FINLAND POST CORPORATION

FINANCIAL STATEMENTS 2006

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Board of Directors' Report

Business Environment

Economic growth remained strong in Finland Post Group's market area, which contributed favourably to demand for the Group's services in Northern European countries.

European postal operators are facing radical changes in their business environment and business concepts. Accordingly, declining letter mail volumes spurred by the adoption of electronic communications and data transfer are forcing postal operators to seek growth through marketing communications, logistics and new businesses such as information logistics. Liberalising the EU postal market will open up the industry's value chains and attract new mail delivery operators. On the other hand, postal operators are tending to seek a new, firmer position in customers' value chains. The postal market will see greater service offerings, fiercer competition and stronger price pressures.

The EU postal market will undergo deregulation. The European Commission has issued a proposal for a directive aimed at opening up postal services to full competition from early 2009. Finland deregulated its postal market as early as 1991. The privatisation of national post offices has provoked debate in several European countries.

Logistics is becoming the other cornerstone of business for a growing number of postal operators. Demand for logistics services will rise as a result of growing goods flows between Asia, Eastern Europe and other growth zones. Customers are requiring services on a more global basis while outsourcing increasingly longer supply chains. The importance of ICT in logistics services is on the rise.

Net Sales and Profit Performance

Finland Post's consolidated net sales for 2006 rose by 15 per cent, to EUR 1,550.6 million (EUR 1,348.2 million in 2005), company acquisitions accounting for 12 percentage points of this growth. Finland represented 6 per cent and other countries 65 per cent of Group growth. Of consolidated net sales, 23 per cent (16 per cent) came from outside Finland. All of the three business groups showed growth.

Consolidated operating profit decreased by 9 per cent, to EUR 89.0 million (97.8), accounting for 6 per cent (7 per cent) of consolidated net sales. Due to the transfer of Finland Post Pension Fund's pension cover, a total of EUR 56.4 million was recognised in the 2005 income statement and EUR 12.6 million was transferred to the Foundation for Wellbeing at Work. In addition, 2005 saw recognition of EUR 32.2 million in Information Logistics' goodwill impairment allocated to German and Scandinavian operations. Consequently, operating profit for 2005, excluding the abovementioned items, totalled EUR 86.2 million, representing 6 per cent of net sales. Favourable developments in the parcel business contributed to the improvement in comparable operating profit.

Consolidated profit after financial items amounted to EUR 94.4 million (103.7). Income tax totalled EUR 26.7 million and consolidated profit totalled EUR 67.7 million (64.0). Return on equity stood at 10.1 per cent (10.0 per cent).

Finland Post Group's business groups – Mail Communication, Information Logistics and Logistics – form the primary segment reporting format under IFRS. Not allocated to these segments, costs resulting from Group management and centralised support functions are presented under Other operations.

Mail Communication

Mail Communication improved its net sales by 2 per cent, to EUR 841.7 million (825.7), due primarily to favourable developments in Press Distribution services.

Letter mail volumes fell at a quickening pace towards the end of the financial year, 1st and 2nd class letter volumes declining by a total of 2.4 per cent. Moreover, there was a strong tendency to shift from overnight letter delivery services towards slower delivery services.

1st and 2nd class stamps as well as International Economy and Priority letters in their lowest weight categories underwent price increases on 1 July 2006. On the whole, the average price of all letter mail rose slightly.

Unaddressed direct mail deliveries grew by 4 per cent over the previous year and their average prices fell due to tougher competition in the media market.

Magazine volumes delivered by Mail Communication increased by 1.7 per cent. The delivery prices of low-circulation magazines advanced because their price determination took more account of delivery cost development. Profit was eroded by difficulties related to the entry into force of a new collective agreement for Uusimaa's early-morning newspaper delivery. Demand for the delivery services of local free sheets remained strong, although Mail Communication lost a few customer contracts towards the end of the year.

The business group's operating profit came to EUR 104.3 million (106.3), accounting for 12 per cent (13 per cent) of net sales. Profitability was weakened by the shift in demand towards lower-margin products and electronic data interchange, coupled with vigorous growth in production costs.

Information Logistics

Information Logistics improved its net sales to EUR 197.5 million (186.0), or 6 per cent. Net sales showed favourable developments in all product groups and countries, with the exception of Germany. Data management services in particular recorded growth due to new outsourcing agreements.

The business group posted an operating profit of EUR 1.2 million (a loss of EUR 26.7 million), accounting for 1 per cent (–14 per cent) of net sales. Its operating profit was affected by the restructuring of German operations and EUR 2.0 million in goodwill impairment recognised on Scandinavian operations. As part of the adoption of IFRS, German and Scandinavian operations were subject to EUR 32.2 million in impairment losses recognised in 2005. In Germany and Sweden, profit was primarily burdened by price competition and lower volumes in printing services as well as investments in launching electronic services. The business group as a whole has considerably increased its investments in electronic services. Favourable developments in data management and e-business services, especially in Finland and Estonia, enhanced the operating profit.

In Sweden, the business group completed the integration of the iPost service, corresponding to the Finnish eLetter service acquired from Edita in June. In addition, the year-end saw the acquisition of the scanning business from DigiDoc AB.

Logistics

Logistics' net sales soared to EUR 530.0 million (354.7), up by 49 per cent year on year, acquisitions accounting for 44 percentage points of this growth.

By region, Denmark showed the most vigorous growth due to the acquisition of Combifragt Group A/S, whose accounts have been included in Finland Post since 1 September 2005. In Finland, net sales were boosted by the acquisition of Logia Moda Oy and AW-Store Oy in May 2005.

In February, Finland Post bought Roadlink Spedition AB, a Swedish provider of transport and forwarding services in Europe and distribution services in Sweden, which has been included in consolidated accounts since 1 March 2006. Acquired in the third quarter, Universal Spedisjon AS, a Norwegian logistics company, has been included in consolidated accounts since 1 September 2006. Based on an agreement concluded in early September, DHL bought Finland Post's shareholding (49 per cent) in Kelpo Kuljetus Fi Oy, co-owned by DHL and Finland Post, and Finland Post acquired the regional transport business of Kelpo Kuljetus.

In the autumn, Finland Post concluded a lease for a 20,000 square metre logistics centre in Moscow, in order to be able to start Russian operations in the spring of 2007.

The business group's operating profit rose to EUR 26.9 million (14.4), accounting for 5 per cent (4 pre cent) of net sales, due to favourable developments in the volume of corporate parcel services. Parcel services in Finland are facing fiercer competition.

Business Risks

On the basis of the risk management assessment carried out by the Group's Internal Auditing in the autumn of 2006, Finland Post will systematise its risk management further in 2007, as part of the Group's management and development processes.

Business environment risks are associated, for example, with changes in communication technology. Major near-term uncertainties relate to the shift from conventional towards electronic communications, which will reduce letter mail, perhaps at a quickening pace.

Major risks affecting profit performance include an increase in significant cost items, such as fuel, energy and labour.

The entry into force in 2009 of the Postal Directive, proposed by the European Commission, may cause changes in competitive positions and the industry structure in the postal sector.

Risks associated with human resources and competencies have a significant effect on the smoothness of service operations and financial results. Finland Post will simultaneously face both worsening labour shortages and the need for streamlining its operations. Major uncertainties which may affect profit performance in the next few years relate to how well Finland Post will be able to adjust its labour costs to changes in letter mail volumes. Preventing occupational accidents, disability cases and sick leaves are included among the tools for managing risks associated with occupational safety. Finland Post also places an emphasis on preventive occupational healthcare services.

Information system and technology risks are associated, for instance, with system usability, data security and data access.

Note 31 to the Consolidated Financial Statements provides a detailed description of financial risks and their management.

Risks associated with operational control and decision-making information include operational challenges in pricing, contract management and performance measurement managed by means of process management and systematic quality management work.

The Group aims to take out insurance for all risks that it deems financially or otherwise reasonable with respect to risk management. The Group manages insurance for personnel, the continuity of business, assets and liabilities on a centralised basis. Liability risks include risks caused by operations and products, as well as corporate management liabilities. In dimensioning the related excesses, the Group takes account of its risk tolerance.

Changes in Corporate Structure

March saw the acquisition of Roadlink Spedition AB, a Swedish transport and forwarding services provider, with the Group. With a staff of 61, the company has annual net sales of around EUR 25 million.

In early September, Finland Post acquired a Norwegian provider of freight, forwarding and contract logistics services, Universal Spedisjon AS, with a staff of 86 and annual net sales of around EUR 44 million.

In early September, DHL Express Finland Oy bought Finland Post Corporation's shareholding (49 per cent) in Kelpo Kuljetus Fi Oy, a

transport company co-owned by the buyer and the seller, while Finland Post acquired the regional transport business of Kelpo Kuljetus, comprising transport services from sorting centres to Finland Post's delivery post offices and customers. As a result, 259 employees within regional transport services joined Finland Post's staff.

At the end of the financial year, North Euroway Oy and Logia Moda Oy merged with Logia Oy, renamed Itella Logistics Oy, and Elma Electronic Trading merged with Itella Finland Ltd, renamed Itella Information Logistics Oy. On 31 December 2006, IT Optimo Oy, in charge of the Group's internal IT services, merged with Finland Post Corporation.

Capital Expenditure

Finland Post Group's capital expenditure totalled EUR 69.5 million (143.0), the most significant investments being allocated to machines and equipment and buildings. Company acquisitions amounted to EUR 27.3 million (76.5).

Research and Development

Research and development expenditure for 2006 totalled EUR 32.8 million, accounting for 2.2 per cent of the Group's total operating expenses.

The most significant group-wide development programmes in 2006 included the SCM programme related to supply chain management and the TAHA programme focusing on address management, both programmes proceeding from specification stages to implementation.

The SCM programme's key development area covered production and system platforms for service logistics, with sorting technology and the network structure for letter mail operations forming the other area. The co-ordination of the SCM programme, launched within the Business Development unit, transferred to the Logistics business group in 2006.

The TAHA programme created a new-generation management system for address and contact data and the Mail Communication business group took charge of its further development.

The 1st of January 2007 saw the creation of the following two units in charge of the development of new businesses: the Netposti Services business unit and the RDV unit (Research, Development & Venturing), the latter being built by extending the Technology Centre's line of operations. Both will play a key role e.g. in the development of value added services within the TAHA programme.

Group technology development focused on mobile, positioning, sorting automation and tracking technologies. In 2006, Finland Post implemented e.g. an RFID pilot applying to rolltainer traffic. Finland Post takes the view that RFID and positioning form key technologies that it will utilise in the development of its services.

Environmental Policy

Finland Post Group implements its internal environmental efficiency in Finland with respect to the following four aspects, in particular: reducing vehicles' fuel consumption and buildings' energy consumption, intensifying recycling and waste management, as well as purchasing. It improves its external environmental efficiency by providing customers with logistics services for the reuse and recycling of products and product packaging for the needs of both urban and regional logistics.

Environmental issues are described more in detail in a separate corporate responsibility report issued by the Group.

Financial Position and financial risk management

Consolidated net cash flow from operating activities totalled EUR 97.5 million (197.1) before investing activities. The Group had no net interest-bearing liabilities. On 31 December 2006, interest-bearing liabilities came to EUR 35.4 million (40.2) and cash and cash equivalents totalled EUR 253.7 million (265.2). On the same date, the equity ratio stood at 65.1 per cent (63.5 per cent) and gearing was –32.1 per cent (–34.3 per cent).

Share Capital and Shareholding

Finland Post Corporation is wholly owned by the Finnish State, the share capital consisting of 40,000,000 shares of equal per-share value. The company holds no treasury shares, nor has it subordinated loans. It has neither granted loans to related parties nor given commitments on behalf of them. The company has not issued shares, stock options or other rights entitling to holdings in company shares. The Board of Directors has no authorisation to issue shares or stock options or other special rights entitling to holdings in company shares.

Administration and Auditors

In April 2006, Finland Post Corporation's Annual General Meeting (AGM) elected the following members to the Board of Directors: Eero Kasanen (Chairman), Rector; Mikko Kosonen (Vice Chairman), Senior Vice President; Kalevi Alestalo, Financial Counsellor; Hele-Hannele Aminoff, General Manager; Erkki Helaniemi, Partner; Soili Suonoja, Commercial Counsellor; and Pirjo Tiiri, Managing Director. The AGM re-elected Antero Palmolahti, National Chief Shop Steward, and Mirja Sandberg, National Chief Shop Steward, employee representatives to the Board.

It re-elected KPMG Oy Ab (Authorised Public Accountants) and Jorma Heikkinen (Authorised Public Accountant) Finland Post Corporation's auditors.

Jukka Alho, M.Sc. (Tech.), acted as Finland Post Corporation's President and CEO in 2006.

Antero Kekkonen, MP, and Leena Harkimo, MP, were re-elected Supervisory Board Chairman and Vice Chairman, respectively.

Human Resources

The number of Group employees averaged 25,294 (24,624) and the year-end number totalled 24,806 (24,408). The full-time equivalent of Group employees averaged 19,297 employees in 2006. Growth in staff numbers was due to company acquisitions within Logistics and the acquisition of the regional transport services business. The number of parent company employees averaged 21,938 (21,378), while the number totalled 21,609 (21,453) at the end of the year, this growth being due to the September acquisition of the regional transport services business and the year-end merger of the IT subsidiary with the parent company. Acquisitions abroad increased the number of employees outside Finland to 1,550 (1,156).

Group personnel

	2006	2005	2004
Wages and salaries, EUR million	604.5	554.0	529.1
Personnel in average	25,294	24,624	23,544

Mail Communication, Production Support Functions and Sales & Marketing underwent restructuring, resulting in a total of 89 job losses in the parent company, applying mainly to managerial and expert positions. The reorganisation of German operations reduced the number of jobs by 69. With respect to Group permanent staff, employee turnover was around 14 per cent.

