group's President and CEO, Turkka Kuusisto, has given notice of his resignation to join Finnair as their new CEO, starting at the latest on 11 July 2024. Until then, Kuusisto continues in his CEO role at Posti. The search for Kuusisto's successor is on its way.

On January 30, 2024, Posti announced that Posti and IT and business consulting firm CGI have entered a 10-year strategic partnership for the development and delivery of digital multichannel messaging services. Through the agreement, Posti will partner with CGI on production of these services, and transfer 88 professionals who are based in Finland, Poland, Latvia, and Estonia.

Board of Directors' proposal for the distribution of profit

In the financial statements, the parent company's distributable funds total EUR 402,811,692.91 of which the loss for the financial year 2023 is EUR -19,783,482.47.

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 31.8 million, or a dividend of EUR 0.80 per share, be distributed for the financial year 2023.

Outlook for 2024

In 2024, Posti is expecting its net sales and adjusted EBITDA to be on the previous year's level. In 2023, Posti's net sales from continuing operations were EUR 1,586.1 million and adjusted EBITDA was EUR 197.7 million.

Current macroeconomic and market conditions bring uncertainty to economic projection and consumer confidence. Consumer behavior affects Posti's business and may further impact our actual results.

The Group's business is characterized by seasonality. The net sales and adjusted EBITDA in the segments are not accrued evenly over the year. In consumer parcels and Postal Services, the first and fourth quarters are typically strong, while the second and third quarters are weaker. The postal volume decline is expected to continue.

Helsinki, February 15, 2024

Posti Group Corporation

Board of Directors

Calculation of key figures

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

EBITDA		Operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA		EBITDA excluding special items.
Adjusted operating result		Operating result excluding special items.
Special items		Special items are defined as significant items of income and expenses, which are considered to incur outside the ordinary course of business. Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real estates or business operations and expenses and incomes related to business combinations, such as changes in contingent purchase considerations.
Equity ratio, %	100 x	Total equity / Total assets - advances received
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.

Operative free cash flow, reconciliation

	2023	2022
Cash flow from operating activities	155.1	150.8
Purchase of intangible assets and property, plant and equipment	-59.4	-63.7
Payments of lease liabilities	-67.1	-58.7
Operative free cash flow	**28.6**	**28.5**

Consolidated financial statements

Consolidated income statement

EUR million	Note	2023	2022
Net sales	1, 3	**1,586.1**	**1,651.6**
Other operating income	4	9.4	10.0
Materials and services	5	-433.4	-484.3
Employee benefits	6	-685.1	-700.8
Other operating expenses	7	-288.4	-298.4
Depreciation and amortization	8	-129.9	-124.4
Impairment losses	8	-65.6	-2.7
Operating result		**-7.0**	**51.0**
Finance income	9	6.4	4.1
Finance expenses	9	-13.6	-11.8
Result before income tax		**-14.1**	**43.3**
Income tax	10	-11.1	-11.6
Result for the period		**-25.2**	**31.7**
Earnings per share (EUR per share)		**-0.63**	**0.79**

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

Consolidated statement of comprehensive income

EUR million	Note	2023	2022
Result for the period		**-25.2**	**31.7**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedges		-1.2	3.0
Translation differences		-2.0	-4.6
Income tax relating to these items		0.2	-0.6
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		-0.7	-1.3
Income tax relating to these items		0.1	0.3
Comprehensive income for the period		**-28.8**	**28.5**

Consolidated balance sheet

EUR million	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Goodwill	11	169.1	223.7
Other intangible assets	11	69.7	88.2
Investment property	12	24.6	3.5
Property, plant and equipment	13	226.5	234.9
Right-of-use assets	14	280.6	255.0
Other non-current investments	21	0.8	1.0
Non-current receivables	21	1.9	2.2
Deferred tax assets	15	5.2	15.1
Total non-current assets		**778.5**	**823.7**
Current assets			
Inventories		3.9	3.9
Trade and other receivables	16	289.6	286.9
Current income tax receivables		0.0	0.1
Current financial assets	21	47.1	33.2
Cash and cash equivalents	21	64.6	82.6
Total current assets		**405.2**	**406.6**
Total assets		**1,183.7**	**1,230.3**

EUR million	Note	Dec 31, 2023	Dec 31, 2022
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	17	70.0	70.0
Other reserves	17	142.7	142.7
Fair value reserve	17	0.8	1.7
Translation differences	17	-7.2	-5.2
Retained earnings		214.3	271.8
Total shareholders' equity		**420.5**	**481.0**
Non-current liabilities			
Deferred tax liabilities	15	9.1	13.0
Non-current interest-bearing borrowings	21	0.0	60.0
Non-current interest-bearing lease liabilities	22	224.6	205.0
Other non-current payables	20	11.9	6.1
Advances received	20	6.2	7.6
Non-current provisions	19	5.9	2.4
Defined benefit pension plan liabilities	18	8.6	11.1
Total non-current liabilities		**266.4**	**305.2**
Current liabilities			
Current interest-bearing borrowings	21	60.0	0.0
Current interest-bearing lease liabilities	22	66.1	58.4
Trade and other payables	20	298.0	322.0
Advances received	20	60.6	62.9
Current income tax liabilities		4.6	0.6
Current provisions	19	7.5	0.2
Total current liabilities		**496.8**	**444.1**
Total liabilities		**763.2**	**749.3**
Total equity and liabilities		**1,183.7**	**1,230.3**

Consolidated statement of cash flows

EUR million	Note	2023	2022
Result for the period		**-25.2**	**31.7**
Adjustments for:			
Depreciation and amortization	8	129.9	124.4
Impairment losses	8	65.6	2.7
Gains on sale of intangible and tangible assets	4	-0.7	-0.8
Losses on sale of intangible and tangible assets	7	1.7	0.1
Finance income	9	-6.4	-4.1
Finance expense	9	13.6	11.8
Income tax	10	11.1	11.6
Other non-cash items		-0.1	-1.0
Cash flow before change in net working capital		**189.5**	**176.4**
Change in trade and other receivables		-5.9	15.1
Change in inventories		-0.1	0.1
Change in trade and other payables		-20.6	-33.3
Change in net working capital		**-26.6**	**-18.1**
Cash flow before financial items and income tax		**162.9**	**158.3**
Interests paid		-10.0	-7.5
Interests received		3.1	0.8
Other financial items		-0.1	0.0
Income tax paid		-0.7	-0.7
Cash flow from financial items and income tax		**-7.7**	**-7.5**
Cash flow from operating activities		**155.1**	**150.8**

EUR million	Note	2023	2022
Purchase of intangible assets	11	-23.0	-26.7
Purchase of property, plant and equipment	13	-36.4	-37.0
Proceeds from sale of intangible and tangible assets	11, 13	0.9	1.3
Business acquisitions, net of cash acquired	2	-3.1	-44.3
Proceeds from business disposals less cash and cash equivalents	2	0.1	0.0
Cash flow from financial assets		-13.9	31.5
Cash flow from other investments		1.1	2.6
Cash flow from investing activities		**-74.2**	**-72.5**
Repayment of current loans		-	-0.9
Repayment of non-current loans		-	-0.5
Payments of lease liabilities	22	-67.1	-58.7
Dividends paid		-31.7	-32.0
Cash flow from financing activities		**-98.8**	**-92.1**
Change in cash and cash equivalents		**-17.9**	**-13.8**
Cash and cash equivalents at the beginning of the period		**82.6**	**97.2**
Effect of exchange rates changes		-0.1	-0.8
Cash and cash equivalents at the end of the period		**64.6**	**82.6**

Investing activities includes EUR -3.1 million relating to an acquisitions in previous financial years.

Consolidated statement of changes in equity

EUR million	Share capital	Other reserves	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity Jan 1, 2023	**70.0**	**142.7**	**1.7**	**-5.2**	**271.8**	**481.0**
Comprehensive income						
Result for the period					-25.2	-25.2
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			-1.0			-1.0
Translation differences				-2.0		-2.0
Remeasurements of post-employment benefit obligations, net of tax					-0.5	-0.5
Total comprehensive income for the period			**-1.0**	**-2.0**	**-25.8**	**-28.8**
Transactions with equity holders						
Dividend					-31.7	-31.7
Equity Dec 31, 2023	**70.0**	**142.7**	**0.8**	**-7.2**	**214.3**	**420.5**
Equity Jan 1, 2022	**70.0**	**142.7**	**-0.7**	**-0.6**	**273.1**	**484.5**
Comprehensive income						
Result for the period					31.7	31.7
Other comprehensive income:						
Changes in the fair value of cash flow hedges, net of tax			2.4			2.4
Translation differences				-4.6		-4.6
Remeasurements of post-employment benefit obligations, net of tax					-1.0	-1.0
Total comprehensive income for the period			**2.4**	**-4.6**	**30.7**	**28.5**
Transactions with equity holders						
Dividend					-32.0	-32.0
Equity Dec 31, 2022	**70.0**	**142.7**	**1.7**	**-5.2**	**271.8**	**481.0**

Notes to the consolidated financial statements

Company information

Posti Group Corporation and its subsidiaries ("Posti" or "the Group") is one of the leading delivery and fulfillment companies in Finland, Sweden, and the Baltics. We make our customers' everyday lives smoother with a wide range of services which include parcels, freight, and postal services as well as warehouse, fulfillment, and logistics services. Posti operates in 7 countries. The Group's parent company, Posti Group Corporation ("the Company"), is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Group accounting policies

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

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

Application of new or amended IFRS Accounting Standards

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

In addition, IAS 12 Income Taxes standard have been amended due to OECD's BEPS Pillar Two rules. These rules apply to Posti Group as its consolidated revenue exceeds the EUR 750 million threshold. These amendments include two sections: a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the implementation of Pillar Two legislation and disclosure requirements for multinational enterprises to support understanding of enterprise's exposures to Pillar Two income taxes.

Posti applies these amendments for its financial statements of the financial year 2023. Thus, no deferred taxes have been recognized for potential exposure of top up taxes. Additional information of Pillar Two impacts to Posti Group can be found on the note Income tax.

Other IFRS Accounting Standards or IFRIC interpretations effective from January 1, 2023 coming into force in the future had no material impact on the Group's financial statements.

General economic operating environment

The weakened confidence and purchasing power of consumers, as well as the development of inflation and interest rates, have affected Posti's operations in terms of lower demand and rising costs. The general economic operating environment has further weakened, and economies of Finland and Sweden are not expected to grow yet in 2024, but to return to growth path in 2025. Geopolitical tensions and several important elections bring uncertainty in economic prospects. Due to the market situation, it is difficult for the management to predict economic development. Therefore, the estimates are subject to considerable uncertainties. Consumer behavior and the continued low demand for logistics services in trade and industry sectors directly affect Posti's business operations and performance.