Profit for the period included EUR 4.2 million (3.0) a provision of the employee bonus scheme.

Transition to IFRS

Finland Post Corporation adopted IFRS on 1 January 2006 and prepared its first financial statements for 2006 under IFRS. Comparatives for 2005 were restated to comply with IFRS, whereas in the five-year record the amounts presented for the years for 2002–04 have been prepared under the Finnish Accounting Standards (FAS). The consolidated financial statements have been prepared in compliance with the valid International Financial Reporting Standards adopted for application within the EU.

In comparison with FAS, the adoption of IFRS weakened consolidated profit for 2005 by EUR 31.2 million and operating profit by EUR 38.0 million. The largest changes result from the accounting treatment of depreciation/amortisation and impairment losses, as well as from the classification of finance leases and operating leases. The adoption of IFRS increased the opening consolidated balance sheet on 1 January 2005 by EUR 75.8 million. The largest changes related to assets under finance lease recognised under property, plant and equipment, and development costs capitalised under intangible assets. Note 33 to the Consolidated Financial Statements provides detailed information on the IFRS adoption.

Events after balance sheet date

In January, Itella Sweden, an Information Logistics company, acquired Infologistics Scandinavia AB of Sweden, a Bisnode Group company specialising in electronic invoicing, the digitisation of information flows in printed form and the quality assurance of business-critical databases. The acquiree's net sales for 2006 amounted to EUR 8.5 million. As a result of the acquisition, 112 employees will join Itella Sweden's payroll.

In early 2007, Finland Post Group established a new business unit responsible for providing electronic services for consumers (Netposti Services). Antero Sarèn, formerly Senior Vice President for Information Logistics, was appointed the unit's head and his successor, Heikki Länsisyrjä, took up his duties on 15 January 2007.

As of 1 January 2007, the Executive Board will comprise the following members: President & CEO (Jukka Alho) and directors of the following areas of responsibility: Mail Communication (Kari Kivikoski), Information Logistics (Heikki Länsisyrjä as of 15 January), Logistics (Vesa Vertanen), Sales & Marketing (Tarja Pääkkönen) and Finance (Tuija Soanjärvi).

In addition to these members, the Management Board comprises the directors of Human Resources (Tuike Karppinen), Production Services (Seppo Salomaa), ICT Services (Lauri Vihonen), Business Development (Juhani Strömberg) and Netposti Services (Antero Sarèn).

Prospects for 2007

The economic outlook is predicted to remain favourable in Finland Post's operating region in Northern Europe. Finland's brisk economic growth and foreign trade will maintain demand for Finland Post's services, especially logistics and direct mail services. In letter communication the digitisation trend is projected to intensify in 2007.

Structural rigidities in production costs will make it more difficult for Finland Post to adapt to volume fluctuations and a boom may worsen the availability of production resources.

Finland Post expects its net sales to continue to rise during the financial year 2007. Modernising the production structure will add to capital expenditure.

Consolidated Income Statement (IFRS)

EUR Million	NOTE	1 JAN - 31 DEC 2006	1 JAN - 31 DEC 2005
Net sales	3	**1,550.6**	1,348.2
Other operating income	4	**8.7**	69.1
Share of associated companies' results		**1.4**	0.8
Materials and services	5	**409.5**	273.8
Employee benefits	6	**750.7**	693.6
Depreciation and amortisation	8	**60.4**	57.0
Impairment losses	8	**3.4**	34.6
Other operating expenses	9	**247.6**	261.4
Operating profit (EBIT)		**89.0**	97.8
Financial income	10	**10.2**	11.4
Financial expenses	10	**-4.8**	-5.6
Profit before income tax		**94.4**	103.7
Income tax	11	**-26.7**	-39.7
Profit for the financial period		**67.7**	64.0
Profit attributable to			
Parent company shareholders		**67.5**	63.9
Minority interest		**0.2**	0.1
Profit for the financial period		**67.7**	64.0

Consolidated Balance Sheet (IFRS)

EUR Million	NOTE	31 Dec 2006	31 Dec 2005
Non-current assets			
Goodwill	12	**140.0**	124.9
Other intangible assets	12	**53.1**	56.3
Investment property	15	**3.9**	4.8
Property, plant and equipment	13	**347.0**	355.8
Investments in associated companies	14	**1.3**	2.3
Other non-current investments	16	**0.8**	2.4
Non-current receivables	16	**2.5**	2.5
Deferred tax assets	17	**6.3**	5.4
Total non-current assets		**554.8**	554.6
Current assets			
Inventories	18	**6.1**	6.1
Current receivables	19	**226.1**	202.7
Current tax assets		**4.3**	2.8
Available-for-sale financial assets	20	**6.5**	8.1
Cash and cash equivalents	22	**253.7**	265.2
Total current assets		**496.7**	484.8
Total assets		**1,051.5**	1,039.3
Equity attributable to equity holders of the parent company			
Share capital	23	**70.0**	70.0
Other reserves		**143.3**	143.1
Retained earnings		**466.2**	441.7
		679.5	654.9
Minority interest		**0.5**	0.3
Total equity		**680.0**	655.1
Non-current liabilities			
Deferred tax liabilities	17	**19.5**	20.8
Non-current interest-bearing liabilities	26	**24.8**	28.7
Other non-current liabilities	26	**7.0**	4.7
Defined benefit pension plan obligations	24	**8.4**	8.3
Total non-current liabilities		**59.7**	62.4
Current liabilities			
Current interest-bearing liabilities	26	**10.5**	11.5
Trade payables and other liabilities	27	**298.1**	292.3
Current tax liabilities		**1.0**	17.8
Provisions	25	**2.1**	0.1
Total current liabilities		**311.7**	321.8
Total liabilities		**371.5**	384.2
Total equity and liabilities		**1,051.5**	1,039.3

Consolidated Cash Flow Statement (IFRS)

EUR Million	NOTE	1 JAN - 31 DEC 2006	1 JAN - 31 DEC 2005
Profit for the financial period		**67.7**	64.0
Adjustments			
Depreciation and amortisation		**60.4**	57.0
Impairment losses		**3.4**	34.6
Proceeds from sale of intangible assets and PPE		**-0.3**	-5.3
Losses from sale of intangible assets and PPE		**0.2**	0.3
Financial income		**-10.2**	-11.4
Financial expenses		**4.8**	5.6
Income tax		**26.7**	39.7
Other adjustments		**-1.4**	-0.8
Cash flow before change in net working capital		**151.2**	183.6
Change in trade and other receivables		**-15.0**	15.4
Change in inventories		**-0.1**	0.4
Change in trade payables and other liabilities		**1.1**	39.4
Change in provisions		**2.0**	0.0
Change in net working capital		**-11.9**	55.2
Cash flow from operating activities before financial items and income tax		**139.3**	238.7
Interests paid		**-3.5**	-5.3
Interests received		**9.9**	10.9
Other financial items		**0.2**	1.7
Income tax paid		**-48.5**	-48.9
Cash flow from financial items and income tax		**-41.8**	-41.6
Cash flow from operating activities (net)		**97.5**	197.1
Purchase of intangible assets			
and property, plant and equipment (PPE)		**-29.1**	-54.4
Proceeds from sale of intangible assets and PPE		**4.6**	25.9
Acquisition of subsidiaries less cash and cash			
equivalents at acquisition date	2	**-27.3**	-76.5
Proceeds from sale of investments		**2.1**	0.7
Repayment of non-current loan receivables		**1.1**	14.7
Purchase of available-for-sale financial assets		**1.9**	-8.1
Dividends received		**1.0**	0.1
Cash flow from investing activities (net)		**-45.7**	-97.6
Repayment of current loans		**-1.6**	-12.5
Repayment of non-current loans		**-4.9**	-63.6
Payments of finance lease liabilities		**-12.9**	-8.6
Dividends paid		**-43.0**	-35.0
Cash flow from financing activities (net)		**-62.4**	-119.7
Change in cash and cash equivalents		**-10.6**	-20.2
Cash and cash equivalents at period-start		**265.2**	287.1
Change in fair value of cash and cash equivalents		**-0.8**	-1.8
Cash and cash equivalents at period-end		**253.7**	265.2

Consolidated Statement of Changes in Equity

EUR Million	Share capital	Other reserves	Fair value reserve	Translation difference	Retained earnings	Total	Minority interest	Total equity
	Equity attributable to equity holders of the parent company							
Equity 1 Jan 2005	**70.0**	**142.7**	**0.0**	**0.0**	**413.0**	**625.7**	**0.1**	**625.8**
Change in translation differences				0.0	-0.1	-0.1		-0.1
Financial assets available for sale			0.4			0.4		0.4
Items recognised directly in equity			0.4	0.0	-0.1	0.3	0.0	0.3
Profit for the financial period					63.9	63.9	0.1	64.0
Total recognised income and expenses for financial period			0.4	0.0	63.8	64.2	0.1	64.3
Business combinations							0.1	0.1
Dividends paid					-35.0	-35.0		-35.0
Equity 31 Dec 2005	**70.0**	**142.7**	**0.4**	**-0.1**	**441.8**	**654.8**	**0.3**	**655.1**
Equity 1 Jan 2006	**70.0**	**142.7**	**0.4**	**-0.1**	**441.8**	**654.8**	**0.3**	**655.1**
Change in translation differences				-0.1	0.0	-0.1	0.0	-0.1
Financial assets available for sale			0.2			0.2		0.2
Items recognised directly in equity			0.2	-0.1	0.0	0.1	0.0	0.1
Profit for the financial period					67.5	67.5	0.2	67.7
Total recognised income and expenses for financial period			0.2	-0.1	67.5	67.6	0.2	67.8
Business combinations							0.1	0.1
Dividends paid					-43.0	-43.0		-43.0
Equity 31 Dec 2006	**70.0**	**142.7**	**0.6**	**-0.2**	**466.3**	**679.5**	**0.5**	**680.0**

Notes to the consolidated financial statements

Basic company data

Finland Post Group provides mail communication, information logistics and logistics services and operates in nine countries. Its Parent Company, Finland Post Corporation, is domiciled in Helsinki, the address of its registered office being Postintaival 7 A, FI-00230 Helsinki.

ACCOUNTING POLICIES

Finland Post Group has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), adopted by the European Union, while adhering to the related IFRS/IAS standards, effective on 31 December 2006, and their SIC and IFRIC interpretations.

During 2006, the Group adopted IFRS in its financial reporting and applied IFRS 1 First-time Adoption of International Financial Reporting Standards on the date of transition to IFRS, 1 January 2005, permitting exemptions or exceptions to retrospective application of IFRS. Previously, Finland Post Group applied Finnish Accounting Standards (FAS) and the related rules and regulations. The effects of the adoption of IFRS vis-à-vis FAS can be found in the Notes to the Financial Statements (Note 33) and the consolidated financial statements' comparatives for 2005 have been restated to comply with IFRS.

The consolidated financial statements are prepared on the historical basis, with the exception of financial assets and liabilities measured at fair value through profit or loss and available-for-sale financial assets. The consolidated financial statements are presented in thousands of euros.

Preparing the consolidated financial statements under IFRS requires the Group's management to make certain accounting estimates and judgments, which have an effect on the application of the accounting policies. Although these estimates and associated assumptions are based on the management's best knowledge of current events, actual results may ultimately differ from these estimates. 'Accounting policies requiring management judgements and key sources of estimation uncertaintys' below provides a more detailed description of the judgements made by management when applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Consolidation principles

Subsidiaries

Subsidiaries refer to companies over which the Parent Company exercises control, directly or indirectly, arising from the Group holding more than half of the entity's voting rights or in other respects having the power to govern its financial and operating policies for the purpose of profiting from its operations.

Subsidiaries are consolidated from the date on which control is transferred to the Group until the date on which said control ceases. Intra-group shareholdings are eliminated using the purchase method and the resulting residual is allocated to the acquiree's assets and liabilities measured at fair value. Any excess of the cost of acquisition over the Group's interest in the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities is recognised as goodwill. With respect to business combinations prior to 1 April 2004, goodwill equals the FAS-compliant carrying amount used as the IFRS-compliant deemed cost on the date of transition 1 January 2005.

When the acquirer has already obtained control over the acquiree and buys the remaining shares, the acquiree's identifiable assets and liabilities are adjusted to correspond to their fair values on the date of each acquisition for the purpose of measuring goodwill related to said acquisition. Goodwill related to the acquisition in question is determined by the amount exceeding the abovementioned fair values.

Intra-group transactions, receivables, liabilities and distribution of profits are eliminated in the consolidated financial statements. Minority interest is presented as a separate item within equity in the consolidated balance sheet.

Associated companies

An associated company refers to an entity in which the Group holds more than 20 per cent of its shares and votes or, in other respects, over which the Group exercises significant influence, but not control. Holdings in associated companies are consolidated using the equity method. Investments in associate companies are recognised at cost as adjusted for post-acquisition changes in the Group's share of the associate company's net assets. The Group's share of associated companies' results, based on the Group's interest in the associated company, is shown as a separate item before operating profit in the consolidated income statement.

Mutual property companies

Finland Post Group has holdings in property companies over which it exercises control jointly with other shareholders. These mutual property companies' controlled assets are consolidated as required under IAS 31 Interests in Joint Ventures, whereby the consolidated financial statements include the Group's share of assets, liabilities, income and expenses.

Foreign currency translation

The euro is the functional currency of the Group's Parent Company.

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date. While monetary items are translated into euro using the exchange rate quoted on

the balance sheet date, non-monetary items are translated using the exchange rate quoted on the transaction date, excluding items carried at fair value translated using the exchange rate quoted on the date when the fair value was determined. Any exchange gains or losses arising from business operations are included in respective items before operating profit and those arising from financial instruments are included in financial income and expenses.

Foreign entities' income statements are translated into euros using the weighted average exchange rate for the financial year and balance sheets using the exchange rate quoted on the balance sheet date. Any resulting exchange gains or losses are recognised in equity. When an entity is disposed of, any accumulated translation differences are recognised as part of capital gain or loss in the income statement.

Since 1 January 2005, goodwill resulting from the acquisition of foreign entities and the fair value adjustments of the carrying amounts of these companies' assets and liabilities made during the acquisition have been treated as the companies' assets and liabilities and translated into euro at the exchange rate quoted on the balance sheet date. Goodwill and fair value adjustments resulting from earlier acquisitions are recognised in euros.

Financial assets and liabilities

Financial assets are initially recognised at fair value. Their subsequent measurement depends on how they are classified. The Group's financial assets are classified into the following four categories under IAS 39: financial assets at fair value through profit or loss, held-to-maturity investments, loans and other receivables, and available-for-sale financial assets. Classification is determined by the purpose for which the asset is purchased at the time of its original purchase. Transaction costs are included in the financial asset's original carrying amount, in the case of the financial asset not measured at fair value through profit or loss. All purchases or sales of financial assets are recognised or derecognised using trade date accounting.

The Group derecognises 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.

Financial assets at fair value through profit or loss include held-for-trading financial assets. Bonds and money-market investments are measured at fair value on the balance sheet date, based on quoted market prices, being bid quotes. Held-for-trading financial assets are included in current assets. Any unrealised and realised gains or losses arising from changes in fair value are recognised through profit or loss in the period during which they occur.

Financial assets at fair value through profit or loss include also derivative contracts not fulfilling the criteria set for hedge accounting. The fair values of derivatives are determined based on the market value of similar derivatives or valuation models in widespread use. Since the Group does not apply hedge accounting, it recognises any change in derivatives' fair value directly in financial items. The fair value of currency forwards is the market value quoted on the balance sheet date and that of interest-rate swaps the present value of future interest-payment flows.

Held-to-maturity investments are financial assets with fixed payments and fixed maturity and they are measured at amortised cost, using the effective interest method, and included in non-current assets. The Group had no held-to-maturity investments during the financial years 2005 and 2006.

Loans and receivables are non-derivative financial assets with fixed or determinable payments neither quoted in an active market nor held for trading purposes. They are measured at amortised cost, using the effective interest method, and included in current and non-current financial assets. Trade and other receivables are measured at their nominal value, corresponding to their fair value, and recognised in current assets.

Available-for-sale financial assets comprise financial assets not held for trading and carried at fair value measured on the balance sheet date. Changes in their fair values are recognised in the fair value reserve under equity, net of tax. Changes in the fair value must be transferred in the income statement when the asset is disposed of or has lost its value to the extent that an impairment loss must be recognised for the asset. Non-current available-for-sale financial assets include equity fund investments carried at fair value on the balance sheet date notified by the fund manager.

Financial liabilities not held for trading purposes are initially recognised on the basis of the consideration received. Transaction costs are included in financial liabilities at their initial carrying value. Subsequently measured at amortised cost using the effective interest method, financial liabilities are included in non-current and current liabilities.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree, acquired after 1 April 2004, on the date of acquisition. In respect of acquisitions prior to 1 January 2004, goodwill equals the FAS-compliant carrying amount used as deemed cost on the date of transition 1 January 2005. The classification and accounting treatment of these acquisitions were not restated when preparing the opening IFRS balance sheet.

Instead of amortisation, goodwill is annually tested for impairment. For this purpose, goodwill is allocated to cash generating units (CGUs), or in the case of an associated company goodwill is included in the

associated company's carrying amount. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Research and development expenditure

Research costs are expensed as incurred. Costs resulting from new, internally developed significant products and enterprise resource planning systems are capitalised under intangible assets if the product is technically feasible and it is probable that the created asset will generate future economic benefits and development costs can be measured reliably. Expensed development costs will not be capitalised at a later date. Intangible assets are subject to amortisation from the date they are taken into use. Capitalised development costs are amortised over 3–5 years. Intangible assets are measured at cost less accumulated amortisation and impairment losses. If the above criteria are not fulfilled, development costs are expensed as incurred.

Other intangible assets

An acquired intangible asset is recognised in the balance sheet. Intangible assets – such as those related to customers, marketing or technology – acquired through a business combination are recognised at fair value on the date of acquisition. An intangible asset with a finite useful life is amortised over its useful life. Finland Post Group has no intangible assets with indefinite useful lives. Intangible rights mainly comprise software licences and customer portfolios, trademarks and leases acquired through business combinations, using the expected useful lives below:

Software licences:	3–5 years
Customer portfolios:	5–10 years
Trademarks:	5 years
Leases:	4 years

Property, plant and equipment

Following initial recognition, property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses.

PPE are depreciated on a straight-line basis over their expected useful lives. Land and water are not subject to depreciation. The expected useful lives of PPE are as follows:

Production buildings:	8–25 years
Office buildings:	25–40 years
Structures:	15 years
Machinery and equipment:	3–13 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 recognised as an asset. Otherwise, costs arising at a later date, such as modernisation and renovation project costs, are capitalised 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. Normal repair, maintenance and servicing costs are expensed as incurred. Assets' useful lives are reassessed on the balance sheet date and, if necessary, adjusted to meet the requirements of changed circumstances.

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 not subject to depreciation.

Impairment test

On each balance sheet date, Finland Post Group's management assesses whether there is any indication of an asset's impairment. If any indication of an impaired asset exists, an impairment test must be carried out to calculate the asset's recoverable amount. However, goodwill is subject to an annual impairment test. For this purpose, goodwill is allocated to cash generating units (CGUs), i.e. to the lowest level for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets. Finland Post Group's CGUs are listed in Note 12. The recoverable amount of CGUs is based on calculations on value in use. Value in use refers to estimated future net cash flows from an asset or a CGU, discounted to their present value. Any resulting impairment loss is recognised in the income statement if the asset's carrying amount exceeds its estimated recoverable amount. The impairment loss of a CGU is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then reduce the carrying amounts of the unit's other assets on a pro rata basis. Impairment losses of tangible assets previously charged to expenses may be reversed only if circumstances have changed and the asset's recoverable amount has changed from the date of impairment loss recognition. An impairment loss may only be reversed to the extent the reversal does not increase the asset's carrying amount above the carrying amount that would have been determined for the asset had no impairment loss been recognised. Impairment losses for goodwill may not be reversed.

Leases

Leases on property, plant and equipment, in which substantially all risks and rewards of ownership transfer to the lessee, are classified as finance leases. Leases in which risks and rewards remain with the lessor are classified as operating leases.

The Group as lessee

Assets under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease obligations are included in interest-bearing liabilities. Leased assets are depreciated over their useful lives or shorter lease term. Finance lease payments are apportioned between interest expenses and reduction of the lease liability.

Operating lease payments are expensed in the income statement on a straight-line basis over the lease term.

The Group as lessor

Leases, for which the Group acts as a lessor and substantially all risks and rewards of ownership have transferred to the lessee, are accounted for as finance leases and recognised as receivables at the present value of investment. Finance lease income is recognised in such a way that the residual net investment generates the same rate of return over the lease term.

Assets leased under the operating lease are included in property, plant and equipment and depreciated over their useful lives in the same way as for similar assets in own use. Lease income is recorded on a straight-line basis in the income statement over the lease term.

Inventories

Subsequent to initial recognition, inventories are measured at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Employee benefits

Pensions

Contributions under defined contribution pension plans are recognised in the income statement for the period during which such contributions are made. Following the payment of such contributions, the Group has no pension obligations left. Expenses under both the defined benefit and contribution plans are included in employee benefit expenses.

For defined benefit plans, the pension liability recognised in the balance sheet equals the present value of the defined benefit obligation, as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets on the balance sheet date. The pension obligation on 1 January 2005 is recognised in such a way that all actuarial gains and losses are included in equity, as permitted by IFRS 1. The Group has applied the IAS 19 corridor approach to actuarial gains and losses since 1 January 2005, whereby these gains and losses outside certain limits are divided by the average remaining working lives of employees within the plan. Actuarial gains or losses are recognised if they exceed 10 per cent of the greater of the fair value of the defined benefit plan assets or the present value of the defined benefit obligation.

Since early 2006, the majority of the Group’s pension plans have fallen under defined contribution plans.

Long-term management incentive scheme

The Group annually recognises bonuses under the long-term incentive scheme as liabilities, based on the EVA indicator recorded for the financial year vis-à-vis the target for the Group’s three-year EVA. These bonuses will be paid in 2008.

Provisions

A provision is recognised 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 this obligation can be made. Provisions for restructuring are recognised when the related, detailed and official plan has been approved and disclosed.

Income taxes

Income tax expense shown in the income statement consists of current tax for the period, based on taxable income, and deferred tax. Current tax is calculated applying the tax rate valid in each country, and adjusted for any previous periods’ taxes.

Deferred taxes are calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases, with certain exceptions such as goodwill. The 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. No deferred tax is recognised for non-deductible goodwill impairment.

The tax rate enacted by the balance sheet date is used to determine deferred tax. A deferred tax asset is recognised to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilised.

Revenue recognition

Revenue from the sale of goods (incl. postage stamps) is recognised when the goods have been delivered to the customer and significant risks and rewards of ownership have transferred to the buyer. The provision of services of short duration generates a major part of Finland Post Group’s revenues. Such revenues are recognised when the service is rendered as agreed.

Net sales derive from revenue based on the sale of goods and services net of indirect taxes, discounts and exchange rate differences.

Notes to the consolidated financial statements

Government grants

Government grants mainly refer to product and business development grants and low-wage support, which are recognised in other operating income.

Other operating income

Other operating income includes capital gains on sale of assets and income other than that based on the sale of goods and services, such as rental income.

Other operating expenses

Other operating expenses include lease expenses, voluntary personnel expenses, maintenance expenses related to premises and vehicles, expenses related to fuels and lubricants, as well as other production expenses. In addition, commissions paid to non-employees and other sales costs and marketing, entertainment, office and IT expenses are included in other operating expenses.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group applies the following definition: an operating profit is a net amount derived from net sales plus other operating income, less purchase expenses from which change in finished goods inventory and work in progress is subtracted, adjusted for expenses from production for own use, less employee benefit expenses, depreciation, amortisation and any impairment losses, other operating expenses and taking into account the share of associated companies' results. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations. Otherwise, they are recognised in financial items.

Interest and dividend income

Interest income is recognised using the effective interest method and dividend income when the right to receive a dividend payment is established.

Borrowing costs

Borrowing costs are expensed as incurred. Loan-related transaction expenses clearly associated with a specific loan are included in the loan's original amortised cost and recognised as interest expenses using the effective interest method.

Investment property

Investment property refers to land or buildings, or part thereof, held for rental income or capital appreciation. It is measured at cost less accumulated depreciation and impairment losses. Buildings under investment property are depreciated on a straight-line basis over their expected useful lives, 30–40 years. Land included in investment property is not depreciated. The fair value of investment property is presented in the Notes to the Financial Statements.

Accounting policies requiring management judgements and key sources of estimation uncertainty

In the preparation of the financial statements, Group management is required to make estimates and assumptions concerning the future that may differ from actual results. In addition, management must use its judgement in applying accounting policies.

Goodwill is tested for any impairment annually. The recoverable amounts of CGUs are based on calculations on value in use, whose preparation requires estimates and assumptions. During the year, the management also assesses whether there is an indication of an impaired asset. Note 12 provides more detailed information on impairment tests.

In the context of business combinations, the acquired entity's assets are measured at fair value. Allocating the total purchase cost to intangible assets and goodwill is partly based on an estimate. Determining assets' depreciation/amortisation periods is based on estimates of the assets' useful lives. Note 2 provides more detailed information on the fair value measurement of the acquired entity's assets.

The carrying amounts of property, plant and equipment are based on the cost of acquisition and the related asset depreciation according to the asset's useful life. The assets' useful lives and their adjustments to meet the requirements of changed circumstances, if necessary are based on estimates and assumptions.

Segment reporting

Disclosing segment information is based on the Group's business segment and geographical segment, the former serving as the primary reporting format and the latter as the secondary reporting format. The primary, business segment reporting format is based on the Group's internal organisational structure and internal financial reporting.

Application of new or revised IFRSs

In 2007, the Group will adopt the following standards issued by the IASB in 2005 and 2006:

IFRS 7 Financial Instruments: Disclosures (effective for financial periods as of 1 January 2007). This standard will provide new disclosure requirements for financial instruments presented in the notes to the financial statements. It will require qualitative and quantitative

disclosures on the company's exposure to risks associated with financial instruments, including minimum disclosure requirements for credit risks, liquidity risks and market risks, as well as a sensitivity analysis for market risks. The Group will apply IFRS 7 from the financial year starting on 1 January 2007 and anticipates that the standard will chiefly have an effect on the notes to the financial statements.

IAS 1 (revised) Presentation of Financial Statements – Capital Disclosures (effective for financial periods as of 1 January 2007). This amendment requires qualitative and quantitative disclosures on the management of entity's capital. The Group will apply revised IAS 1 from the financial year starting on 1 January 2007 and anticipates that the revision will chiefly have an effect on the notes to the financial statements.