Consolidation principles

Subsidiaries

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

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

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

Associated companies

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

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

Joint operations

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate at the date of the transaction. Monetary items in the balance sheet denominated in foreign currencies are translated into functional currency using the exchange rate at the balance sheet date and non-monetary items using the exchange rate at the transaction date, excluding items measured at fair value in a foreign currency which are translated using the exchange rate at the date when the fair value was determined. Foreign exchange gains and losses arising from business operations are presented in the income statement under the respective items above operating profit.

Foreign exchange gains and losses that relate to financing activities are presented in the income statement within financial income and financial expenses except for the long-term intercompany loans that are attributable to the net investment in foreign entities of which exchange rate differences are recognized in other comprehensive income.

Subsidiaries

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

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

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

Revenue recognition

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

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

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

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

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

eCommerce and Delivery Services

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

Fulfillment and Logistics Services

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

Postal Services

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

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

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

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

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

Other revenue

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

Contract costs

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

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

Government grants

Government grants are 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 investment, product and business development grants are presented in the statement of financial position by deducting the grant from the carrying amount of the asset.

Employee benefits

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

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

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

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

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

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

Income taxes

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

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

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

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

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

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

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.

Intangible assets

Business combinations and goodwill

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

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

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

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved software products, service applications and enterprise resource planning systems are capitalized as intangible assets. Asset is capitalized only if it is technically and commercially feasible, the Group has the intention and resources to complete the intangible asset and use or sell it, the expenditure attributable to the product during its development can be reliably measured and it is probable that the development asset will generate future economic benefits. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives 3-10 years from the moment that they are ready for use.

Other intangible assets

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

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

Property, plant and equipment

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

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

The expected useful lives of PPE are as follows:

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

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

Assets held for sale

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

Investment property

Investment property refers to land or buildings, or part thereof that Posti holds for rental income or capital appreciation. Investment property includes also land areas held under development for sale purposes. It is measured at cost less accumulated depreciation and impairment losses. Investment property buildings are depreciated over their useful lives using the straight-line method and land is not depreciated. The fair value disclosed in the notes is determined by external, independent and qualified valuers and is used for impairment testing purposes. Impairment losses are recognized in accordance with the principles described under the section Impairment testing.

Impairment testing

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

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

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

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

Leases

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

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

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

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

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

For those leases recognized in the balance sheet, the lease liability is recognized at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Where the rate is not available, Posti uses its incremental borrowing rate. Posti defines the rate separately for each significant geographic area, contract term, and asset type. Incremental borrowing rate illustrates the interest rate that a lessee would have to pay to borrow funds necessary to obtain an asset of a similar value to the right-of-use asset.

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

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

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

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

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

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

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

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

Inventories

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

Financial assets and liabilities

Financial assets

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

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

Financial assets at amortized cost

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Financial liabilities at fair value through profit or loss

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

Derivative contracts and hedge accounting

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

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

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

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

Cash and cash equivalents

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

Fair value measurement

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

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

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

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

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

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

Provisions and contingent liabilities

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

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

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

Critical accounting estimates and judgments in applying accounting policies

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

Goodwill impairment testing

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

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

Uncertainty regarding deferred tax assets

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

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

Provisions

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

Lease term determination and assessments on termination and extension options

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

Leases and short-term judgement

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

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

Changes in standards not yet effective

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

The IFRS Accounting Standards or IFRIC interpretations coming into force in the future which the Group is aware of are not estimated to have a material impact on the group's financial statements.

1. Segment reporting

Posti discloses three reportable segments.

Transval and Aditro Logistics are separate operating segments, but are combined into one reportable segment, Fulfillment and Logistics Services. Transval and Aditro Logistics are engaged in similar business in Finland, Sweden and Norway and they have similar economic characteristics, nature of services and customer types.

Reportable Segment	Operating segment
eCommerce and Delivery Services	eCommerce and Delivery Services
Fulfillment and Logistics Services	Transval
Fulfillment and Logistics Services	Aditro Logistics
Postal Services	Postal Services

Posti reports segments' profitability with both EBITDA and adjusted EBITDA. Other key figures are net sales, capital expenditure, net assets and personnel end of period.

Transfers between segments

During the financial period 2023, Tampere Postal Center sorting responsibility was transferred from the Postal Services segment to the eCommerce and Delivery Services segment. Personnel end of period and nets assets for the year 2022 have also been transferred between reportable segments.

In 2023 fourth quarter, Posti transferred businesses between reportable segments. International letter products have been earlier part of eCommerce and Delivery Services -segment. After adjustment, International letter products are part of Postal Services -segment. Both segments' data has been adjusted from the beginning of the year 2022. At annual level 2022, the adjusted Net Sales was EUR 13.4 million. At annual level 2023, the adjusted Net Sales was EUR 13.0 million. Adjustment has been made to all segment data in Financial statement.

Description of operating segments

eCommerce and Delivery Services offers parcel, transportation and e-commerce services to corporate and private customers in Finland, Sweden and the Baltics.

Transval is the market leader in providing logistics outsourcing solutions in Finland. The services cover supply chain solutions from transportation to warehousing, as well as in-house logistics solutions and human resources services for logistics professionals. The services can be delivered in Transval's premises or in the client's premises such as warehouses, terminals, factories, production sites and shops.

Aditro Logistics is one of the leading logistics companies in Sweden and the Nordics. Aditro Logistics' offering consists of a broad service in stock management, logistics, supply chain management, transport procurement, staffing and consulting for businesses specializing in e-commerce, retail and fast-moving consumer goods.

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

Other and unallocated consists of centralized Group functions including the part which is not allocated to the segments. Balance sheet items allocated to the segments include non-current and current operating assets and operating liabilities, including non-interest bearing liabilities and provisions. Other and unallocated includes Group's interest-bearing borrowings.

Adjusted EBITDA and adjusted operating result

The President and CEO is the chief operating decision maker, responsible for allocating resources to operating segments and the evaluation of the segments' results. The chief operating decision maker primarily uses adjusted EBITDA to assess the performance of the operating segments. Both EBITDA and adjusted EBITDA are disclosed by segment.

In order to enhance the comparability between periods, Posti reports adjusted EBITDA and adjusted operating result, which exclude effects of significant items of income and expenses that are considered to incur outside of the ordinary course of business ("special items"). Special items include restructuring costs, significant impairment losses on assets, impairment on goodwill, significant gains or losses on sale of shares, real-estates or business operations and expenses and incomes related to business combinations, such as changes in contingent purchase considerations.

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

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

Seasonality

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.

2023

EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Segments total	Other and unallocated	Group total
Net Sales	651.5	328.4	631.4	1,611.4		1,611.4
Net Sales, internal	-2.5	-17.8	-5.1	-25.4		-25.4
Net Sales, external	**649.0**	**310.6**	**626.4**	**1,586.0**		**1,586.1**
Adjusted EBITDA	**75.5**	**37.3**	**96.4**	**209.2**	**-11.5**	**197.7**
Special items (impacting EBITDA)	-2.0	-1.9	-3.5	-7.4	-1.6	-9.1
EBITDA	**73.5**	**35.4**	**92.9**	**201.8**	**-13.2**	**188.6**
Depreciation & amortization						-129.9
Impairment losses						-65.6
Adjusted operating result						**66.4**
Special items (impacting EBIT)						-73.4
Operating result						**-7.0**
Financial income & expenses						-7.1
Taxes						-11.1
Result for the period						**-25.2**
Capital Expenditure	38.2	26.5	22.6	87.3	80.1	167.4
Personnel, end of period	3,804	4,713	7,862	16,379	645	17,024
Net Assets	264.0	297.6	73.0	634.6	-214.0	420.5

The decline in the number of personnel year-on-year is mainly a consequence of the sale of Transval Myymäläpalvelut Oy in September 2023 and a reduced need for seasonal employees due to challenging market and lower volumes.

2022

EUR million	eCommerce and Delivery Services	Fulfillment and Logistics Services	Postal Services	Segments total	Other and unallocated	Group total
Net Sales	679.9	366.1	630.2	1,676.2		1,676.2
Net Sales, internal	-3.0	-18.9	-2.7	-24.5		-24.5
Net Sales, external	**677.0**	**347.1**	**627.5**	**1,651.6**		**1,651.6**
Adjusted EBITDA	**78.3**	**34.8**	**81.0**	**194.1**	**-10.3**	**183.8**
Special items (impacting EBITDA)	-0.8	-1.9	-2.7	-5.4	-0.2	-5.6
EBITDA	**77.5**	**32.9**	**78.3**	**188.7**	**-10.5**	**178.2**
Depreciation & amortization						-124.4
Impairment losses						-2.7
Adjusted operating result						**58.9**
Special items (impacting EBIT)						-7.9
Operating result						**51.0**
Financial income & expenses						-7.7
Taxes						-11.6
Result for the period						**31.7**
Capital Expenditure	39.7	36.0	40.4	116.2	63.9	180.1
Personnel, end of period	3,897	6,868	8,590	19,355	641	19,996
Net Assets	252.4	337.9	46.3	636.6	-155.6	481.0

Net sales of Fulfillment and Logistics Services

Net Sales, EUR million	2023	2022
Transval	219.5	232.0
Aditro Logistics	108.9	134.1
Total	**328.4**	**366.1**

Geographical areas

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

2023

EUR million	Finland	Sweden	Baltics	Other countries	Total
Net sales	1,314.1	141.4	32.4	98.1	**1,586.1**
Non-current assets	455.3	121.6	24.2	1.1	**602.3**

2022

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

Revenue streams

EUR million	2023	2022
Sales of services	1,568.0	1,636.3
Sales of goods	18.1	15.3
Total	**1,586.1**	**1,651.6**

2. Acquired and divested businesses and discontinued operations

Acquired businesses 2023

Posti has not acquired businesses during 2023.

Business divestments in 2023

In September 2023, the Group completed the sale of the entire shareholding of Transval's subsidiary Transval Myymäläpalvelut Oy. Sales result was EUR -1.7 million. As part of the sales result, goodwill of EUR 2.4 million was reduced in Fulfillment and Logistics Services -segment. Company's net assets totalled EUR 0.1 million. Sale did not have material impact in Posti Group consolidated income statement or balance sheet.

Acquired businesses 2022

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

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

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

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

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

Business divestments in 2022

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

3. Revenue from contracts with customers

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

Assets and liabilities related to contracts with customers

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

EUR million	2023	2022	2021
Contract assets on terminal dues*	19.8	18.0	20.8
Other contract assets	6.4	5.0	3.5
Contract assets total	**26.1**	**23.0**	**24.4**
Contract liabilities on stamps	6.8	12.1	18.2
Contract liabilities on other prepaid services	7.3	3.6	3.7
Other contract liabilities	2.7	2.7	2.8
Contract liabilities total	**16.8**	**18.4**	**24.7**

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

Revenue recognized in relation to contract liabilities

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

EUR million	2023	2022
Stamps and other prepaid services	8.1	9.0
Other contract liabilities	2.7	2.8
Total	**10.8**	**11.8**

Payment terms

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

Remaining performance obligations

The Group expects to recognize as revenue the contract liability on the balance sheet date related to stamps within five years, of which EUR 0.6 million within the following financial year.