IFRIC 10 Interim Financial Reporting and Impairment (effective for financial periods beginning after 1 November 2006). This Interpretation concludes that where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim or annual financial statements. This interpretation will have no effect on the Group.

1. Segment information

Business segments

Finland Post Corporation uses business segments as its primary segment reporting format, comprising the following three business groups: Mail Communication, Information Logistics and Logistics. Other operations include centralised Group functions supporting the business groups. Inter-segment sales are based on market prices. Segment assets and liabilities include operating items, which, on a reasonable basis, can be allocated to the segment. Unallocated items include tax and financial items, among others, as well as corporate items. Investment property is included in Other operations.

Mail Communication

Mail Communication provides Finnish companies, other organisations and consumer customers with letter, newspaper/magazine and direct-mail delivery services. As the only letter mail delivery operator in Finland, the business group also manages the majority of early-morning newspaper deliveries. It mainly operates in Finland.

Information logistics

Information Logistics provides its customers with solutions for digitising communications. These solutions relate to printing, document management, e-transaction and direct-marketing services. The business group operates in eight countries.

Logistics

Logistics provides transport and warehousing services, as well as logistics solutions combining electronic and physical services into well-performing wholes. It operates in eight countries.

Geographical segments

Finland Post Group's secondary reporting format applies to the following geographical segments: Finland, Rest of Scandinavia and the Baltic Countries, Rest of Europe and Other countries. Segment net sales are determined by the geographical location of the Group's customer. Assets and capital expenditure are presented according to the assets' geographical location.

Business segments

EUR million	Mail Communication	Information logistics	Logistics	Other operations	Elimininations	Unallocated	Group total
2006							
External sales	815.8	191.8	527.3	15.7			1,550.6
Inter-segment sales	25.9	5.7	2.7	7.6	-41.9		0.0
Net sales	841.7	197.5	530.0	23.3	-41.9		1,550.6
Share of associated companies' results	-	0.0	1.4	0.1			1.4
Operating profit	104.3	1.2	26.9	-43.4			89.0
Financial income and expenses							5.3
Income tax							-26.7
Profit for the period							67.7
Shares in associated companies	-	0.1	0.1	1.0			1.3
Assets	282.9	134.1	311.6	48.8	-5.3	278.1	1,050.2
Total assets	282.9	134.2	311.7	49.9	-5.3	278.1	1,051.5
Total liabilities	125.1	34.5	86.6	81.0	-11.7	56.0	371.5
Capital expenditure	11.6	13.2	42.3	2.5			69.5
Depreciation and amortisation	17.0	8.7	31.0	3.8			60.4
Impairment losses on goodwill and other intangible assets	-	-1.9	-0.7	-0.7			-3.4
Non-cash expenses:							
Restructuring provision	-	1.5	0.4	0.1			2.0
Personnel on average	17,004	1,695	5,933	662			25,294
2005							
External sales	802.0	180.4	351.2	14.6			1,348.2
Inter-segment sales	23.7	5.6	3.5	5.2	-38.0		0.0
Net sales	825.7	186.0	354.7	19.8	-38.0		1,348.2
Share of associated companies' results	-	0.0	0.8	0.1			0.9
Operating profit	106.3	-26.7	14.4	3.9			97.8
Financial income and expenses							5.9
Income tax							-39.7
Profit for the period							64.0
Shares in associated companies	0.0	0.1	1.6	0.6			2.3
Assets	296.1	129.8	280.9	43.8	-5.2	291.6	1,037.0
Total assets	296.1	129.9	282.5	44.5	-5.2	291.6	1,039.3
Total liabilities	121.1	33.8	72.9	85.8	-17.6	88.2	384.2
Capital expenditure	19.7	13.4	105.5	4.4			143.0
Depreciation and amortisation	17.3	10.3	25.7	3.7			57.0
Impairment losses on goodwill and other intangible assets	-	-34.6	-	-			-34.6
Non-cash expenses:							
Restructuring provision	-	-	-	0.1			0.1
Personnel on average	16,960	1,624	5,359	680			24,624

Geographical segments

EUR million	Finland	Rest of Scand. and the Baltic countries	Rest of Europe	Other countries	Eliminations	Group total
2006						
Net sales	1,197.7	256.8	85.3	10.8		1,550.6
Total assets	1,067.2	139.4	51.0	-	-206.2	1,051.5
Capital expenditure	47.2	20.3	2.0	-		69.5
2005						
Net sales	1,134.6	127.7	71.5	14.4		1,348.2
Total assets	1,031.7	114.5	42.9	-	-149.8	1,039.3
Capital expenditure	78.0	63.2	1.8	-		143.0

2. Acquisitions

Acquisitions in 2006

On 28 February 2006, the Group acquired all of the shares of Roadlink Spedition AB, a Swedish logistics company providing transport and forwarding services in Europe and delivery services in Sweden. The acquiree's accounts have been included in those of the Group since early March. Finland Post's consolidated net sales for 2006 would have totalled EUR 1,554.4 million and profit EUR 67.6 million if the acquiree's accounts had been included in the consolidated accounts from early 2006. The acquiree reported a profit of EUR 0.0 million for the period as a Group company.

Goodwill is expected to arise from synergies generated by Logistics' Nordic transport business based, for example, on the business group's extensive transport network in the Baltic Rim. The purchase price was paid in cash. The acquisition cost allocated to the customer portfolio amounted to EUR 1.9 million. Part of the purchase price is recognised as a liability in the balance sheet

Components of acquisition cost

EUR million	
Purchase price paid in cash	4.0
Purchase price owed	0.8
Fees for professional services	0.2
Total costs of acquisition	5.0
Fair value of net assets acquired	2.1
Goodwill	2.9

Analysis of net assets acquired

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on assets			
Intangible assets	0.0	1.9	1.9
Property, plant and equipment	0.3	-	0.3
Receivables	2.8	-	2.8
Cash and cash equivalents	1.0	-	1.0
Effect on assets	4.2	1.9	6.1
Effect on minority interest	-	-	-

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on liabilities			
Deferred tax liability	0.1	0.5	0.6
Non-current interest-bearing liabilities	0.2	-	0.2
Current interest-bearing liabilities	0.1	-	0.1
Trade payables and other liabilities	3.1	-	3.1
Effect on liabilities	3.5	0.5	4.0
Net assets acquired	0.7	1.4	2.1

Effect of acquisition on cash flow

EUR million	
Purchase price paid in cash	4.0
Fees for professional services	0.1
Cash and cash equivalents of the acquired subsidiary	-1.0
Cash flow	3.1

On 31 August 2006, the Group acquired a 100 per cent holding in Universal Spedisjon AS of Norway from two owner families. The acquiree provides freight, forwarding and contract logistics services with its partners throughout Europe. Universal Spedisjon AS's and its subsidiaries' accounts have been included in those of the Group since early September. Finland Post's consolidated net sales for 2006 would have totalled EUR 1,580.8 million and profit EUR 68.1 million if these accounts had been included in the consolidated accounts from early 2006. The sub-group of Universal Spedisjon A/S reported a profit of EUR 0.3 million for the period as a Group company.

Goodwill is expected to arise from synergies generated by Logistics' Nordic transport business based, for example, on the business group's extensive transport network in the Baltic Rim. The consideration was paid in cash, and the part of the acquisition cost allocated to the customer portfolio amounted to EUR 3.8 million.

Components of acquisition cost

EUR million	
Purchase price paid in cash	14.6
Fees for professional services	0.3
Total costs of acquisition	14.9
Fair value of net assets acquired	8.0
Goodwill	6.9

Analysis of net assets acquired

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on assets			
Intangible assets	0.0	3.7	3.7
Property, plant and equipment	3.7	-	3.7
Receivables	5.6	-	5.6
Cash and cash equivalents	2.7	-	2.7
Effect on assets	12.0	3.7	15.7
Effect on minority interest	-0.3	-	-0.3
Effect on liabilities			
Deferred tax liability	-	1.0	1.0
Non-current interest-bearing liabilities	1.3	-	1.3
Trade payables and other liabilities	5.1	-	5.1
Effect on liabilities	6.4	1.0	7.4
Net assets acquired	5.4	2.6	8.0

Effect of acquisition on cash flow

EUR million	
Purchase price paid in cash	14.7
Fees for professional services	0.3
Cash and cash equivalents of the acquired subsidiary	2.7
Cash flow	12.3

In 2006, the Group also carried out the following company and business acquisitions:
On 1 January, Itella A/S, a Danish subsidiary, acquired the business of F.E. Bording A/S, a Danish provider of printing services. Itella AB, a Swedish subsidiary, bought on 1 June Swedish I-Post and on 1 November the printing services' business of Swedish Digidoc. Goodwill is expected to arise from synergies e.g. in shared management and customer relationship management resulting from the integration of the businesses.
On 1 September 2006, Finland Post Corporation acquired Kelpo Kuljetus Fi Oy's regional transport business. This acquisition did not generate goodwill.

Previous acquisitions were paid in cash. The resulting effects on net assets and cash and cash equivalents are shown in sum totals below. Finland Post's consolidated net sales for 2006 would have totalled EUR 1,554.1 million and profit EUR 68.0 million if these companies' accounts had been included in the consolidated accounts from early 2006.

Components of acquisition cost

EUR million	
Purchase price paid in cash	4.4
Purchase price owed	0.2
Total costs of acquisition	4.6
Fair value of net assets acquired	2.5
Goodwill	2.1

Analysis of net assets acquired

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on assets			
Intangible assets	-	1.2	1.2
Property, plant and equipment	0.1	-	0.1
Receivables	3.3	-	3.3
Effect on assets	3.4	1.2	4.6
Effect on liabilities			
Deferred tax liabilities	-	0.3	0.3
Trade payables and other liabilities	1.8	-	1.8
Effect on liabilities	1.8	0.3	2.1
Net assets acquired	1.6	0.9	2.5

Effect of acquisition on cash flow

EUR million	
Purchase price paid in cash	4.4
Cash flow	4.4

Acquisitions in 2005

The largest acquisition in 2005 included the purchase (100 per cent) on 31 August of Combifragt Group A/S, a Danish logistics Group providing transport and forwarding services and service warehouse solutions. Its home market area comprises Europe, especially Scandinavia and the Baltic countries. Finland Post's consolidated net sales for 2006 would have totalled EUR 1,427.3 million and profit EUR 66.1 million if Combifragt Group had been included in the consolidated accounts from early 2005. The sub-group of Combifragt Group A/S reported a profit of EUR 0.8 million for the period as a Group company. Goodwill is expected to arise from synergies generated by Logistics' Nordic transport business based, for example, on the business group's shared transport network. The acquisition cost allocated to the customer portfolio, trademark, lease and the management stay-on bonus amounted to EUR 25.5 million, EUR 1.0 million, EUR 1.1 million and EUR 0.7 million, respectively. The acquisition was paid in cash.

Components of acquisition cost

EUR million	
Purchase price paid in cash	57.8
Fees for professional services	1.4
Total costs of acquisition	59.2
Fair value of net assets acquired	23.0
Goodwill	36.2

Analysis of net assets acquired

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on assets			
Intangible assets	2.2	26.0	28.2
Property, plant and equipment	2.8	-	2.8
Receivables	27.1	-	27.1
Cash and cash equivalents	0.9	-	0.9
Effect on assets	33.0	26.0	59.0
Effect on minority interest	-0.1	-	-0.1

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on liabilities			
Deferred tax liability	0.0	7.9	7.9
Non-current interest-bearing liabilities	1.2	-	1.2
Current interest-bearing liabilities	3.6	-	3.6
Trade payables and other liabilities	23.0	-	23.0
Effect on liabilities	27.8	7.9	35.7
Net assets acquired	4.9	18.1	23.0

Effect of acquisition on cash flow

EUR million	
Purchase price paid in cash	57.8
Fees for professional services	1.5
Cash and cash equivalents of the acquired subsidiary	-0.9
Cash flow	58.4

In addition, on 30 April 2005 the Group acquired 100 per cent shareholdings in AW-Store Oy and Logia Moda Oy, Finnish logistics companies specialising in warehousing services. In December 2005, Itella Finland Ltd, an Information Logistics subsidiary, increased its shareholding in Itella TGM Oy from 85 per cent to 100 per cent. Combifragt A/S, a Danish logistics subsidiary, acquired Mayfair Scandinavia ApS, a logistics company, in November 2005 and Itella A/S, a Danish Information Logistics subsidiary bought the printing business from Schultz A/S in October 2005.

The resulting effects on net assets and cash and cash equivalents are shown in sum totals below. Finland Post's consolidated net sales for 2006 would have totalled EUR 1,352.6 million and profit EUR 67.0 million if these companies' accounts had been included in the consolidated accounts from early 2006. These companies reported a profit of EUR EUR 0.8 million for the period as Group companies. Goodwill is expected to arise from synergies e.g. in shared management and customer relationship management resulting from the integration of the businesses.

Components of acquisition cost

EUR million	
Purchase price paid in cash	17.6
Purchase price owed	4.3
Expenses allocated to the acquisition	0.6
Total costs of acquisition	22.5
Fair value of net assets acquired	14.1
Goodwill	8.4

Analysis of net assets acquired

EUR million	Carrying amounts before consolidation	Allocation of fair value	Fair value total
Effect on assets			
Intangible assets	0.3	2.0	2.3
Property, plant and equipment	10.8	12.9	23.7
Investments	0.2	-	0.2
Receivables	0.9	-	0.9
Cash and cash equivalents	0.1	-	0.1
Effect on assets	12.3	14.9	27.2
Effect on minority interest	-	-	-
Effect on liabilities			
Deferred tax liability	0.2	3.6	3.8
Non-current interest-bearing liabilities	6.4	-	6.4
Current interest-bearing liabilities	1.3	-	1.3
Trade payables and other liabilities	1.6	-	1.6
Effect on liabilities	9.5	3.6	13.1
Acquired net assets	2.8	11.3	14.1

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	17.6
Expenses allocated to the acquisition	0.6
Cash and cash equivalents of the acquired subsidiary	-0.1
Cash flow	18.1

Divestments in 2006

In September, Finland Post Corporation sold its 49 per cent shareholding in Kelpo Kuljetus FI Oy, an associated company, to its co-owner, DHL.

Divestments in 2005

In February, Finland Post Corporation sold its 48.75 per cent holding in SIA Latvijas Elektroniskais Pasts, an associated company, to its co-owner, Latvian Post.

3. Net sales

EUR million	2006	2005
Sales of services	1,527.5	1,321.9
Sales of goods	23.1	26.3
Net sales total	1,550.6	1,348.2

Sales of goods are mainly based on packaging materials and stationery and office supplies sold by post offices.

4. Other operating income

EUR million	2006	2005
Gains on sale of property, plant and equipment	0.3	5.3
Rental income	3.8	5.9
Rents from investment property	0.9	1.0
Government grants	1.4	0.0
Other operating income	2.3	0.5
Income from transfer of pension fund's pension liabilities	-	56.4
Total	8.7	69.1

In 2005, Finland Post Corporation transferred the management of the TEL-based (the Employees' Pensions Act) pension security and the related liability from Suomen Postin Eläkesäätiö (Finland Post's Pension Fund) to Ilmarinen Mutual Pension Insurance Company and liability related to the supplementary pension security to Pohjola Life Insurance Company Ltd. Income recognised through this transfer totalled EUR 56.4 million. Other major operating income consists of gains on the sale of offices and buildings. Rental income consists mainly of rents for the Group's buildings and flats received from external parties. Other income includes received damages and other income related to postal charges from the German subsidiary.

5. Materials and services

EUR million	2006	2005
Purchases	31.7	88.7
Change in inventories	0.1	0.4
External services	377.9	184.7
Total	409.7	273.8

6. Employee benefits

EUR million	2006	2005
Wages and salaries	604.5	554.0
Pensions - defined contribution plans	98.7	86.1
Pensions - defined benefit plans	0.5	7.4
Other social expenses	46.9	46.1
Total	750.6	693.6

More detailed information on pensions can be found in Note 24.

Management remuneration

EUR million	2006	2005
President & CEO	0.4	0.4
Executive Board members	2.1	1.8
Managing Directors of subsidiaries	2.3	2.4
Members of the subsidiaries'		
Board of Directors	0.3	0.4
Supervisory Board members	0.1	0.1
Total	5.3	5.1

Management pension obligations:
The pension arrangements of the President and CEO of the Parent Company are the same as those of Executive Board members. The retirement age of the members of Finland Post Corporation's Executive Board is 60, but the employer may postpone retirement until the age of 62. The agreed retirement age of Group companies' CEOs is 60-65.

Employee incentive scheme:
All employees in Finland are involved in the Group's bonus scheme. Aimed at motivating employees to meet long-term targets and enhancing interest in the Group's financial success, bonuses, which are determined by Finland Post's profit, are annually transferred to the Employee Fund. On the basis of 2006 profits, Finland Post earmarked EUR 4.2 million in bonuses payable into its Employee Fund (EUR 3.0 million in 2005). In addition, EUR 2 million in initial capital was paid into the fund, based on an earlier Board decision.

The Group's experts and supervisors/managers are involved in the performance-based bonus scheme, based on financial indicators specific to the Group, the unit and the team and on personal or team-specific performance indicators. Finland Post annually confirms threshold values for these indicators used to determine bonus payments.

In addition, senior management and certain other key employees (totalling some 20) are involved in the long-term (3 years) EVA-based incentive scheme aimed at motivating the key employees to enhance the Group's profitability and value in the long term.

7. Research and development costs

EUR million	2006	2005
Research and development costs		
charged to expenses	27.6	19.5
Amortisation on development costs	5.2	4.4
Total	32.8	23.9
Capitalised development costs	3.6	6.4

8. Depreciation, amortisation and impairment losses

EUR million	2006	2005
Amortisation on intangible assets		
Development costs	5.2	4.4
Intangible rights	9.1	9.3
Total	14.3	13.7
Impairment losses on intangible assets		
Impairment losses on intangible rights	0.7	2.4
Impairment losses on goodwill	1.9	32.2
Total	2.6	34.6
Depreciation on property,		
plant and equipment		
Buildings and structures	10.8	10.5
Investment properties	0.2	0.2
Machinery and equipment	22.7	21.6
Assets leased under finance lease	11.9	10.3
Other tangible assets	0.6	0.7
Total	46.2	43.3
Impairment losses on		
investment properties	0.7	-
Total depreciation and impairment losses	46.9	43.3

As a result of the impairment test in 2006, Information Logistics' Scandinavian operations recognised EUR 1.9 million in impairment losses, due to weaker market conditions. Impairment losses of investment properties totalled EUR 0.7 million, their fair value being markedly lower than their carrying amount and lower rental income being expected in the future. The value of the trademark related to the acquisition of Combifragt Group A/S was derecognised due to the adoption of the shared Itella Logistics brand in 2007. In 2005, Information Logistics' German and Scandinavian operations recognised EUR 32.2 million in impairment losses, due to weaker market conditions and profitability. Similarly,

Itella GmbH recognised EUR 2.4 million in impairment losses on the customer portfolio under intangible rights, since a few major customers did not extend their printing service contracts for subsequent years. There is more detailed information on impairment tests in Note 12.

9. Other operating expenses

EUR million	2006	2005
Lease expenses	69.5	60.5
Voluntary employee benefit expenses	17.8	30.6
Losses on disposal of property, plant and equipment	0.2	0.3
Other expenses	160.2	170.0
Total	247.6	261.4

10. Financial income and expenses

EUR million	2006	2005
Financial income		
Dividend income	0.0	0.1
Interest income	9.4	7.9
Other financial income	0.0	0.3
Exchange rate gains	0.6	0.1
Gains on sale of financial assets at fair value through profit or loss	0.1	0.2
Gains on sale of available-for-sale financial assets	-	0.4
Unrealised gains on measurement at fair value	-	2.4
Total	10.2	11.4
Financial expenses		
Interest expenses	2.7	3.9
Other financial expenses	0.0	0.2
Exchange rate losses	0.3	0.4
Losses on sale of financial assets at fair value through profit or loss	0.8	-
Fair value changes in currency forward contracts	0.1	-
Unrealised losses on measurement at fair value	0.8	1.1
Total	4.8	5.6

11. Income tax expense

EUR million	2006	2005
Current tax	30.8	49.2
Tax for previous years	0.1	5.2
Deferred tax	-4.2	-14.8
Total tax charge	26.7	39.7
Reconciliation of tax charge at Finnish tax rate (26%)		
Profit/loss before tax and associated companies' results	92.8	102.9
Income tax at Parent Company's tax rate	24.1	26.8
Effect of foreign subsidiaries' deviating tax rates	-2.8	-1.7
Effect of non-deductible impairment losses	0.9	8.4
Non-deductible expenses and other differences	0.7	0.9
Tax-exempt income	-0.4	0.0
Tax from previous years	0.1	5.2
Unrecognised deferred tax asset on losses for the financial year	4.1	0.1
Tax charge in the consolidated income statement	26.7	39.7
Effective tax rate	28.3%	38.3%

12. Intangible assets

EUR million	Goodwill	Development costs	Intangible rights	Advances paid and constr. in progress	Total
2006					
Cost 1 Jan	124.9	24.2	81.3	2.7	233.2
Translation differences	0.2	-	0.0	-	0.2
Company acquisitions	16.8	-	7.0	-	23.8
Additions	-	3.6	2.6	2.0	8.2
Disposals	-	-	-0.2	-3.6	-3.8
Transfers between items	-	-	1.8	-	1.8
Cost on 31 Dec	141.9	27.9	92.5	1.1	263.3
Accumulated amortisation and impairment losses 1 Jan	-	-8.5	-43.5	-	-51.9
Amortisation for the financial year	-	-5.2	-9.1	-	-14.3
Impairment losses	-1.9	-	-0.7	-	-2.6
Accumulated amortisation for disposals and transfers	-	-	-1.3	-	-1.3
Accumulated amortisation and impairment losses 31 Dec	-1.9	-13.7	-54.6	-	-70.2
Carrying amount 1 Jan 2006	124.9	15.8	37.9	2.7	181.3
Carrying amount 31 Dec 2006	140.0	14.2	37.8	1.1	193.1

Finland Post Corporation is modernising its post offices' POS system. The related project costs, EUR 2.1 million, are included in non-current assets. Finland Post is negotiating with the system's provider over the supply agreement's extension due to problems arising during the system's implementation. If a negotiated solution cannot be reached, Finland Post Corporation is contemplating taking legal proceedings as a means of terminating the Supply Agreement. This also means that the asset's value in the balance sheet must be reassessed.

EUR million	Goodwill	Development costs	Intangible rights	Advances paid and constr. in progress	Total
2005					
Cost on 1 Jan	112.2	18.0	36.8	2.6	169.6
Translation differences	-0.2	-	0.0	-	-0.1
Company acquisitions	45.1	-	30.4	-	75.5
Additions	-	6.3	3.9	2.7	13.0
Disposals	-	-	-0.8	-2.6	-3.4
Transfers between items	-	-	10.9	-	10.9
Cost 31 Dec	157.1	24.2	81.3	2.7	265.4
Accumulated amortisation and impairment losses 1 Jan	-	-4.1	-22.8	-	-26.9
Translation differences	-	-	0.0	-	0.0
Amortisation for the financial year	-	-4.4	-9.3	-	-13.7
Impairment losses	-32.2	-	-2.4	-	-34.6
Accumulated amortisation for disposals and transfers	-	-	-8.9	-	-8.9
Accumulated amortisation and impairment losses 31 Dec	-32.2	-8.5	-43.4	-	-84.1
Carrying amount 1 Jan 2005	112.2	13.9	14.0	2.6	142.7
Carrying amount 31 Dec 2005	124.9	15.8	37.9	2.7	181.3

Expenses resulting from the Group's ERP project are capitalised under development costs and construction in progress.

Goodwill impairment test

Goodwill is allocated to the Group's cash generating units as follows:

EUR million	2006	2005
Mail Communication: Press Distribution	6.6	6.6
Information Logistics: Germany	10.2	10.1
Information Logistics: Scandinavia	17.9	17.8
Information Logistics: Baltics	5.1	5.1
Information Logistics: Finland	38.7	38.0
Logistics: Freight Forwarding	46.6	36.7
Logistics: Contract Logistics	14.8	10.6
Total	140.0	124.9

During the fourth quarter, the Group tested each of its cash generating units for any indication of goodwill impairment, using the value-in-use method based on the following assumptions: the pre-tax discount rate stood at 10.4 per cent, the estimated annual inflation rate was 2–3 per cent and only changes determined on the date of the impairment test affected the current cost structure. Cash flow projections are based on five-year business plans approved by the management. After the five-year period, the terminal value was mainly based on zero growth or, in justified cases, moderate 2 per cent growth at most. The value-in-use method required forecasts and assumptions related to market growth, prices, volume growth, as well as investment needs and general interest rates. The highest sensitivity pertained to predicted net sales and profitability levels and investment needs.

As a result of the impairment test, Information Logistics' Scandinavian operations recognised EUR 1.9 million in impairment losses in 2006. In 2005, Information Logistics' German and Scandinavian operations recognised a total of EUR 32.2 million in goodwill impairment losses, due mainly to weaker market conditions and the resulting price erosion within the printing service business. Moreover, demand for microfilming services decreased considerably. Strategy forecasts for both the German and Scandinavian operations include the assumption that the Group's new electronic services will replace obsolescent products, improving German net sales by an annual average of 6 per cent and Scandinavian net sales by 13 per cent. Furthermore, in 2006 the German unit launched a reorganisation programme aimed at higher profitability. If the growth rate of German net sales remain at 3 per cent, EUR 0.4 million in impairment losses on goodwill should be recognised. If Scandinavian net sales grow by half of those predicted, impairment losses should total EUR 8.7 million. With respect to other impairment tests applying to Information Logistics, growth rates in used forecasts are similar to the actual results recorded for previous years and values in use markedly exceed carrying amounts (an average of 50 per cent). Strategy forecasts for Logistics are based on moderate, five-year growth of 2–3 per cent and 2 per cent growth for the terminal year, on the basis of which the calculated values in use will come EUR 22.1 million above the carrying amount within the Freight Forwarding unit and EUR 15.5 million within the Contract Logistics unit. In the absence of growth, the Contract Logistics' value in use will exceed the carrying amount by EUR 4.0 million and the Freight Forwarding unit's by EUR 2.8 million, respectively.

Forecasts for the Newspapers and Magazines unit within Mail Communication are based on net sales growth of 1 per cent, excluding growth for the final year, and the success of measures aimed at cutting production costs within contract deliveries during the next two years. If these cost-cutting measures fail, a risk of impairment is associated with goodwill.