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

Assets recognized from costs incurred to obtain a contract

In addition to the contract balances disclosed above, the Group has also recognized an asset of EUR 0.8 (0.5) 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	2023	2022
Gains on disposals of property, plant and equipment	0.7	0.3
Rental income	1.9	1.9
Rents from investment property	1.4	1.4
Gains on sale of subsidiaries and businesses	0.0	0.5
Other admin and IT related services and fees	1.6	3.7
Government grants, distribution support of Postal Services	2.2	-
Government grants, other	0.3	0.4
Other items	1.1	1.9
Total	**9.4**	**10.0**

Rental income consists mostly of rent income from buildings and condominiums owned by Posti. Other admin and IT related services and fees relates mainly to Posti Messaging business. Government grants are for the most part, state grants for newspaper five-day delivery in rural areas, but also grants for transportation equipment investments, energy grants and research and business development grants. Other items include income from the sale of services and materials.

5. Materials and services

EUR million	2023	2022
Production materials	29.1	30.1
Subcontracting and external services	111.2	133.6
Mail transport and delivery services	235.9	257.0
Freight and transport	57.2	63.6
Other production cost	0.1	0.0
Total	**433.4**	**484.3**

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

6. Employee benefits

EUR million	2023	2022
Wages and salaries	558.4	570.8
Pensions (defined contribution plans)	91.7	93.8
Pensions (defined benefit plans)	0.3	0.1
Other social expenses	34.7	36.2
Total	**685.1**	**700.8**

Employee benefits

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

Employee benefit expense includes EUR 5.7 million (2022: 3.0) of personnel restructuring costs relating primarily to restructuring carried out in conjunction with the operational transformation and the Group's profitability improvement programs.

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

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

For key management compensation, see note Related Parties.

7. Other operating expenses

EUR million	2023	2022
Other production costs *	86.0	88.0
IT operating costs	67.0	76.0
Rents and leases	37.6	40.3
Facility maintenance	35.9	35.1
Office, marketing and travel *	31.5	35.5
Voluntary employee expenses	20.0	16.3
Losses on disposal of businesses and property, plant and equipment	1.7	0.1
Other operating items	8.8	7.0
Total	**288.4**	**298.4**

* Production vehichle spare part, maintenance and other costs and costs on damages and claims have been reclassified into other production costs and credit losses into office, marketing and travel from other operating items. Comparison year 2022 figures have been restated accordingly.

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

Posti Group other operating expenses and employee benefits include EUR 7.2 (2022: 5.7) million of research and development costs. Amortization on capitalized development costs and internally generated intangible rights amounted to EUR 12.6 (2022: 11.9) million.

Office expenses includes auditor fees as follows:

EUR million	2023	2022
Auditor fees		
Audit	1.0	0.6
Other services	0.1	0.1
Total	**1.1**	**0.7**

8. Depreciation, amortization and impairment losses

EUR million	2023	2022
Amortization on intangible assets		
Development costs	13.7	13.2
Intangible rights	13.7	15.5
Total	**27.5**	**28.7**
Impairment losses on intangible assets		
Impairment losses on intangible rights	13.4	0.4
Impairment losses on goodwill	50.7	1.6
Total	**64.1**	**2.0**
Depreciation on property, plant and equipment		
Buildings and structures	7.7	8.4
Machinery and equipment	25.1	25.8
Other tangible assets	0.3	0.2
Total	**33.2**	**34.3**
Impairment losses on property, plant and equipment		
Impairment losses on machinery and equipment	1.5	0.1
Impairment losses on buildings	0.0	0.0
Impairment losses on other tangible assets	0.0	-
Total	**1.5**	**0.1**
Depreciation on right-of-use assets	**69.3**	**61.4**
Impairment losses on right-of-use assets	**-**	**0.6**
Total depreciation, amortization and impairment losses	**195.5**	**127.1**

The macroeconomic environment has been challenging especially in Sweden. The decreased outlook for the next years combined with the increased discount rate (WACC) affected Aditro Logistics' value-in-use and resulted in impairments of EUR -57.4 million on the goodwill and purchase price allocations.

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

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

In 2022 in connection to the sale of Transval's subsidiary KV Turva Oy a goodwill impairment loss of EUR 1.6 million was recognized in Fulfillment and Logistics Services -segment.

9. Financial income and expenses

Financial income

EUR million	2023	2022
Dividend income	0.0	0.0
Interest income		
Financial assets at amortised cost	3.2	0.9
Exchange rate gains		
Interest-bearing receivables and liabilities	0.9	0.5
Currency derivatives, non-hedge accounting	2.4	2.7
Total	**6.4**	**4.1**

Financial expenses

EUR million	2023	2022
Interest expenses		
Financial lease liabilities at amortised cost	8.3	6.3
Other financial liabilities at amortised cost	1.3	1.6
Exchange rate losses		
Interest-bearing receivables and liabilities	0.5	3.0
Currency derivatives, non-hedge accounting	2.8	0.7
Other financial expenses	0.6	0.3
Total	**13.6**	**11.8**

10. Income tax

EUR million	2023	2022
Current tax expense	4.9	0.9
Taxes for previous years	-0.3	0.0
Deferred tax	6.5	10.7
Total	**11.1**	**11.6**

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

EUR million	2023	2022
Profit or loss before tax	**-14.1**	**43.3**
Income tax at parent company's tax rate of 20%	-2.8	8.7
Difference in foreign subsidiaries tax rates	-0.3	-0.3
Non-deductible expenses and other differences	12.1	1.9
Other deductible expense not recognized in income statement	-	-0.2
Tax-exempt income	-0.1	-0.1
Adjustments in taxes from previous years	-0.3	0.0
Unrecognized deferred tax asset on losses for the period	2.6	1.7
Income tax	**11.1**	**11.6**
Effective tax rate	-79.0%	26.7%

Effective tax rate was -79.0% (2022: 26.7%). The most essential non-deductible item was impairment of goodwill EUR 50.7 million in Aditro Logistics. In addition to that, the effective tax rate calculation is also affected that the deferred tax asset has not been recognized related to the financial period loss in Aditro Logistics. During reporting period, in Finland, the Group has fully utilized taxable losses originating from the previous financial periods from the divestment of Russian real estate companies. Utilization of EUR 8.1 million has been recognized in consolidated income statement in the change of deferred taxes.

Pillar 2 legislation has been enacted in jurisdictions the Group operates beginning of 1 January 2024. The new legislation will be effective also for Posti Group and therefore the Group has prepared for the change during the reporting period by assessing exposures to its income taxes. The assessment is based on most recent available data on tax information and financial reporting. Based on this assessment Posti is not expecting that Pilar 2 has any material impacts on its income taxes in near future because Posti is capable to utilize transitional safe harbors in all its operating jurisdictions. However, it is possible that Pillar 2 legislation will be amended in coming years impacting income taxes paid by Posti.

11. Intangible assets

2023

EUR million	Goodwill	Intangible rights	Development costs	Advances paid and work in progress	Total other intangible assets
Acquisition cost January 1	288.6	264.8	88.1	21.6	374.4
Translation differences and other adjustments	0.3	0.2	-0.2	0.2	0.1
Business divestments	-2.4				
Additions		4.3	18.8	0.0	23.0
Disposals		-10.7	-6.3		-17.0
Transfers between items		-0.6	0.1		-0.5
Acquisition cost December 31	**286.4**	**257.9**	**100.4**	**21.7**	**380.1**
Accumulated amortization and impairment losses January 1	-64.9	-225.7	-57.1	-3.4	-286.1
Translation differences and other adjustments		-0.1	0.0		-0.2
Amortization for the financial period		-13.8	-13.7		-27.6
Impairments	-52.4	-8.2	-5.4		-13.6
Accumulated amortization on disposals and transfers	0.0	10.2	6.9		17.1
Accumulated amortization and impairment losses December 31	**-117.3**	**-237.7**	**-69.4**	**-3.4**	**-310.4**
Carrying amount on January 1	**223.7**	**39.1**	**31.0**	**18.2**	**88.2**
Carrying amount on December 31	**169.1**	**20.3**	**31.1**	**18.4**	**69.7**

The macroeconomic environment has been challenging especially in Sweden. The decreased outlook for the next years combined with the increased discount rate (WACC) affected Aditro Logistics' value-in-use and resulted in impairments of EUR -57.4 million on the goodwill and purchase price allocations. In addition, impairments were made on development costs.

2022

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

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

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

Goodwill impairment testing

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

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

EUR million Cash generating unit	Reportable segment	2023	2022
eCommerce and Delivery Services	eCommerce and Delivery Services	74.5	75.6
Transval	Fullfillment and Logistics Services	59.2	60.5
Aditro Logistics	Fullfillment and Logistics Services	-	52.3
Postal Services	Postal Services	35.5	35.2
Total		**169.1**	**223.7**

The result of the goodwill impairment testing in 2023

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. Based on goodwill impairment tests in 2023 Posti has impaired all goodwill in Aditro Logistics cash generating unit. The macroeconomic environment has been challenging especially in Sweden. The rapidly reduced e-commerce demand and the decreased outlook for the next years combined with the increased discount rate WACC (weighted average cost of capital) affected Aditro Logistics' value-in-use and resulted in impairment.

Impairment testing and sensitivity analysis 2023

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

The terminal value beyond three years is based on a terminal growth rate expectation of 1.5% (2022: 1.5%) for eCommerce and Delivery Services, Transval and Aditro Logistics. Posti expects 1.5% growth rate to simulate potential growth in the addressable markets. For Postal Services the estimated terminal growth rate used is -8.4% (2022: -11.8%) which is assessed on base of forecasted net sales and expenses of Postal Services. Posti anticipates that the decline of traditional postal services continues and the business is impacted by the rapid transformation.

Weighted average cost of capital (WACC) before taxes with IFRS16 capital structure, determined for each cash generating unit, has been used as discount rate. Discount rates reflect specific risks relating to the relevant cash generating unit. Discount rates in testing 2023 have increased in comparison to testing 2022. The essential factor is the increase in long-term risk-free rates.