13. Property, plant and equipment

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and constr. in progress	Total
2006						
Cost 1 Jan	42.3	290.5	292.8	10.1	6.7	642.5
Translation differences	-	-	0.3	0.0	-	0.3
Company acquisitions	-	3.4	2.1	-	-	5.5
Additions	0.1	9.3	30.6	0.5	9.4	50.0
Disposals	-0.4	-3.2	-11.7	-0.1	-12.4	-27.7
Divestment of subsidiaries	-0.1	-1.7	-	-	-	-1.7
Transfers between items	-	-	-2.2	-0.1	1.7	-0.6
Cost 31 Dec	42.0	298.4	311.9	10.5	5.4	668.3
Accumulated depreciation and impairment losses 1 Jan	-	-83.0	-198.1	-5.6	-	-286.7
Translation differences	-	-	-0.2	0.0	-	-0.2
Accumulated depreciation on acquisitions	-	-0.1	-1.2	-	-	-1.3
Depreciation for the financial year	-	-10.8	-34.6	-0.6	-	-46.0
Accumulated depreciation on disposals and transfers	-	1.1	11.8	0.0	-	12.9
Accumulated depreciation and impairment losses 31 Dec	-	-92.8	-222.3	-6.2	-	-321.3
Carrying amount on 1 Jan 2006	42.3	207.5	94.7	4.6	6.7	355.8
Carrying amount on 31 Dec 2006	42.0	205.6	89.6	4.4	5.4	347.0

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and constr. in progress	Total
2005						
Cost 1 Jan	43.1	274.1	332.2	17.6	2.4	669.3
Translation differences	-	-	-0.1	-	-	-0.1
Company acquisitions	2.6	19.9	4.7	0.0	-	27.2
Additions	1.9	15.6	33.6	0.7	24.4	76.2
Disposals	-5.3	-21.0	-82.0	-0.3	-20.1	-128.8
Transfers between items	0.0	1.9	4.5	-7.8	-	-1.3
Cost 31 Dec	42.3	290.5	292.8	10.1	6.7	642.5
Accumulated depreciation and impairment losses 1 Jan	-	-78.7	-240.9	-13.3	-	-332.9
Translation differences	-	-	0.1	-	-	0.1
Accumulated depreciation on acquisitions	-	0.0	-0.8	-	-	-0.8
Depreciation for the financial year	-	-10.4	-31.9	-0.7	-	-43.0
Accumulated depreciation on disposals and transfers	-	6.2	75.3	8.4	-	89.9
Accumulated depreciation and impairment losses 31 Dec.	-	-83.0	-198.1	-5.6	-	-286.6
Carrying amount on 1 Jan 2005	43.1	195.4	91.3	4.2	2.4	336.4
Carrying amount on 31 Dec 2005	42.3	207.5	94.7	4.6	6.7	355.8

Property, plant and equipment include the following assets leased under finance lease:

EUR million	Machinery and equipment
2006	
Cost 31 Dec	76.2
Accumulated depreciation 31 Dec	-44.2
Carrying amount 31 Dec	32.0
2005	
Cost 31 Dec	65.9
Accumulated depreciation 31 Dec	-34.2
Carrying amount 31 Dec	31.7

In 2006, additions to assets leased under finance leases totalled EUR 17.5 million (EUR 14.7 million in 2005)

14. Associated companies

Associated companies

EUR million	2006	2005
Carrying amount on 1 Jan	2.3	1.8
Additions	0.0	0.1
Disposals	-2.6	-1.4
Share of associated companies' results	1.4	0.8
Accumulated impairment losses on disposals	-	1.0
Shares in associated companies 31 Dec	1.3	2.3

The associated companies' balance sheet value does not include goodwill. On 1 September 2006, Finland Post Corporation sold its 49 per cent shareholding in Kelpo Kuljetus FI Oy to its co-owner, DHL Finland Oy. In 2005, Itella AB sold its 48.95 per cent shareholding in Relation & Brand AB of Sweden and Finland Post Corporation sold its 48.75 per cent shareholding in SIA Latvijas Elektroniskais Pasts to its co-owner, Latvian Post.

The Group had no major associated companies in 2006.

Major associated companies in 2005

31 Dec 2005 EUR million	Domicile	Assets	Liabilities	Net sales	Profit/Loss	Group's holding,%
Kelpo Kuljetus Fi Oy	Helsinki	16.4	13.3	94.7	1.5	49

EUR million	2006	2005
Receivables from associated companies		
Subordinated loan receivables	0.4	1.9
Non-current loan receivables	0.7	0.8
Trade receivables	-	0.4
Accrued income and prepaid expenses	-	0.2
Receivables from associated companies	1.1	3.3
Amounts owed to associated companies		
Trade payables	0.0	3.0
Transactions with associated companies		
Sales to associated companies	3.3	3.3
Interest income from loan receivables		
of associated companies	0.1	0.3
Purchases from associated companies	40.1	69.0

15. Investment property

EUR million	2006	2005
Cost 1 Jan	7.6	7.6
Cost 31 Dec	7.6	7.6
Accumulated depreciation and		
impairment losses 1 Jan	-2.8	-2.6
Depreciation for the financial period	-0.2	-0.2
Impairment losses	-0.7	-
Accumulated depreciation and		
impairment losses 31 Dec	-3.8	-2.8
Carrying amount 1 Jan	4.8	5.0
Carrying amount 31 Dec	3.9	4.8

An impairment loss was recognised on a property located in Lappeenranta because the majority of the building's lessees moved out and the carrying amount markedly exceeded the fair value estimated by an external appraiser. In the financial statements, the carrying amount equals the fair value.

On 31 December 2006, the fair value of investment property totalled EUR 5.2 million (EUR 5.2 million on 31 Dec. 2005). Fair values are primarily measured based on an external estate agent's appraisal or, if this appraisal is not available, using the discounted cash flow method. In 2006, rental income from investment property totalled EUR 0.9 million (EUR 0.9 million in 2005) and maintenance charges EUR 0.3 million (EUR 0.3 million in 2005).

The cadastral authority determines the maximum value of the landed property of Kiinteistö Oy Kirjekyyhky under investment property. Its carrying amount does not exceed the maximum value.

16. Other non-current investments and receivables

Available-for-sale financial assets

EUR million	2006	2005
Cost 1 Jan	1.9	1.9
Acquisition of subsidiaries	-	0.2
Additions	-	0.3
Disposals	-0.4	0.0
Transfers between items	0.2	-0.5
Cost 31 Dec	1.8	1.9
Accumulated impairment losses 1 Jan	-1.4	-1.4
Impairment losses on disposals	0.1	-
Impairment losses 31 Dec	-1.3	-1.4
Carrying amount 1 Jan	0.5	0.5
Carrying amount 31 Dec	0.5	0.5

Available-for-sale financial assets consist mainly of real estate companies owned by the Group, which are not categorised as mutual property companies and are not therefore combined into other balance sheet items using the proportionate consolidation method. Their carrying amounts are regarded as equalling the fair values.

Non-current receivables

EUR million	2006	2005
Subordinated loan receivables		
from associated companies	0.4	1.9
Loan receivables from		
associated companies	0.7	0.8
Loan receivables from others	1.7	1.7
Accrued income and prepaid expenses	0.1	-
Total	2.5	2.5

Non-current receivables include a subordinated loan, under Chapter 5 of the Companies' Act, which is subject to an annual interest rate of 7 per cent if possible within the limits of distributable earnings. The Group will repay the loan in separately agreed instalments if a full margin is available for the restricted equity based on the adopted balance sheet, and other non-distributable earnings after the repayment. Non-current receivables are classified as "Loans and receivables" and measured at amortised cost. The interest rate of loan receivables from housing corporations stood at 8 per cent and that from others 4.75 per cent. Non-current loan receivables from others also include a finance lease receivable with respect to a leased-out property.

On 31 December 2006, finance lease receivables totalled EUR 0.7 million (EUR 0.8 million on 31 Dec. 2005) at the interest rate of 6 per cent.

Finance lease receivables: minimum lease income

EUR million	2006	2005
Not later than 1 year	0.1	0.1
Later than 1 year and		
not later than 5 years	0.4	0.4
Later than 5 years	0.6	0.7
Minimum lease income	1.0	1.1
Unearned financial income	-0.3	-0.3
Total	0.7	0.8

Maturity of finance lease receivables

EUR million	2006	2005
Not later than 1 year	0.1	0.1
Later than 1 year and		
not later than 5 years	0.2	0.2
Later than 5 years	0.5	0.5
Total	0.8	0.8

The Group has leased out one property classified as a finance lease. The lease term is twenty years and the lease will mature in 2017. The lessee may terminate the lease only by paying the amount of the remaining lease payments adjusted by the cost-of-living index.

17. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities in 2006 are as follows:

EUR million	31 Dec 2005	Acquired/ divested subsidiaries	Recognised in income statement	Recognised in equity	31 Dec 2006
Deferred tax assets 2006					
Pension obligations	1.9	-	0.0	-	1.9
Unused tax losses	2.4	-	0.5	-	2.9
Finance leases	0.3	-	0.0	-	0.3
Other temporary differences	0.8	-	0.3	-	1.1
Total	5.4	-	0.9	-	6.3
Deferred tax liabilities 2006					
Fair value measurement of property, plant and equipment					
and intangible assets in acquisition	10.9	2.0	-1.8	-	11.1
Available-for-sale financial assets	0.1	-	-	0.1	0.2
Accumulated depreciation in excess of plan	8.5	-	-2.1	-	6.4
Other temporary differences	1.2	-	0.6	-	1.8
Total	20.8	2.0	-3.4	0.1	19.5

Changes in deferred tax assets and liabilities in 2005 are as follows:

EUR million	1 Jan 2005	Acquired/ divested subsidiaries	Recognised in income statement	Recognised in equity	31 Dec 2006
Deferred tax assets 2005					
Pension benefits	1.3	-	0.6	-	1.9
Unused tax losses	-	-	2.4	-	2.4
Finance leases	0.3	0.0	0.0	-	0.3
Other temporary differences	1.3	0.0	-0.5	-	0.8
Total	2.9	0.0	2.5	-	5.4
Deferred tax liabilities 2005					
Fair value measurement of property, plant and equipment					
and intangible assets in acquisition	-	11.5	-0.7	-	10.8
Pension benefits	7.0	-	-7.0	-	0.0
Available-for-sale financial assets	0.4	-	-0.4	0.1	0.1
Accumulated depreciation in excess of plan	9.4	0.2	-1.1	-	8.5
Other temporary differences	4.3	-	-3.1	-	1.2
Total	21.1	11.7	-12.2	0.1	20.8

On 31 December 2006, the Group had unused tax losses for which it has not recognised deferred taxes of EUR 6.9 million (EUR 0.5 million in 2005), which mainly arise from German businesses. The Group also had other temporary differences for which it has not recognised deferred tax assets of EUR 3.8 million (EUR 5.4 million in 2005).

18. Inventories

EUR million	2006	2005
Materials and supplies	0.7	1.2
Unfinished goods	0.0	0.0
Goods	5.2	4.8
Prepayments for inventories	0.1	0.1
Total	6.1	6.1

19. Current receivables

EUR million	2006	2005
Trade receivables	181.0	163.8
Other receivables	3.9	2.1
Receivables from derivative contracts	0.1	0.0
Accrued income and prepayments	41.1	36.8
Total	226.1	202.7

The largest item under accrued income and prepayments includes EUR 26.3 million (EUR 26.1 million on 31 Dec 2005) accrued terminal rate receivables from other Postal administrations. The rest comprises ordinary accruals of sales and prepaid expenses.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer portfolio. Credit losses recognised for the financial year totalled EUR 1.5 million.

20. Available-for-sale financial assets

EUR million	2006	2005
Shares and holdings, listed	-	0.0
Other securities	6.5	8.1
Total	6.5	8.1

21. Financial assets at fair value through profit or loss

EUR million	2006	2005
Money market investments	133.1	125.8
Bonds	99.4	122.0
Total	232.5	247.8

At the end of the financial year, the average interest period for investments was 6.6 months.

22. Cash and cash equivalents

EUR million	2006	2005
Cash and cash equivalents	21.2	17.4
Total	21.2	17.4

Cash and cash equivalents comprise cash in hand held by Finland Post's offices and cash in the bank accounts of Group companies.

Cash and cash equivalents under the cash flow statement are as follows:

EUR million	2006	2005
Cash and cash equivalents	21.2	17.4
Financial assets at fair value		
through profit or loss	232.5	247.8
Total	253.7	265.2

23. Equity

Shares and shareholders

On 31 December, Finland Post Corporation's share capital

EUR million	2006	2005
Total share capital	70	70

The Finnish State holds all of the shares totalling 40,000,000.

Other reserves:

Based on the AGM's decision, assets were transferred from the share premium under restricted equity to other reserve (contingency reserve) in 1998 when Finland PT Group demerged. This is a distributable reserve, in accordance with the Articles of Association.

24. Pension obligations

The Group applies several pension plans in different countries, managed according to the local regulations and practice effective in each country. In Finland, the company staff's pension cover was funded through Postin Eläkesäätiö (Finland Post Pension Fund) and pension insurance companies until 31 December 2005. The pension fund's pension cover consisted of statutory TEL-based pension cover (under the Employees' Pensions Act) and supplementary pension cover. On 31 December 2005, pension insurance companies took charge of the company staff's TEL-based pension and supplementary pension cover in Finland, with the majority of the Group's defined benefit pensions changing into defined contribution ones. Significant defined benefit pension plans remaining with the Group comprise supplementary pension insurance in Finland and the Germany subsidiary's pension plan.

Defined benefit pension liabilities in the balance sheet are determined as follows:

EUR million	2006	2005
Present value of unfunded obligations	2.8	2.5
Present value of funded obligations	11.1	10.9
Fair value of plan assets	-8.2	-5.3
Deficit/Surplus	5.7	8.1
Unrecognised actuarial		
gains (+) / losses /-)	2.4	0.1
Unrecognised gains (+) / losses(-)		
resulting from past services	0.2	0.1
Net liability in the balance sheet	8.4	8.3

Defined benefit pension expenses in the income statement are determined as follows:

EUR million	2006	2005
Current service costs	0.7	23.8
Interest costs	0.6	21.7
Expected return on plan assets	-0.3	-29.0
Actuarial gains and losses	0.0	0.0
Past service costs	0.0	0.3
Losses (-)/gains (+) on curtailments	-0.5	-9.4
Total, expenses	0.5	7.4

The actual return on the plan assets totalled EUR 2.8 million (EUR 32.2 million in 2005).

Changes in the pension obligation's present value:

EUR million	2006	2005
Obligation at period-start	13.5	78.8
Current service costs	0.7	0.7
Interest costs	0.6	3.8
Past service costs	-0.3	0.2
Curtailment	-0.6	-69.5
Paid benefits	-	-4.4
Business combinations	-	0.4
Actuarial gains and losses	0.1	3.5
Obligation at period-end	13.9	13.5

Changes in the plan assets' fair value:

EUR million	2006	2005
Plan assets' fair value at period-start	5.3	84.7
Expected return on plan assets	0.3	5.2
Employer contributions	0.2	-14.7
Curtailment	-0.2	-68.9
Paid benefits	-	-4.4
Business combinations	-	0.2
Actuarial gains and losses	2.6	3.2
Plan assets' fair value at period-end	8.2	5.3

Two-year record of the pension plans:

EUR million	2006	2005
Pension obligation's present value	13.9	13.5
Plan assets' fair value	8.2	5.3
Surplus (+)/ deficit (–)	-5.7	-8.2
Experience adjustments arising on the plan liabilities	0.2	-
Experience adjustments arising on the plan assets	1.6	3.9

Estimated contributions payable to the defined benefit plans will total EUR 0.2 million during the next financial year.

Material actuarial assumptions on the defined benefit plans were as follows:

	2006	2005
Discount rate	4.5	4.25-4.5
Expected return on plan assets	5.0-5.4	5.0-5.4
Future salary increase assumption	2.5-5.0	2.5-5.0
Future pension increase expectation	1.5-2.1	1.5-2.1

25. Provisions

EUR million	Restructuring provision	Other	Total
1 Jan 2006	0.1	-	0.1
Increase in provisions	2.0	0.1	2.1
Used provisions	-0.1	-	-0.1
31 Dec 2006	2.0	0.1	2.1
1 Jan 2005	-	0.1	0.1
Increase in provisions	0.1	-	0.1
Used provisions	-	-0.1	-0.1
31 Dec 2005	0.1	0.0	0.1

In 2006, restructuring provisions related to the reorganisation of the German operations. The restructuring provision recorded in 2005 related to the ICT organisation. The opening balances of other provisions for 2006 and 2005 pertained to lease expenses for vacant premises. The provisions are expected to realise during the next year.

26. Interest-bearing liabilities

EUR million	Balance sheet values 2006	Fair values 2006	Balance sheet values 2005	Fair values 2005
Non-current				
Loans from financial institutions	2.1	2.1	5.6	5.6
Finance lease liabilities	22.8	22.8	23.1	23.1
Total	24.9	24.9	28.7	28.7
Current				
Loans from financial institutions	0.1	0.1	1.4	1.4
Finance lease liabilities	10.4	10.4	9.8	9.8
Other current liabilities	-	-	0.3	0.3
	10.5	10.5	11.5	11.5
Total	35.4	35.4	40.2	40.2

Loans do not include secured loans (EUR 7.0 million in 2005). Finance lease liabilities are de facto secured liabilities, since rights to the leased asset are re-transferred to the lessor in default of payment. Interest-bearing liabilities are denominated in euro. Interest on non-current finance lease liabilities varied from 2.4 per cent to 5.1 per cent. The interest rate of issued current commercial papers averaged 2.9 per cent.

Maturity dates of non-current liabilities

EUR million	2008	2009	2010	2011	2012	2013 -	Total
Loans from financial institutions	0.2	0.2	0.2	0.2	0.2	1.1	2.1
Finance lease liabilities	8.3	6.4	5.0	2.5	0.6	0.0	22.8
Total	8.5	6.6	5.2	2.7	0.8	1.1	24.9

The average maturity of non-current finance lease liabilities was 2 years at the end of the financial year.

Finance lease liabilities: minimum lease payments

EUR million	2006	2005
Not later than 1 year	11.8	11.0
Later than 1 year and not later than 5 years	23.6	22.8
Later than 5 years	0.6	1.1
Minimun lease payments	36.0	34.9
Future accrued financial expenses	-2.8	-2.9
Total, finance lease liabilities	33.2	32.0

Present value of minimum lease payments

EUR million	2006	2005
Not later than 1 year	10.5	9.8
Later than 1 year and not later than 5 years	21.7	21.2
Later than 5 years	1.0	1.0
Total, present value of minimum lease payments	33.2	32.0

Finland Post Group has mainly leased transport equipment, IT equipment and franking machines under finance leases concluded on market terms and valid from 3–10 years.

27. Trade payables and other non-interest-bearing liabilities

EUR million	2006	2005
Non-current		
Advances received	0.2	-
Other liabilities	5.5	5.1
Total	5.7	5.1

Other non-current, non-interest-bearing liabilities consist of estimated additional considerations paid for corporate acquisition and accrued expenses resulting from the management's long-term incentive scheme.

EUR million	2006	2005
Current		
Trade payables	67.2	62.4
Advances received	7.7	8.1
Accrued employee benefit expenses	128.8	116.2
Other accrued expenses and deferred income	40.4	50.7
Liaibilities from derivatives	0.1	0.0
Other liabilities	53.8	54.9
Total	298.0	292.3

The most significant item within other accrued expenses and deferred income includes estimated payables for terminal payments to other Postal administrations, totalling EUR 22.6 million on 31 December 2006 (EUR 20.7 million on 31 December 2005). The remaining items comprise accruals of ordinary expenses.

28. Derivative contracts

EUR million	2006	2005
Currency forward exchange contracts		
Nominal value of underlying asset	64.5	40.4
Fair value	0.0	0.0

Used for hedging exchange rate risks, derivative instruments are measured at fair value available on the balance sheet date.

29. Operating leases

Maturity of operating lease commitments

EUR million	2006	2005
Not later than 1 year	46.3	36.3
Later than 1 year and not later than 5 years	80.0	44.3
Later than 5 years	14.9	12.0
Total	141.2	92.6

Finland Post Group has leased e.g. premises, office equipment and vehicles. The lease term for office equipment and vehicles varies between 2 and 5 years and that for premises until 9 years.

Minimum lease payments related to operating lease receivables

EUR million	2006	2005
Not later than 1 year	1.3	2.9
Later than 1 year and not later than 5 years	3.9	3.5
Later than 5 years	3.0	2.3
Total	8.2	8.7

Finland Post Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months. The lease of AS Oy Kirjekyyhky's site will expire in 2050.

30. Pledges, commitments and other liabilities

EUR million	2006	2005
Loans for which mortgages and shares		
are given in security		
From financial institutions	-	6.1
Liabilities total	-	6.1
Mortgages on own liabilities		
Mortgages on property		9.7
Business mortgages given	-	0.2
Total	-	9.9
Pledges given on own behalf		
Pledged securities	4.7	0.2
Guarantees given	13.1	1.9
Total	17.8	2.1

31. Financial Risk Management

The Group's business is exposed to financial risks such as liquidity risks, interest rate risks, currency risks and counter-party risks. Group Treasury is responsible for the centralised management of financial risks in line with the financing guidelines approved by the Board of Directors. Financial risks are reported to the Board of Directors on a regular basis. The aim is to maintain financial flexibility, identify risks and reduce financial risks involved in daily business.

Liquidity Risk

The Group places a heavy emphasis on accurate cash management and liquidity planning in order to minimise liquidity risks generated by large daily fluctuations in the Group's cash flows. Finland Post Corporation has a long-term, committed syndicated credit facility of EUR 200 million not used during the financial year. It also has a domestic commercial paper programme with several banks. No commercial papers were in use on the balance sheet date.

Interest Rate Risk

In addition to spreading risks, the Group relies on interest rate swaps, interest rate options and forward rate agreements in hedging its intererst rate risks involved in interest-bearing receivables and liabilities outstanding. In this respect, it employs a special interest rate risk position analysis to monitor interest flow risks and price risks based on the comparison of the standard instrument portfolio applicable to the Group and the interest rate periods of loan and financial instruments. The benchmark portfolio's duration is 12 months. On the balance sheet date, the Group's interest-bearing loans totalled EUR 35.4 million and the portfolio of interest rate instruments EUR 239.1 million. During the financial year, Finland Post Corporation did not use interest-rate derivative contracts.

Currency Risk

The currency risk involved is primarily confined to the equity and commitments, of foreign subsidiaries and associated companies, as well as receivables and payables related to international postal deliveries. The Group does not hedge against translation differences resulting from its foreign subsidiaries and associated companies' equity. On the balance sheet date, Finland Post Corporation's external currency forward contracts totalled EUR 64.5 million at their nominal value, which Finland Post Corporation uses to hedge the translation risk associated with foreign currency loans granted to Group companies. The SDR (Special Drawing Right), DKK and SEK are the Group's main currencies.

Counter-Party Risk

Within authorisations given by the Board of Directors, the Group invests liquid assets in debt instruments and bonds issued by companies, banks and states with a high credit rating, as well as bank deposits. In addition, it concludes derivative contracts only with banks and credit institutions with high capital adequacy. The financial year saw no financing-related credit losses.

32. Related party transactions

Related parties comprised in 2005 and 2006 the Board of Directors, President & CEO and Finland Post Corporation's Management Board, mutual property companies and associated companies, as well as the Finnish State holding 100 per cent of Finland Post Corporation shares. Related party transactions regarding the Finnish state refer to transactions conducted with the Finnish State's agencies or organisations with an over 50 per cent holdings, applying to the ten largest customers or suppliers.

The Group's parent company and subsidiary holdings are as follows:

Parent company: Finland Post Corporation

Subsidiaries 31 Dec. 2006

	Group holdings, %	Domicile	Business Group
AW-Store Oy	100	Tuusula	Logistics
Combifragt Group A/S	100	Hvidovre	Logistics
Combifragt Estonia OÜ	100	Tallinn	Logistics
Combifragt Latvia SIA	100	Riga	Logistics
Combifragt International Logistics A/S	100	Hvidovre	Logistics
CF Geologistics A/S	51	Hvidovre	Logistics
EHJ Trailer Trans ApS	100	Hvidovre	Logistics
Honold Combifragt Logistics A/S	49	Copenhagen	Logistics
KEC A/S	100	Padborg	Logistics
KEC GmbH	100	Flensburg	Logistics
UAB KEC Eastern	100	Vilna	Logistics
Mayfair Scandinavia ApS	100	Copenhagen	Logistics
Spedition Dyhr Eftf A/S	60	Sorø	Logistics
UAB Combifragt	100	Vilnius	Logistics
V.J. Brammer Transport & Logistics A/S	100	Hvidovre	Logistics
Global Mail FP Oy	100	Helsinki	Logistics
Elma eCommerce AB	100	Stockholm	Information logistics
Itella Suomi Oy	100	Helsinki	Information logistics
Itella TGM Oy	100	Helsinki	Information logistics
Itella Group AB	100	Stockholm	Information logistics
Itella AB	100	Stockholm	Information logistics
Itella A/S	100	Copenhagen	Information logistics
Itella AS	100	Oslo	Information logistics
Itella Production AB	100	Stockholm	Information logistics
Itella Holding GmbH	100	Frankfurt am M.	Information logistics
Itella GmbH	100	Frankfurt am M.	Information logistics
Itella AS	100	Tallinn	Information logistics
A/S Itella	100	Riiga	Information logistics
UAB Itella	100	Vilnius	Information logistics
Jakelumarkkinat Oy	100	Helsinki	Mail Communication
Logia Oy	100	Vantaa	Logistics
Logia Estonia OÜ	100	Tallinn	Logistics
Logia Software Oy	100	Tampere	Logistics
Logistic Mail St. Petersburg Ltd	100	St. Petersburg	Logistics
Oy EDI Management Finland Ltd	51.12	Espoo	Logistics
Roadlink Spedition AB	100	Stockholm	Logistics
OOO Itella	100	Moscow	Logistics
Universal Spedisjon AS	100	Oslo	Logistics
Heffermehl Tekogruppen AS	100	Oslo	Logistics
Universal Air & Sea AS	100	Oslo	Logistics
Universal Spedisjon Kristiansand AS	100	Kristiansand	Logistics
Universal Spedisjon Stavanger AS	100	Stavanger	Logistics
Universal Spedisjon Trondheim AS	100	Trondheim	Logistics
Universal Spedisjon Bergen AS	100	Bergen	Logistics
SOS Logistics Norway AS	100	Oslo	Logistics
KOY Kulmakeskus	100	Joutseno	Other operations
KOY Laitilan Postikulma	100	Laitila	Other operations
KOY Saarijärven Postitalo	100	Saarijärvi	Other operations
KOY Sahronmaa	55.8	Parkano	Other operations
KOY Säästösaku	58.5	Toijala	Other operations
KOY Tampereen Kuoppamäentie 3 a	100	Tampere	Information logistics

Control over Honold Combifragt Logistics A/S is based on equal representation on the Board in such a way that the Group's representative chairs the Board. In addition, the company is managed and administered through Combifragt Group A/S.