The key outcomes and the parameters used in testing 2023

Cash generating unit	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, pre-tax %	Terminal year EBIT margin, %
eCommerce and Delivery Services	262	4.6	1.5	8.4	6.0
Transval	12	4.1	1.5	8.7	6.4
Aditro Logistics	negative	-0.5	1.5	7.9	4.6
Postal Services	130	7.6	-8.4	8.1	4.6

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

Cash generating unit	Discount rate, pre-tax %	Terminal year EBIT margin, %
Transval	9.1	6.0

The result of the goodwill impairment testing in 2022

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

Impairment testing and sensitivity analysis 2022

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

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

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

The key outcomes and the parameters used in testing 2022

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

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

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

12. Investment property

EUR million	2023	2022
Acquisition cost January 1	5.2	5.2
Additions	7.3	-
Transfers between items	13.9	-
Acquisition cost December 31	**26.3**	**5.2**
Accumulated depreciation and impairment losses January 1	-1.6	-1.6
Accumulated depreciation and impairment losses December 31	**-1.6**	**-1.6**
Carrying amount on January 1	**3.5**	**3.5**
Carrying amount on December 31	**24.6**	**3.5**

Investment property includes land areas held under development for future sale purposes and properties that Posti has leased out to external parties. In 2023, rental income from investment property totaled EUR 1.4 million (2022: 1.4) and maintenance charges amounted to EUR 0.4 (2022: 0.4) million.

Land area of Eteläinen Postipuisto EUR 13.9 million that has been earlier presented in Property, plant and equipment was transferred to investment property. Negotiations with Posti, City of Helsinki, and third parties regarding the land use and the future land exchanges have been completed and the changed city plan has been entered into force in November 2023. Land use compensation and environmental provision of EUR 7.3 million has been capitalized.

The fair value of investment properties totals EUR 44.6 (2022: 10.8) million. Fair values are based on reference transactions in the area. The area of Eteläinen Postipuisto is based on balance sheet value as the purpose of use in accordance to the new plan requires Posti to clean the soil.

13. Property, plant and equipment

2023

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Acquisition cost on January 1	46.8	312.5	371.7	11.3	12.0	754.2
Translation differences and other adjustments	0.0	-0.2	0.2	0.0	0.0	0.0
Additions	8.0	11.9	17.1	0.7	2.2	39.9
Disposals	0.0	-1.9	-18.1			-20.1
Transfer to investment property	-13.9					-13.9
Other transfers between items		0.0	0.5			0.5
Acquisition cost on December 31	**40.9**	**322.3**	**371.4**	**12.0**	**14.2**	**760.8**
Accumulated depreciation and impairment losses January 1	-0.6	-227.6	-281.9	-9.3		-519.3
Translation differences and other adjustments		0.2	0.0	0.0		0.1
Depreciation for the period		-7.7	-25.2	-0.3		-33.2
Impairment		0.0	-1.6	-0.0		-1.6
Accumulated depreciation on disposals and transfers		1.9	17.9	0.0		19.8
Accumulated depreciation and impairment losses December 31	**-0.6**	**-233.3**	**-290.8**	**-9.5**	**0.0**	**-534.2**
Carrying amount on January 1	**46.2**	**84.8**	**89.8**	**2.0**	**12.0**	**234.9**
Carrying amount on December 31	**40.3**	**89.0**	**80.5**	**2.5**	**14.2**	**226.5**

Land area in Helsinki Eteläinen Postipuisto EUR 13.9 million has been earlier presented in Property, plant and equipment, and now it has been transferred to investment property. Negotiations with Posti and third parties regarding the land use and the future land exchanges have been completed and the changed city plan has been entered into force in November 2023.

2022

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

14. Right-of-use assets

2023

EUR million	Buildings	Machinery and other	Vehicles	Total right-of-use assets
Acquisition cost on January 1	337.2	15.1	76.5	428.8
Translation differences and other adjustments	0.5	0.1	-0.1	0.5
Business divestments	-	-	0.0	0.0
Additions	56.6	3.3	38.1	98.0
Disposals	-30.8	-3.5	-8.0	-42.3
Transfers between items	0.0	0.0	0.4	0.4
Acquisition cost on December 31	**363.6**	**15.0**	**106.9**	**485.5**
Accumulated amortization and impairment losses January 1	-134.0	-6.1	-33.7	-173.8
Translation differences and other adjustments	-0.4	-0.1	0.0	-0.5
Business divestments	-	-	0.0	0.0
Depreciation for the financial period	-47.8	-3.5	-18.5	-69.8
Accumulated depreciation on disposals and transfers	29.9	2.4	7.0	39.3
Accumulated depreciation and impairment losses December 31	**-152.3**	**-7.3**	**-45.2**	**-204.8**
Carrying amount on January 1	**203.2**	**8.9**	**42.9**	**255.0**
Carrying amount on December 31	**211.3**	**7.6**	**61.7**	**280.6**

2022

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

15. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2023

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Pension obligations	**2.3**			-0.5	0.1	**1.9**
Leasing contracts	**1.6**			-0.8		**0.9**
Impairment on real estate shares	**0.8**			-0.1		**0.7**
Difference between accounting depreciation and tax depreciation	**1.0**			-0.4		**0.6**
Restructuring provision	**0.5**			0.1		**0.6**
Temporary differences from business transactions	**0.6**			-0.4		**0.2**
Unused tax losses	**8.2**			-8.2		**0.1**
Other temporary differences	**0.1**			0.1		**0.2**
Total	**15.1**			**-10.1**	**0.1**	**5.2**

Deferred tax liabilities 2023

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Intangible and tangible assets	**5.6**			0.4		**6.0**
Accumulated depreciation in excess of plan	**2.7**			-0.9		**1.8**
Fair value measurement of intangible and tangible assets in acquisition	**3.9**	0.0		-2.7		**1.2**
Other temporary differences	**0.8**			-0.3	-0.2	**0.2**
Total	**13.0**	**0.0**		**-3.6**	**-0.2**	**9.1**

Netting of deferred taxes 2023

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Lease liabilities, deferred tax asset	**53.3**	-1.0		-16.7		**35.6**
Right-of-use assets, deferred tax liability	**-51.6**	-1.0		16.0		**-36.6**
Deferred taxes, net	**1.6**	**-**		**-0.8**		**0.9**

Deferred tax assets related to Aditro Logistics' leases were written down this financial period, as they cannot be utilized in the near future.

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.

In financial period 2023, decrease of deferred tax assets were mainly caused by utilization of unused tax losses in Finland. On 31 December 2023, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 48.5 (2022: 33.2) million, since it is not considered probable that future taxable amounts will be generated. These losses are mainly arising from businesses outside Finland and a majority of them do not expire.

A deferred tax liability is recognized on undistributed profits of subsidiaries located in countries where corporate income taxes are applied to distributed dividends, when it is likely that dividends will be distributed in the foreseeable future. Posti had EUR 23.8 million undistributed profits at 31.12.2023 in those countries (2022: 22.3 million) for which deferred tax liability has not been recognized.

Deferred tax assets 2022

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

Deferred tax liabilities 2022

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

Netting of deferred taxes 2022

EUR million	1 Jan	Translation difference and other changes	Acquired/ Divested businesses	Recorded through profit or loss	Recorded through other comprehensive income	31 Dec
Lease liabilities, deferred tax asset	**49.4**			3.9		**53.3**
Right-of-use assets, deferred tax liability	**-48.3**			-3.3		**-51.6**
Deferred taxes, net	**1.2**			**0.5**		**1.6**

16. Trade and other receivables

EUR million	2023	2022
Trade receivables	228.6	230.9
Accrued income and prepayments	48.5	45.0
Other receivables	12.5	11.0
Total	**289.6**	**286.9**

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 19.8 million (2022: 18.0) 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.

17. Equity

EUR million	2023	2022
Share capital	70.0	70.0
Other reserves	142.7	142.7
Fair value reserve	0.8	1.7
Translation differences	-7.2	-5.2
Retained earnings	214.3	271.8
Total shareholders' equity	**420.5**	**481.0**

Distributable funds

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

EUR million	2023	2022
Other reserves	142.7	142.7
Retained earnings	262.1	313.6
Capitalised development costs	-2.0	-1.0
Total distributable funds	**402.8**	**455.3**

Share capital

Posti Group Corporation has one class of ordinary shares. The total number of shares is 40,000,000 as of December 31, 2023. 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.

Other reserves

The other funds amounts to EUR 142.7 million and includes reserves transferred from the share premium to other reserves. 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.

Dividend distribution

The Board of Directors proposes the Annual General Meeting a dividend distribution of EUR 31.8 million (0.80 per share) for the year 2023. Dividends distributed for the year 2022 totaled EUR 31.7 million (0.79 per share). The dividend was paid in two parts during the year 2023.

18. Pension liabilities

Main characteristics of the defined benefit pension plans

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

The Group is exposed to the various risks of the defined benefit plans. As the discount rates applied in measuring the defined benefit obligation are determined based on yields of corporate bonds, the Group is exposed to the related interest-rate risk. Since the majority of plans entail lifetime 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	2023	2022
Present value of funded obligation	46.0	50.6
Fair value of plan assets	-37.4	-39.5
Deficit	**8.6**	**11.1**

Defined benefit pension expenses in the income statement

EUR million	2023	2022
Current service cost	0.0	0.0
Interest expense	0.3	0.1
Total	**0.3**	**0.1**

Statement of comprehensive income

EUR million	2023	2022
Remeasurement gains (-) and losses (+)	0.7	1.3

Changes in the present value of the pension obligation

EUR million	2023	2022
Obligation at the beginning of the period	50.6	62.1
Current service cost	0.0	0.0
Interest expense	1.5	0.3
Paid benefits	-4.9	-4.9
Actuarial gains (-) and losses (+) on changes in financial assumptions	-2.5	-9.7
Actuarial gains (-) and losses (+) on changes in demographic assumptions	0.0	0.0
Experience-based gains (-) and losses (+)	1.3	2.8
Obligation at the end of the period	**46.0**	**50.6**

Changes in the fair value of the plan assets

EUR million	2023	2022
Fair value of the plan assets at the beginning of the period	39.5	51.0
Interest income	1.2	0.2
Paid benefits	-4.9	-4.9
Employer contributions	3.5	1.3
Actual return on plan assets less interest income	-1.9	-8.2
Fair value of the plan assets at the end of the period	**37.4**	**39.5**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 3.7 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 7.2 years.

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

Key actuarial assumptions and sensitivity analysis

EUR million	2023	2022
Discount rate (%)	3.50–3.70	3.10–3.20
Future pension increase expectation (%)	2.40–2.60	2.8

2023

		Change in defined benefit liability			
EUR million	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-0.2	-2.7%	0.2	2.8%
Pension increase rate	0.25%	0.7	8.5%	-0.7	-8.3%

EUR million	Increase by one year		Decrease by one year	
Life expectancy at birth	0.7	8.5%	-0.7	-8.0%

2022

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

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

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

19. Provisions

2023

EUR million	Restructuring provision	Land use compensation and Environmental provision	Other	Total
Carrying amount 1 Jan	2.4	0.0	0.1	2.5
Increase in provisions	3.3	7.3	3.2	13.7
Used provisions	-1.2	-	-0.3	-1.5
Unused amounts reversed	-1.5	-	0.1	-1.4
Carrying amount 31 Dec	**3.0**	**7.3**	**3.1**	**13.4**

2022

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

EUR million	2023	2022
Long-term provisions	5.9	2.4
Short-term provisions	7.5	0.2
Total	**13.4**	**2.5**

Restructuring provisions

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

Land use compensation and Environmental provision

In addition to the environmental liability presented in Other contingent liabilities, Posti has recognized provisions related to the land use agreements. Corresponding amount has been recorded to additions in Investment properties.

Other provisions

Other provisions include litigation provisions and onerous contracts.

20. Trade and other payables

Other non-current payables

EUR million	2023	2022
Advances received and deferred revenue	6.2	7.6
Other liabilities	0.6	0.9
Other accrued expenses	11.3	5.2
Total	**18.2**	**13.7**

Current trade and other payables

EUR million	2023	2022
Derivative contracts	0.7	0.1
Trade payables	77.2	82.1
Advances received and deferred revenue	60.6	62.9
Accrued personnel expenses	128.5	140.7
Other accrued expenses	39.5	47.9
Other liabilities	52.1	51.3
Current trade and other payables	**358.6**	**384.9**

Advances received include deferred revenue for stamps, franking machines and prepaid envelopes held by the customer to be used in future periods. The amount has been determined using statistical models and surveys. The method has been described in more detail in the accounting policies in section Revenue recognition. The total amount of non-current and current liability is EUR 14.1 (2022: 15.7) million.

The most significant item within other accrued expenses is estimated payables for terminal due payments to other Postal administrations, totaling EUR 5.8 (2022: 4.5) million. The remaining items comprise ordinary accruals of expenses.

21. Financial instruments and financial risk management

Financial assets and liabilities

2023

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Non-current financial assets						
Other non-current investments	0.8			0.8	0.8	3
Non-current receivables		1.9		1.9	1.9	2
Non-current financial assets	**0.8**	**1.9**		**2.7**	**2.7**	
Current financial assets						
Trade and other receivables		272.0		272.0	272.0	
Interest rate derivatives			1.0	1.0	1.0	2
Money market investments		24.4		24.4	24.5	2
Investments in quoted bonds		16.9		16.9	16.6	1
Investments in unquoted bonds		4.8		4.8	4.7	2
Current financial assets		**318.1**	**1.0**	**319.1**	**318.7**	
Money market investments		6.9		6.9	6.9	2
Cash and bank		57.7		57.7	57.7	
Cash and cash equivalents		**64.6**		**64.6**	**64.6**	
Total financial assets	**0.8**	**384.7**	**1.0**	**386.4**	**386.1**	

EUR million	At fair value through profit or loss	Measured at amortised cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Non-current financial liabilities						
Lease liabilities		224.6		224.6	224.6	2
Other borrowings		0.0		0.0	0.0	2
Non-current financial liabilities		**224.6**		**224.6**	**224.6**	
Current financial liabilities						
Loans from financial institutions		60.0		60.0	60.2	2
Lease liabilities		66.1		66.1	66.1	2
Currency derivatives	0.7			0.7	0.7	2
Trade payables and other liabilities	0.5	116.0		116.5	116.5	
Current financial liabilities	**1.2**	**242.1**		**243.3**	**243.5**	
Total financial liabilities	**1.2**	**466.8**		**467.9**	**468.1**	

2022

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

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

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 2023 or 2022. 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
2023

EUR million	Shares
Carrying amount 1 Jan	**1.0**
Profits and losses in income statement	-0.2
Additions	0.1
Exercises	0.0
Carrying amount 31 Dec	**0.8**

2022

EUR million	Shares
Carrying amount 1 Jan	**1.0**
Exercises	0.0
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	-0.2

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. The Group may hedge contract based operative cash flows at maximum to 100 percent of the following 12 months cash flows. On the balance sheet dates December 31, 2023, or December 31, 2022, 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 25.3 (2022: 41.3) million in total used to hedge against the currency risk associated with loans, receivables and commitments.

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

Foreign exchange rates

Average rate	2023	2022
SEK	11.473	10.629
NOK	11.424	10.109
SDR	0.811	0.786

Closing rate	2023	2022
SEK	11.096	11.122
NOK	11.241	10.514
SDR	0.822	0.799

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

Major transaction risk positions on the balance sheet date

2023

EUR-companies EUR million	SEK	USD	SDR	RUB
Trade receivables and payables	0.0	-0.3	-9.3	-
Loans and bank accounts *	25.5	0.0		
Derivatives	-26.0			
Open position	**-0.5**	**-0.3**	**-9.3**	**-**

2022

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

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

The sensitivity analysis on currency risk is based on the items denominated in other than functional currencies of the group companies on the balance sheet date. Strengthening of the euro by 10 percent against all other currencies would have an impact of EUR +1.0 (2022: +0.9) million on the Group's profit before taxes.

Major translation risk positions on the balance sheet date

Net investments EUR million	SEK	NOK	PLN
2023	3.1	1.2	7.4
2022	66.9	1.3	6.8

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

Interest rate risk

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

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 350.8 (2022: 323.4) million and interest-bearing receivables to EUR 110.8 (2022: 114.9) million. On the balance sheet date, the Group had a short-term floating rate loan EUR 60.0 (2022: long-term 60.0) million which had been hedged by an interest rate swap to a fixed rate. The Group has applied hedge accounting to the interest rate swap hedging the loan. The interest rate swap has identical critical terms as the hedged loan, such as notional amount, reference rate, reset dates, interest rate floor, interest periods and maturity. As all critical terms matched during the year, there is an economic relationship and the hedge is expected to be 100% effective. The amount of the fair value recognized in other comprehensive income is presented in a statement of changes in equity.

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

EUR million	2023	2022
Carrying amount (non-current asset/ liability)	1.0	2.2
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	-1.2	3.1
Change in value of hedged item used to determine hedge effectiveness	1.2	-3.1

Interest-bearing receivables and debt according to interest rate fixing 2023

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Liquid funds and debt certificates	-107.0	-3.8		-110.8
Loans from financial institutions	60.0			60.0
Lease liabilities	68.0	163.5	59.2	290.8
Net debt	21.1	159.7	59.2	240.0
Impact of interest rate swaps	0.0			0.0
Total	**21.1**	**159.7**	**59.2**	**240.0**

2022

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

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 -0.1 (2022: +0.3) million and other items of equity by EUR -0.0 (2022: +0.6) million before taxes.

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

Derivative contracts

2023

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Currency forward contracts, non-hedge accounting	25.3	-0.7	-	-0.7
Interest rate swaps, hedge accounting	60.0	1.0	1.0	-

2022

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

Offsetting of financial instruments

Derivative assets	2023	2022
Derivative assets, reported as gross amount	1.0	3.1
Related derivative liabilities subject to master netting agreements	-	0.1
Net amount	**1.0**	**3.1**

Derivative liabilities	2023	2022
Derivative liabilities, reported as gross amount	0.7	0.1
Related derivative assets subject to master netting agreements	-	0.1
Net amount	**0.7**	**0.0**

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

Terminal due assets	2023	2022
Terminal due assets, reported as gross amount	48.9	49.5
Related terminal due liabilities subject to offsetting rules	39.5	42.9
Net amount	**9.4**	**6.5**

Terminal due liabilities	2023	2022
Terminal due liabilities, reported as gross amount	56.1	60.4
Related terminal due assets subject to offsetting rules	39.5	42.9
Net amount	**16.6**	**17.5**

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

Liquidity risk

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

On the balance sheet date, the Group had liquid funds of EUR 110.9 (2022: 114.9) million and unused committed credit facilities of EUR 150.0 (2022: 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 (2022: 200.0) million.

EUR million	2023	2022
Cash and cash equivalents	64.6	82.6
Money market investments and investments in bonds	46.1	32.3
Liquid funds	**110.8**	**114.9**

Contractual cash flows from financial liabilities and derivatives including interest payments

2023

EUR million	2024	2025	2026	2027	2028-	Total
Loans from financial institutions	61.4					61.4
Lease liabilities	75.1	66.6	50.7	39.5	89.1	321.1
Trade payables and other current liabilities	116.5					116.5
Derivatives:						
Interest rate derivatives (net settled)	-1.0					-1.0
Currency derivatives, cash flows payable	26.0					26.0
Currency derivatives, cash flows receivable	-25.3					-25.3
Total	**252.7**	**66.6**	**50.7**	**39.5**	**89.1**	**498.7**

2022

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

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 material impairment losses of investments. On the balance sheet date December 31, 2023, 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 29.1 (2022: 31.5) million terminal due receivables. More than 180 days overdue receivables include EUR 10.8 (2022: 10.2) million terminal due receivables. Credit losses recognized were EUR 1.1 (2022: 0.7) million.

Aging of trade receivables

EUR million	2023	2022
Not yet due	177.0	209.0
1–30 days overdue	38.7	9.2
31–60 days overdue	2.0	2.0
61–90 days overdue	0.0	0.3
91–180 days overdue	0.7	0.9
181– days overdue	12.2	11.3
Trade receivables gross	**230.6**	**232.6**
Expected credit loss	-1.9	-1.8
Trade receivables net	**228.6**	**230.9**

Capital management

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

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

Net debt	2023	2022
Interest-bearing liabilities	350.8	323.4
Cash and cash equivalents	64.6	82.6
Investments in maturities over 3 months	46.1	32.3
Total	**240.0**	**208.5**
Net debt / Adjusted EBITDA	1.2x	1.1x
Equity ratio, %	37.7	41.5

Reconciliation of net debt

2023

EUR million		Interest bearing borrowings	Interest bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1**	**60.0**	**263.4**	**323.4**	**114.9**	**-**	**208.5**
Cash flows		0.0	-67.1	-67.1	-4.1	-	-63.0
Effect of exchange rate changes		-	0.3	0.3	-0.1	-	0.4
Other non-cash items		0.0	94.1	94.1	-	-	94.1
Carrying amount on	**Dec 31**	**60.0**	**290.7**	**350.8**	**110.8**	**-**	**240.0**
Fair value on	**Dec 31**	**60.2**	**290.7**	**350.9**			

2022

EUR million		Interest bearing borrowings	Interest bearing lease liabilities	Interest bearing borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on	**Jan 1**	**61.3**	**244.8**	**306.1**	**151.1**	**10.0**	**145.0**
Cash flows		-1.4	-58.7	-60.1	-38.5	-10.0	-11.6
Acquired businesses		0.1	22.2	22.3	3.1	-	19.2
Effect of exchange rate changes		0.0	-7.5	-7.5	-0.8	-	-6.8
Other non-cash items		0.0	62.6	62.6	0.0	-	62.6
Carrying amount on	**Dec 31**	**60.0**	**263.4**	**323.4**	**114.9**	**-**	**208.5**
Fair value on	**Dec 31**	**60.1**	**263.4**	**323.5**			

22. 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. Posti has 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	2023	2022
Buildings	211.3	203.2
Vehicles	61.7	42.9
Machinery and other	7.6	8.9
Total	**280.6**	**255.0**

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

Lease liabilities

EUR million	2023	2022
Non-current lease liabilities	224.6	205.0
Current lease liabilities	66.1	58.4
Total	**290.7**	**263.4**

Lease liabilities maturity

EUR million	2023	2022
Less than 1 year	75.1	64.3
1–5 years	180.6	159.0
More than 5 years	65.4	62.8
Minimum lease payments total	321.1	286.0
Future interest expenses	-30.3	-22.6
Total	**290.7**	**263.4**

Income statement items for leases

EUR million	2023	2022
Depreciations		
Buildings	47.3	44.3
Vehicles	18.5	13.8
Machinery and other	3.5	3.3
Total	**69.3**	**61.4**
Interest expense, leases	8.3	6.3
Incomes from subleasing right-of-use assets	2.7	2.1

Lease expenses not recognized in balance sheet

EUR million	2023	2022
Lease expenses in income statement, short-term leases	36.7	39.6
Lease expenses in income statement, low-value asset leases	0.9	0.6
Total	**37.6**	**40.3**

Total cash outflow of leases was EUR 113.5 (2022: 106.0) 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	2023	2022
Less than 1 year	12.5	11.5
1–5 years	0.7	0.9
Total	**13.1**	**12.4**

Leases as lessor

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

Lease payment receivables

EUR million	2023	2022
Less than 1 year	1.7	2.5
1–5 years	1.5	1.8
More than 5 years	1.7	1.7
Total	**4.9**	**5.9**

23. Commitments and other contingent liabilities

EUR million	2023	2022
Guarantees	9.0	10.8
Total	**9.0**	**10.8**

Litigation

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

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

Other contingent liabilities

The Group has an estimated environmental liability of EUR 26 million related to the cleaning of the land areas in Eteläinen Postipuisto. Negotiations with Posti, City of Helsinki, and third parties regarding the land use and the future land exchanges have been completed and the changed city plan has been entered into force in November 2023. The cleaning of the area is estimated to start at the end of 2024 and progress in stages in 2025-2026.

24. Related party transactions

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

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

Transactions with related parties

Transactions between group companies are eliminated in the group’s consolidated financial statement.

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. Posti has recognized EUR 2.6 (2022: 0.4) million of government grants from Traficom regarding distribution support and vehicle acquisition support. During the periods presented, Posti did not carry out any other business transactions with these entities that were individually or collectively significant quantitatively or qualitatively.

Management remuneration

EUR million	2023	2022
President and CEO	0.9	1.0
Posti Leadership Team (excl. CEO)	3.5	3.6
Board of Directors	0.4	0.4
Supervisory Board	0.0	0.0
Total	**4.9**	**5.0**

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

President and CEO

EUR million	2023	2022
Salary *	0.6	0.5
Short-term bonus	0.2	0.2
Long-term incentive	0.2	0.3
Total	**0.9**	**1.0**

Posti Leadership Team (excl. CEO)

EUR million	2023	2022
Salary *	2.2	2.1
Short-term bonus	0.6	0.8
Long-term incentive	0.7	0.7
Total	**3.5**	**3.6**

* Salary includes fringe benefits, holiday compensations, insurance coverage and possible special incentives. Salary presented in table excludes pension contributions. Costs under the Finnish statutory pension scheme for the President and CEO amounted to EUR 0.2 (2022: 0.2) million and for the Posti Leadership Team amounted to EUR 0.6 (2022: 0.7) million.

Board of Directors remuneration

EUR thousand	2023	2022
Sanna Suvanto-Harsaae (Chair)	67.2	75.0
Jukka Leinonen*** (Deputy chair)	41.8	25.8
Raija-Leena Hankonen-Nybom	39.6	38.4
Harri Hietala**	10.1	34.8
Sirpa Huuskonen****	-	9.3
Kari-Pekka Laaksonen	43.8	46.8
Frank Marthaler	46.8	51.6
Minna Pajumaa	36.6	35.4
Anni Ronkainen*	29.6	-
Per Sjödell**	14.5	48.6
Stefan Svensson*	27.2	-
Hanna Vuorela	37.8	35.4
Satu Ollikainen	9.0	7.2
	403.9	**408.3**

* Member of the Board since April 3, 2023
** Member of the Board until April 3, 2023
*** Member of the Board since March 28, 2022
**** Member of the Board until March 28, 2022

25. Group companies

The Group's parent company is Posti Group Corporation.

Subsidiaries Dec 31, 2023	Group's holding %	Country
Aditro Logistics AB	100	Sweden
Aditro Logistics Norge AS	100	Norway
Aditro Logistics Staffing AB	100	Sweden
Itella Estonia OÜ	100	Estonia
Itella Logistics SIA	100	Latvia
Itella Logistics UAB	100	Lithuania
Posti Group Suomi 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 Jakelu Oy	100	Finland
Posti Oy	100	Finland
Posti Palvelut 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 Chain Oy	100	Finland
Transval Craft Oy	100	Finland
Transval Distribution Oy	100	Finland
Transval Espoo Oy	100	Finland
Transval Extra Oy	100	Finland
Transval Fast Oy	100	Finland
Transval Flex Oy	100	Finland
Transval Flow Oy	100	Finland
Transval Handling Oy	100	Finland
Transval Helsinki Oy	100	Finland
Transval Henkilöstöpalvelut Etelä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Itä-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Keski-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Länsi-Suomi Oy	100	Finland
Transval Henkilöstöpalvelut Oy	100	Finland
Transval Kilo Oy	100	Finland
Transval Logistics 10 Oy	100	Finland
Transval Logistics Oy	100	Finland
Transval Management Oy	100	Finland
Transval Motion Oy	100	Finland
Transval Move Oy	100	Finland
Transval Rakennuslogistiikka Oy	100	Finland
Transval Services Oy	100	Finland
Transval Sigma Oy	100	Finland
Transval Solutions Oy	100	Finland
Transval Support Oy	100	Finland
Transval Terminal Oy	100	Finland
Transval Tuusula Oy	100	Finland
Transval Työmaapalvelut Oy	100	Finland
Transval Uusimaa Oy	100	Finland
Transval Vaasa Oy	100	Finland
Transval Vantaa Oy	100	Finland
Transval Warehousing Oy	100	Finland
Transval Wholesale Oy	100	Finland
Transval Works Oy	100	Finland
Valdoring Oy	100	Finland
Vindea Oy	100	Finland
WebLog Finland Oy	100	Finland

26. Events after the reporting period

On January 11, 2024, Posti announced that Posti Group's President and CEO, Turkka Kuusisto, has given notice of his resignation to join Finnair as their new CEO, starting at the latest on 11 July 2024. Until then, Kuusisto continues in his CEO role at Posti. The search for Kuusisto's successor is on its way.

On January 30, 2024, Posti announced that Posti and IT and business consulting firm CGI have entered a 10-year strategic partnership for the development and delivery of digital multichannel messaging services. Through the agreement, Posti will partner with CGI on production of these services, and transfer 88 professionals who are based in Finland, Poland, Latvia, and Estonia.

Parent company's financial statements, FAS

Income statement of the parent company

EUR	Note	2023	2022
Net sales	1	**13,083,028.12**	**10,802,809.91**
Other operating income	2	235,008.47	237,772.22
Personnel expenses	3	-6,002,622.53	-4,605,987.78
Depreciation, amortization and impairment losses	4	-196,741.52	-152,996.16
Other operating expenses	5, 6	-19,604,214.36	-54,339,128.80
Operating profit/loss		**-12,485,541.82**	**-48,057,530.61**
Financial income and expenses	7	-62,001,663.02	109,665,288.20
Profit/loss before appropriations		**-74,487,204.84**	**61,607,757.59**
Group contributions	8	66,305,500.00	67,100,000.00
Profit/loss before income tax		**-8,181,704.84**	**128,707,757.59**
Income tax	9	-11,601,777.63	-11,355,817.62
Profit/loss for the financial period		**-19,783,482.47**	**117,351,939.97**

Balance sheet of the parent company

EUR	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Intangible assets	10	2,209,299.41	1,070,081.47
Tangible assets	11	1,478,642.34	1,498,854.84
Investments	12	476,902,106.63	528,554,850.59
Total non-current assets		**480,590,048.38**	**531,123,786.90**
Current assets			
Non-current receivables	13	29,858,986.17	84,155,346.19
Current receivables	14	158,328,934.88	87,743,051.19
Current investments	15	46,114,059.28	32,265,560.04
Cash and cash equivalents	16	55,662,728.98	58,591,971.05
Total current assets		**289,964,709.31**	**262,755,928.47**
Total assets		**770,554,757.69**	**793,879,715.37**

EUR	Note	31.12.2023	31.12.2022
EQUITY AND LIABILITIES			
Equity	17		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		771,844.02	1,736,688.66
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		281,927,992.09	196,276,052.12
Profit/loss for the financial period		-19,783,482.47	117,351,939.97
Total equity		**475,620,115.57**	**528,068,442.68**
Provisions	18	**1,042,803.00**	**283,902.00**
Liabilities			
Non-current	20	1,237,796.21	61,467,952.13
Current	21	292,654,042.91	204,059,418.56
Total liabilities		**293,891,839.12**	**265,527,370.69**
Total equity and liabilities		**770,554,757.69**	**793,879,715.37**

Cash flow statement of the parent company

EUR	2023	2022
Cash flow from operations		
Profit/loss before appropriations	-74,487,204.84	61,607,757.59
Adjustments:		
Depreciation and amortization	196,741.52	152,996.16
Gains or losses on disposal of fixed assets	0.00	-15,681.81
Financial income (-) and expense (+)	-2,294,112.27	-109,665,288.20
Impairment losses on non-current investments	64,295,775.29	0.00
Other adjustments	2,043,887.64	35,480,361.32
Cash flow before change in working capital	**-10,244,912.66**	**-12,439,854.94**
Interest-free current receivables, increase (-), decrease (+)	-3,371,285.27	2,730,407.07
Interest-free current liabilities, increase (+), decrease (-)	1,402,329.56	-1,796,227.93
Interest-free non-current liabilities, increase (+), decrease (-)	-18,338.09	-473,753.04
Change in working capital	**-1,987,293.80**	**460,426.10**
Cash flow from operating activities before financial items and taxes	**-12,232,206.46**	**-11,979,428.84**
Interests paid	-5,644,179.21	-1,257,994.24
Interests received	7,273,771.97	3,210,536.47
Other financial items	1,814,796.32	2,315,771.53
Income tax paid	-11,416.62	-16,475.36
Cash flow from financial items and taxes	**3,432,972.46**	**4,251,838.40**

EUR	2023	2022
Cash flow from operating activities	**-8,799,234.00**	**-7,727,590.44**
Investments in tangible and intangible assets	-1,317,045.22	-196,623.23
Other investments	-6,400,000.00	-62,679,827.84
Proceeds from sale of other investments	0.00	75,710.37
Loans granted	-9,652,903.83	-31,649,203.45
Repayments of loan receivables	13,062,247.67	27,874,150.34
Current investment (net cash)	-13,848,499.24	31,624,624.14
Dividends received	0.00	107,014,132.28
Cash flow from investing activities	**-18,156,200.62**	**72,062,962.61**
Repayment of current loans	-10,000,000.00	-25,000,000.00
Dividends paid	-31,700,000.00	-32,000,000.00
Change in group cash pool	-1,373,807.45	-18,842,225.04
Group contributions received and paid	67,100,000.00	8,520,000.00
Cash flow from financing activities	**24,026,192.55**	**-67,322,225.04**
Change in cash and cash equivalents	**-2,929,242.07**	**-2,986,852.87**
Cash and cash equivalents at the beginning of the financial period	**58,591,971.05**	**61,578,823.92**
Cash and cash equivalents at the end of the financial period	**55,662,728.98**	**58,591,971.05**

The presentation of cash and cash equivalents in the cash flow statement has been changed for the cash pool arrangement and current investments. Cash flow from investing activities includes the net cash flow of current investments maturing within more than three months. The change in group cash pool is presented in the cash flow from financing activities. The comparative period has been restated accordingly.

Accounting policies

General

Posti Group Corporation is the parent company of Posti Group, domiciled in Helsinki, Finland. Financial statements are prepared in accordance with Finnish accounting and company legislation.

Revenue recognition and net sales

Major part of Posti Group Corporation's revenues consist 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 as rental expenses. Lease payments due in future years under lease contracts are presented as off-balance sheet items.

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 Company's cash and cash equivalents have a maximum maturity of three months at the acquisition.

Pension schemes

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

Provisions

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

Income taxes

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

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

Foreign currency transactions

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

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

Financial assets and liabilities

Financial assets

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

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

Financial assets at amortized cost

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Financial liabilities at fair value through profit or loss

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

Derivative contracts and hedge accounting

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

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

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

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

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

Notes to the parent company financial statements

1. Net sales by geographical location

	2023	2022
Finland	13,083,028.12	10,802,809.91
Total	**13,083,028.12**	**10,802,809.91**

2. Other operating income

	2023	2022
Gains on sale of intangible and tangible assets	0.00	15,681.81
Rental income	76,645.10	71,019.77
Other operating income	158,363.37	151,070.64
Total	**235,008.47**	**237,772.22**

3. Personnel expenses

	2023	2022
Wages and salaries	5,715,699.90	5,351,042.26
Pension expenses	116,431.62	-918,751.63
Other social expenses	170,491.01	173,697.15
Total	**6,002,622.53**	**4,605,987.78**
Management remuneration		
President and CEO	903,472.76	990,271.00
Executive Board (excl. CEO)	1,271,947.00	1,594,183.00
Board of Directors	403,948.33	408,270.00
Supervisory Board	17,200.00	21,700.00
Total	**2,596,568.09**	**3,014,424.00**
Average number of personnel during the financial period		
Administrative employees	35	35
Total	**35**	**35**

4. Depreciation, amortization and impairment losses

	2023	2022
Intangible rights	176,529.02	128,155.10
Machinery and equipment	20,212.50	24,841.06
Total	**196,741.52**	**152,996.16**

5. Other operating expenses

	2023	2022
Rents and leases	323,658.36	314,830.90
Personnel related costs	406,438.54	184,682.56
Travelling expenses	217,573.80	160,072.80
Marketing expenses	203,411.88	230,745.36
Entertainment expenses	36,289.72	37,882.69
Facility maintenance expenses	13,500.81	35,893.09
Office and administrative expenses	3,678,192.71	5,032,461.22
IT operating costs	11,304,183.22	11,468,588.34
Materials and services	77,719.10	18,568.76
Loss on merger	0.00	35,517,565.30
Other operating expenses	3,343,246.22	1,337,837.78
Total	**19,604,214.36**	**54,339,128.80**

6. Auditors' remuneration

	2023	2022
Audit	198,097.14	147,019.97
Tax advisory	2,767.50	0.00
Other services	134,510.50	91,207.50
Total	**335,375.14**	**238,227.47**

7. Financial income and expenses

Financial income	2023	2022
Dividend income from Group companies	0.00	107,014,132.28
Interest income from Group companies	4,893,404.12	2,637,095.34
Interest income from others	2,588,881.08	541,175.08
Exchange rate gains		
Receivables and liabilities	747,246.00	518,171.98
Currency derivatives, non-hedge accounting	2,424,944.54	2,677,687.91
Other financial income from Group companies	970,192.16	907,585.20
Total	**11,624,667.90**	**114,295,847.79**
Financial expense		
Interest expense to Group companies	4,899,353.23	426,205.82
Interest expense to others	795,443.68	863,720.65
Exchange rate losses		
Receivables and liabilities	451,094.56	2,367,127.77
Currency derivatives, non-hedge accounting	2,820,954.87	660,777.88
Impairment losses in Group companies	64,295,775.29	0.00
Impairment losses on non-current investments	0.00	6,265.40
Other financial expences	363,709.29	306,462.07
Total	**73,626,330.92**	**4,630,559.59**
Total financial income and expences	**-62,001,663.02**	**109,665,288.20**
Change in fair value of hedging interest rate derivatives recognized in the fair value reserve loss (-), gain (+)	964,805.03	2,170,860.83
of which deferred tax	-192,961.01	-434,172.17

8. Group contributions

	2023	2022
Group contributions received	103,250,000.00	74,200,000.00
Group contributions distributed	-36,944,500.00	-7,100,000.00
Total	**66,305,500.00**	**67,100,000.00**

9. Income tax

	2023	2022
Income tax on group contributions	13,261,100.00	13,420,000.00
Income tax on business activities	-9,716,813.49	-13,420,000.00
Income tax from previous years	0.00	-1,325.68
Change in deferred tax assets	8,057,491.12	11,357,143.30
Total	**11,601,777.63**	**11,355,817.62**

10. Intangible assets

Development costs	2023	2022
Acquisition cost 1 Jan	0.00	0.00
Additions	2,810.00	0.00
Transfers between items	862,056.93	0.00
Acquisition cost 31 Dec	**864,866.93**	**0.00**
Accumulated amortization 1 Jan	0.00	0.00
Amortization for the financial period	86,486.69	0.00
Accumulated amortization 31 Dec	**86,486.69**	**0.00**
Book value 31 Dec	**778,380.24**	**0.00**
Intangible rights		
Acquisition cost 1 Jan	6,253,407.01	8,056,217.58
Additions	195,060.96	0.00
Disposals	-1,569,253.22	-1,802,810.57
Acquisition cost 31 Dec	**4,879,214.75**	**6,253,407.01**
Accumulated amortization 1 Jan	6,185,704.87	7,860,360.34
Accumulated amortization on disposals	-1,569,253.22	-1,802,810.57
Amortization for the financial period	90,042.33	128,155.10
Accumulated amortization 31 Dec	**4,706,493.98**	**6,185,704.87**
Book value 31 Dec	**172,720.77**	**67,702.14**
Prepayments		
Cost 1 Jan	1,002,379.33	841,404.93
Additions	1,117,876.00	160,974.40
Transfers between items	-862,056.93	0.00
Cost 31 Dec	**1,258,198.40**	**1,002,379.33**
Book value 31 Dec	**1,258,198.40**	**1,002,379.33**
Total intangible assets	**2,209,299.41**	**1,070,081.47**

11. Tangible assets

Land and water	2023	2022
Acquisition cost 1 Jan	891,396.01	891,396.01
Acquisition cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**

Machinery and equipment		
Acquisition cost 1 Jan	160,031.21	160,031.21
Additions	1,298.26	0.00
Disposals	-58,064.91	0.00
Acquisition cost 31 Dec	**103,264.56**	**160,031.21**
Accumulated depreciation 1 Jan	139,818.71	114,977.65
Depreciation for the financial period	21,510.76	24,841.06
Accumulated depreciation on disposals	-58,064.91	0.00
Accumulated depreciation 31 Dec	**103,264.56**	**139,818.71**
Book value 31 Dec	**0.00**	**20,212.50**

Other tangible assets		
Acquisition cost 1 Jan	587,246.33	551,597.50
Additions	0.00	35,648.83
Acquisition cost 31 Dec	**587,246.33**	**587,246.33**
Accumulated depreciation 1 Jan	0.00	0.00
Accumulated depreciation 31 Dec	**0.00**	**0.00**
Book value 31 Dec	**587,246.33**	**587,246.33**
Total tangible assets	**1,478,642.34**	**1,498,854.84**

12. Investments

Shares in Group companies	2023	2022
Acquisition cost 1 Jan	781,272,741.30	1,043,322,535.00
Additions	12,643,032.33	69,919,646.84
Disposals	-1.00	-331,969,440.54
Acquisition cost 31 Dec	**793,915,772.63**	**781,272,741.30**
Accumulated impairment losses 1 Jan	253,189,539.92	529,289,539.92
Impairment losses	64,295,775.29	0.00
Reversals of impairments	0.00	-276,100,000.00
Book value 31 Dec	**476,430,457.42**	**528,083,201.38**

Other shares and holdings		
Acquisition cost 1 Jan	909,361.33	961,889.89
Disposals	0.00	-52,528.56
Acquisition cost 31 Dec	**909,361.33**	**909,361.33**
Accumulated impairment losses 1 Jan	437,712.12	437,712.12
Book value 31 Dec	**471,649.21**	**471,649.21**
Total investments	**476,902,106.63**	**528,554,850.59**

13. Non-current receivables

Receivables from Group companies	2023	2022
Loan receivables	29,614,318.66	73,682,326.73
Total	**29,614,318.66**	**73,682,326.73**
Receivables from others		
Other receivables	0.00	2,170,860.83
Deferred tax assets	244,677.51	8,302,158.63
Total	**244,677.51**	**10,473,019.46**
Total non-current receivables	**29,858,996.17**	**84,155,346.19**

14. Current receivables

Receivables from Group companies	2023	2022
Trade receivables	3,661,297.52	25,537.12
Loan receivables	34,776,978.33	0.00
Interest receivables	843,544.50	597,914.39
Other receivables	9,458,420.56	5,055,419.51
Prepayments and accrued income	103,250,000.00	74,218,867.56
Total	**151,990,240.91**	**79,897,738.58**
Receivables from others		
Trade receivables	0.00	13,429.76
Loan receivables	0.00	136,888.40
Other receivables	0.00	3,172,037.75
Prepayments and accrued income	6,338,693.97	4,522,956.70
Total	**6,338,693.97**	**7,845,312.61**
Total current receivables	**158,328,934.88**	**87,743,051.19**
Key items in prepayments and accrued income		
Interest receivables	454,806.58	348,319.39
Other prepayments and accrued income	5,883,887.39	4,174,637.31
Total	**6,338,693.97**	**4,522,956.70**

Other receivables from Group companies includes in cash pool receivables from subsidiaries.

15. Financial instruments and financial risk management

2023

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Other non-current investments	0.0			0.0	0.0	
Non-current receivables		29.6		29.6	29.6	
Non-current financial assets	**0.0**	**29.6**		**29.6**	**29.6**	
Financial assets – current						
Trade and other receivables		148.9		148.9	148.9	
Interest-rate derivatives			1.0	1.0	1.0	2
Money market investments		24.4		24.4	24.5	2
Investments in quoted bonds		16.9		16.9	16.6	1
Investments in unlisted bonds		4.8		4.8	4.7	2
Current financial assets		**195.0**	**1.0**	**195.9**	**195.6**	
Money market investments		6.9		6.9	6.9	2
Cash and bank		48.7		48.7	48.7	
Cash and cash equivalents		**55.6**		**55.6**	**55.6**	
Total financial assets		**280.2**	**1.0**	**281.2**	**280.9**	
Financial liabilities – current						
Liabilities to Group companies		161.3		161.3	161.3	2
Loans from financial institutions		60.0		60.0	60.2	
Currency derivatives	0.7			0.7	0.7	2
Trade and other payables		13.1		13.1	13.1	
Current borrowings	**0.7**	**234.5**		**235.1**	**235.3**	
Total financial liabilities	**0.7**	**234.5**		**235.1**	**235.3**	

2022

EUR million	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at amortized cost	Derivatives, hedge accounting	Carrying value	Fair value	Level
Financial assets – non-current						
Non-current receivables		73.7		73.7	73.7	
Interest-rate derivatives		0.0	2.2	2.2	2.2	2
Non-current financial assets		**73.7**	**2.2**	**75.9**	**75.9**	
Financial assets – current						
Trade and other receivables		82.7		82.7	82.7	
Currency derivatives	1.0			1.0	1.0	2
Money market investments		7.9		7.9	8.0	2
Investments in quoted bonds		19.5		19.5	19.6	1
Investments in unlisted bonds		4.8		4.8	4.8	2
Current financial assets	**1.0**	**115.0**		**115.9**	**116.0**	
Money market investments		21.9		21.9	21.9	2
Cash and bank		36.7		36.7	36.7	
Cash and cash equivalents		**58.6**		**58.6**	**58.6**	
Total financial assets	**1.0**	**247.2**	**2.2**	**250.4**	**250.5**	
Financial liabilities – non-current						
Loans from financial institutions		60.0		60.0	60.1	
Non-current borrowings		**60.0**		**60.0**	**60.1**	
Financial liabilities – current						
Liabilities to Group companies		154.8		154.8	154.8	2
Currency derivatives	0.1			0.1	0.1	2
Trade and other payables		7.5		7.5	7.5	
Current borrowings	**0.1**	**162.3**		**162.4**	**162.4**	
Total financial liabilities	**0.1**	**222.3**		**222.4**	**222.5**	

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. Cash and cash equivalents

	2023	2022
Current investments	6,939,314.82	21,857,622.23
Cash and bank	48,723,414.16	36,734,348.82
Total	**55,662,728.98**	**58,591,971.05**

The presentation of cash and cash equivalents in the balance sheet has been changed for the cash pool arrangement and money-market investments of less than three months. Cash and bank consist of cash in hand and at banks. Current investments in cash and cash equivalents include bank deposits that can be withdrawn on demand and other highly liquid investments with a maturity of no more than three months. The comparative period has been restated accordingly.

17. Equity

	2023	2022
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	1,736,688.66	-689,679.54
Profit or loss at fair value, interest-rate derivatives	-964,844.64	2,426,368.20
Fair value reserve 31 Dec	**771,844.02**	**1,736,688.66**
Restricted equity total	**70,771,844.02**	**71,736,688.66**
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	313,627,992.09	228,276,052.12
Dividend distribution	-31,700,000.00	-32,000,000.00
Retained earnings 31 Dec	**281,927,992.09**	**196,276,052.12**
Profit/loss for the financial year 31 Dec	**-19,783,482.47**	**117,351,939.97**
Total unrestricted equity	**404,848,271.55**	**456,331,754.02**
Total equity	**475,620,115.57**	**528,068,442.68**

Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	281,927,992.09	196,276,052.12
Development costs	-2,036,578.64	-1,002,379.33
Profit/loss for the financial period	-19,783,482.47	117,351,939.97
Total	**402,811,692.91**	**455,329,374.69**

18. Provisions

	2023	2022
Pension provision	289,515.00	283,902.00
Litigation provision	750,000.00	0.00
Restructuring provision	3,288.00	0.00
Total	**1,042,803.00**	**283,902.00**

19. Deferred tax assets and liabilities

Deferred tax assets	2023	2022
From provision	58,560.60	56,780.40
From impairments	87,542.42	87,542.42
From tax loss, transferred in the merger	0.00	8,041,483.27
Other items	98,564.49	116,352.54
Total	**244,667.51**	**8,302,158.63**
Deferred tax libilities		
Other	192,961.01	434,172.17
Total	**192,961.01**	**434,172.17**

20. Non-current liabilities

	2023	2022
Loans from financial institutions	0.00	59,970,606.67
Other non-current liabilities	1,237,796.21	1,497,345.46
Total	**1,237,796.21**	**61,467,952.13**

21. Current liabilities

Amounts owed to Group companies	2023	2022
Trade payables	86,999.19	18,092.95
Other liabilities	219,437,838.39	196,544,330.13
Total	**219,524,837.58**	**196,562,423.08**
Amounts owed to others		
Trade payables	4,025,198.36	65,235.86
Loans from financial institutions	59,992,384.35	0.00
Other liabilities	3,049,728.50	3,894,140.52
Accruals and deferred income	6,061,894.12	3,537,619.10
Total	**73,129,205.33**	**7,496,995.48**
Total current liabilities	**292,654,042.91**	**204,059,418.56**
Key items in other liabilities		
Payroll and related social costs	133,002.28	143,944.27
VAT-liability	2,247,661.03	1,801,631.82
Purchase Price accrual	0.00	1,888,183.57
Other liabilities	669,065.19	60,380.86
Total	**3,049,728.50**	**3,894,140.52**
Key items in accruals and deferred income		
Payroll and related social costs	1,659,130.00	1,555,523.74
Accrued interests	427,760.00	283,253.33
Income tax liability	3,521,711.18	0.00
Other accruals and deferred income	453,292.94	1,698,842.03
Total	**6,061,894.12**	**3,537,619.10**
Interest-bearing liabilities		
Non-current liabilities	0.00	59,970,606.67
Current liabilities	60,992,384.35	11,000,000.00
Total	**60,992,384.35**	**70,970,606.67**

Other liabilities to Group companies includes in cash pool liabilities to subsidiaries.

22. Pledged assets, commitments and other liabilities

Pledges given for Group companies	2023	2022
Guarantees	115,948,797.00	134,717,188.00
Total	**115,948,797.00**	**134,717,188.00**

Lease contracts unpaid amounts	2023	2022
Payable within one year	73,501.15	106,944.18
Payable in later years	50,006.43	166,582.38
Total	**123,507.58**	**273,526.56**

Currency forward contracts	2023	2022
Fair value	-669,065.19	897,890.89
Nominal value	25,287,503.59	41,270,153.28

Interest rate swaps	2023	2022
Fair value	964,805.03	2,170,860.83
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 variable-interest loan has been converted to fixed-interest loan with an interest-rate swap.

23. Shares and holdings of Posti Group Corporation

Company name and domicile

Group companies	Number of shares	Ownership (%)	Book value
Itella Logistics SIA, Riga	20	100.00	400,000.00
Itella Logistics UAB, Vilnius	1,000	100.00	1,000,000.00
Posti Group Suomi Oy, Helsinki	105,000	100.00	201,998,539.01
Posti Palvelut Oy, Helsinki	500	50.00	102,500.00
Posti Jakelu Oy, Helsinki	2,538,295	100.00	71,548,716.49
Posti Messaging Oy, Helsinki	1,000	100.00	47,985,238.65
Posti Oy, Helsinki	300,000	100.00	109,644,263.27
Transval Henkilöstöpalvelut Oy, Helsinki	10	100.00	4,551,200.00
Aditro Logistics AB, Stockholm	1,910,200	100.00	39,200,000.00
Total			**476,430,457.42**

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

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2023, the parent company’s distributable funds total EUR 402,811,692.91 of which the loss for the financial year accounts for EUR 19,783,482.47.

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 31,800,000.00 to be distributed and EUR 371,011,692.91 would be retained in the shareholders' equity.

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

Helsinki, February 15, 2024

Sanna Suvanto-Harsaae
Chair of the Board of Directors

Turkka Kuusisto
Managing Director

Raija-Leena Hankonen-Nybom

Kari-Pekka Laaksonen

Jukka Leinonen

Frank Marthaler

Satu Ollikainen

Minna Pajumaa

Anna-Maria Ronkainen

Stefan Svensson

Hanna Vuorela

The auditors’ note

Our auditor’s report has been issued today.

Helsinki, February 16, 2024

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen
Authorized Public Accountant

Auditor’s Report (Translation of the Finnish Original)

To the Annual General Meeting of Posti Group Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

What we have audited

We have audited the financial statements of Posti Group Oyj (business identity code 1531864-4) for the year ended 31 December, 2023. 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, which include material accounting policy information and other explanatory information
- the parent company’s balance sheet, income statement, cash flow statement 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.

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 the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Goodwill valuation *Refer to Accounting policies and to note 11 in the consolidated financial statements for the related disclosures.* At 31 December 2023 the Group's goodwill balance is valued at 169,1 million euro and is allocated to the Group's three cash-generating units (CGU). The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying amount may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined by using a value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates. The goodwill allocated to Postal Services CGU amounts to 35 million euro, the goodwill allocated to eCommerce and Delivery Services CGU amounts to 75 million euro and the goodwill allocated to Transval amounts to 59 million euro. The goodwill allocated to Aditro Logistics CGU was recognised as impairment loss during the fiscal year. Our work is focused on the risk that goodwill may be overstated in these CGU:s.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of the calculation; • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors; • We tested the key underlying management assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period; • We compared the current year actual results in the impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; • We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and • The discount rates applied within the model were assessed by PwC business valuation specialists including comparison external benchmarks as appropriate. • We also considered the appropriateness of the related disclosures provided in note 11 in the financial statements.

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

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

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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

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 and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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. With respect to the report of the Board of Directors, 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 other information, 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 Supervisory Board and the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, February 16, 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)

posti

posti.com