Associated companies 31 Dec. 2006

	Group holdings %	Domicile
AB Antransas	20	Anyksciai
AB Grundstenen 113597	50	Solna
AS Eesti Elektron Post	49.14	Tallinn
Elielin Pysäköinti Oy	27.8	Helsinki
Kymppiposti Oy	50	Helsinki
Partner-Logistic ApS	20	Glostrup
Bergen Havnetransport AS	50	Bergen

Sales to related parties

EUR million	2006	2005
Associated companies	3.3	3.3
Owner	48.5	48.8

Purchases from related parties

EUR million	2006	2005
Associated companies	40.1	69.0
Owner	49.9	46.4

Trade receivables from related parties

EUR million	2006	2005
Associated companies	-	0.4
Owner	4.8	6.8

Trade payables to related parties

EUR million	2006	2005
Associated companies	0.0	3.0
Owner	3.5	3.5

Employee benefits for related party management

EUR million	2006	2005
Salaries and other short-term employee benefits	5.3	5.1
Defined benefit pension plans	0.3	0.4

33. Effects of IFRS Adoption on FAS-compliant equity and profit

In its financial reporting, Finland Post Group changed over from the Finnish Accounting Standards (FAS) to the International Financial Reporting Standards (IFRS) as of 1 January 2006. The effects of the transition to IFRS vis-à-vis FAS are as follows:

Effect on IFRS adoption on the balance sheet on 31 Dec. 2005

EUR million	Note	FAS 1 Jan 2005	IFRS 1 Jan 2005	IFRS effect 1 Jan 2005	FAS 31 Dec 2005	IFRS 31 Dec 2005	IFRS effect 31 Dec 2005
Non-current assets							
Other intangible assets	1,4	15.4	30.5	15.1	44.5	56.3	11.8
Goodwill	1	112.2	112.2	0.0	131.4	124.9	-6.5
Investment property	9	0.0	5.0	5.0	0.0	4.8	4.8
Property, plant and equipment	3,4,9	280.9	337.8	56.9	296.0	355.8	59.8
Investments in associated companies	6	19.9	2.1	-17.9	20.2	2.3	-17.9
Other non-current receivables	3	16.4	44.4	28.0	1.8	2.5	0.8
Other non-current investments	6	17.4	2.4	-15.0	17.9	2.4	-15.5
Deferred tax assets	7	0.7	2.3	1.6	5.8	5.4	-0.4
		462.9	536.6	73.7	517.6	554.5	37.0
Current assets							
Inventories		6.4	6.4	0.0	6.1	6.1	0.0
Trade and other receivables	6	165.4	164.4	-1.0	205.0	205.4	0.5
Available-for-sale-investments					8.1	8.1	0.0
Financial assets at fair value through profit or loss		267.7	270.7	3.0	247.7	247.7	0.0
Cash and cash equivalents		16.4	16.3	0.0	17.4	17.4	0.0
		455.8	457.9	2.1	484.3	484.8	0.5
Assets, total		918.8	994.5	75.8	1,001.9	1,039.3	37.4

EUR million	Note	FAS 1 Jan 2005	IFRS 1 Jan 2005	IFRS effect 1 Jan 2005	FAS 31 Dec 2005	IFRS 31 Dec 2005	IFRS effect 31 Dec 2005
Equity							
Share capital		70.0	70.0	0.0	70.0	70.0	0.0
Fair value reserve and other reserves		142.7	142.7	0.0	143.1	143.1	0.0
Translation differences		-0.1	-0.1	0.0	-0.1	-0.1	0.0
Retained earnings		383.7	413.1	29.3	444.7	441.8	-2.9
Total equity attributable to the equity holders of the parent company		596.3	625.7	29.3	657.8	654.9	-2.9
Minority interest		0.6	0.1	-0.5	0.8	0.3	-0.6
Total equity		596.9	625.7	28.8	658.6	655.1	-3.5
Non-current liabilities							
Deferred tax liabilities	7	9.5	21.2	11.7	19.5	20.8	1.2
Non-current interest-bearing liabilities	3,6	0.9	22.6	21.7	5.6	28.7	23.1
Non-current non-interest-bearing liabilities	8	2.5	7.1	4.6	4.3	4.7	0.4
Pension benefit obligations	2	0.0	4.6	4.6	0.0	8.3	8.3
Non-current provisions	8	2.6	0.5	-2.1	0.4	-	-0.4
Total non-current liabilities		15.5	55.9	40.4	29.8	62.4	32.6
Current liabilities							
Current interest-bearing liabilities	3,6	68.8	77.8	9.0	2.1	11.5	9.4
Trade payables and other liabilities	8	228.4	225.8	-2.6	280.9	292.3	11.4
Current tax liabilities		9.1	9.1	0.0	17.8	17.8	0.0
Current provisions	8	0.0	0.1	0.1	12.7	0.1	-12.6
Total current liabilities		306.3	312.9	6.5	313.5	321.8	8.3
Total equity and liabilities		918.8	994.5	75.8	1,001.9	1,039.3	37.4

Notes to the consolidated financial statements

Effect of IFRS adoption on the income statement for 1 Jan–31 Dec 2005

EUR million	Note	FAS 1 Jan-31 Dec 2005	IFRS 1 Jan-31 Dec 2005	IFRS effect
Net sales		1,348.2	1,348.2	0.0
Other operating income	2	71.7	69.1	-2.7
Share of associated companies' results		0.8	0.8	0.0
Other operating expenses	2,3,4	1,213.5	1,228.7	15.2
Depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets	3,4	47.1	59.3	12.3
On goodwill	1	24.4	32.2	7.8
Operating profit		135.9	101.8	-38.0
Financial income and expenses				
Other financial income and expenses	3,5	7.3	5.9	-1.4
Profit before income tax		143.1	103.7	-39.4
Income tax	7	-47.9	-39.7	8.2
Minority interests		-0.1	-0.1	0.0
Profit for the period		95.1	63.9	-31.2

Consolidation principles and goodwill (Note 1)
Subsidiaries and associated companies acquired by 31 March 2004 were consolidated into Group accounts using the purchase method under FAS. IFRS 3 applies to acquisitions carried out from 1 April 2004, whereby the purchase price is allocated to intangible assets and property, plant and equipment measured at fair value. Amortisation on goodwill recognised in 2004 under FAS has been reversed; this reversal's annual effect on the income statement totalled EUR 18.1 million. Goodwill on the opening IFRS balance sheet of 1 January 2005, the IFRS transition date, totalled EUR 112.2 million. Goodwill was tested for impairment on the date of transition when no impairment losses were recognised. On the basis of impairment tests performed during 2005, a total of EUR 32.2 million in impairment losses on German and Scandinavian businesses' goodwill was recognised on the IFRS financial statements on 31 December 2005. The FAS-compliant financial statements on 31 December 2005 included EUR 7.9 million impairment losses, due mainly to the different discount rate and amortisation on goodwill for 2005.

Employee benefits (Note 2)
Pension cover under the Finnish Employees' Pensions Act (TEL) and supplementary pension cover, which were mainly funded through Finland Post's pension fund on 31 December 2004, were treated as defined benefit pension plans on the opening IFRS balance sheet. Pension liability equals the present value of the pension obligation less the fair value of the plan assets and adjusted for unrecognised actuarial gains and losses. Pension expenses are recognised in the income statement in accordance with IAS 19 (Employee Benefits). Finland Post Group applies an exemption regarding defined benefit pension plans, whereby, actuarial gains and losses are recognised directly in equity. Group employee pension plans funded through pension insurance companies are treated as defined contribution pension plans. The resulting contributions are charged to expenses for the period during which such contributions are made.

A total of EUR 27.1 million in assets and EUR 4.6 million in liability, due to defined benefit pension plans, were recognised in the opening IFRS balance sheet. As a result of the dissolution of Finland Post's pension fund on 31 December 2005, pension insurance companies took charge of TEL-based pension cover, and pensions plans were mainly reclassified as defined contribution plans. A total of EUR 56.4 million in gains on the resulting dissolution was recognised in the income statement for 2005.

Leases (Note 3)
Many of Finland Post Group's leases are classified as finance leases under IAS 17. The most significant reclassification of leases applies to leases on vehicles used in mail delivery and franking machine leases. Under the previous accounting practice these leases were disclosed in the notes under lease commitments. Assets leased under finance leases, less accumulated depreciation, are recognised in property, plant and equipment (PPE) and the resulting lease obligations are recognised in interest-bearing liabilities. Lease payments for finance leases are apportioned between financial expenses and as a reduction of lease liability. On 31 December 2005, property, plant and equipment included EUR 31.8 million (EUR 28.4 million on 1 January 2005) in assets leased under financial leases and liabilities included EUR 32.9 million (EUR 29.4 million on 1 January 2005) in finance lease liabilities.

When Finland Post Group acts as a lessor, a lease on one property it owns is classified as a finance lease. As a result, the balance sheet value of property, plant and equipment on 31 December 2005 was down by EUR 0.7 million (EUR 0.8 million on 1 January 2005) and loan receivables were up by EUR 0.8 million (EUR 0.8 million) on 1 January 2005.

Intangible assets (Note 4)
Intangible assets acquired are initially measured at cost. Intangible assets acquired as a result of business combinations are measured at fair value valid on the acquisition date. Such assets are amortised over their expected useful lives. Fulfilling the recognition criteria set for development costs, development costs related to the creation of Finland Post Group's ERP system were recognised retrospectively as an intangible asset (EUR 16.5 million) on the transi-

tion date and as an adjustment for equity less deferred tax liability (EUR 12.2 million). The effect at the end of 2005 on intangible assets totalled EUR 12.4 million. In addition, other capitalised non-current expenditure reported in intangible assets under FAS was re-classified as property, plant and equipment (EUR 1.4 million) on the IFRS-compliant balance sheet on 31 December 2005.

Financial instruments (Note 5)

Finland Post Group has also applied IAS 39 to its FAS-compliant financial statements since 1 January 2005. Gains (EUR 1.5 million) resulting from changes in measurement principles were adjusted for deferred tax liability and recognised in equity on the opening IFRS balance sheet of 1 January 2005. These gains mainly resulted from the measurement of financial assets at fair value.

Mutual property companies (Note 6)

Shares entitling to possession of property companies are consolidated using the proportionate consolidation method, as required by IAS 31 Interests in Joint Ventures. As a result of the consolidation, the item shown as the value of these shares is mainly included in land and buildings in the balance sheet.

Income tax (Note 7)

Deferred taxes are recognised for IFRS adjustments to the extent that they have caused temporary taxable or tax-deductible differences between taxable amounts and carrying amounts. Deferred taxes are not recognised on goodwill and other permanently tax-exempt or non-deductible items.

Provisions (Note 8)

Items on 31 December 2005 classified as provisions under FAS, accruals (EUR 0.4 million) resulting from the long-term management incentive scheme and a donation (EUR 12.7 million) made to Finland Post's Foundation for Wellbeing at Work, are currently reported under liabilities. Only the obligation arising from operational restructuring is reported under provisions.

Investment property (Note 9)

On the transition date of 1 January 2005, the Group classified its properties as owner occupied and investment properties. The Group's investment property refers to land or buildings, or part thereof, which it holds for rental income or capital appreciation, as well as buildings in occasional use in store for sale. On 31 December 2005, EUR 4.8 million (EUR 5.0 million on 1 January 2005) were transferred from property, plant and equipment to investment property in the balance sheet.

No material differences exist between the FAS- and IFRS-compliant cash flow statements. However, accounting for finance leases under IFRS results in differences in cash flow from operating activities and cash used in investing activities and cash used in financing activities, vis-à-vis the FAS-compliant cash flow statement.

Reconciliation of equity

EUR million	31 Dec 2005	1 Jan 2005
Equity (FAS)	**657.8**	**596.3**
Effect of IFRS adoption		
IAS 38 Intangible Assets		
Capitalisation and amortisation		
of development costs	9.2	12.2
IFRS 3 Business Combinations		
Reversal of goodwill amortisation	18.0	
IAS 36 Impairment of Assets	-24.3	
IAS 19 Employee Benefits		
Changes in pension obligations	-5.0	16.7
IAS 17 Leases		
Finance leases	-0.8	-0.7
IAS 39 Financial instruments:		
Recognition and Measurement		
Changes in measurement		
of financial instruments	0.0	1.1
Total adjustments	-2.9	29.3
Equity (IFRS)	**654.9**	**625.6**

Reconciliation of profit for the period

EUR million	1 Jan-31 Dec 2005
Profit for the period (FAS)	**95.1**
Effect of IFRS adoption	
IAS 38 Intangible Assets	
Capitalisation and amortisation	
of development costs	-3.0
IFRS 3 Business Combinations	
Reversal of goodwill amortisation	18.0
IAS 36 Impairment of Assets	-24.3
IAS 19 Employee Benefits	
Changes in pension obligations	-21.7
IAS 17 Leases	
Finance leases	-0.1
IAS 39 Financial instruments:	
Recognition and Measurement	
Changes in measurement of financial instruments	0.0
Total adjustments	-31.2
Profit for the period (IFRS)	**63.9**

Income Statement of Parent Company (FAS)

EUR million		1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Net sales	1	**1,156.7**	1,108.6
Other operating income	2	**26.7**	87.5
Materials and services		**228.0**	202.0
Materials and consumables		**9.6**	9.9
Purchases during the financial period		**9.2**	9.5
Change in inventories		**0.4**	0.4
External services		**218.5**	192.1
Personnel expenses		**619.3**	566.1
Wages and salaries	3	**494.4**	469.8
Social security expenses		**124.9**	96.3
Pension expenses		**87.0**	58.7
Other social security expenses		**37.8**	37.6
Depreciation, amortisation and impairment losses		**28.2**	27.8
Depreciation and amortisation according to plan		**28.2**	27.8
Other operating expenses	5	**228.4**	251.2
Operating profit		**79.5**	149.1
Financial income and expenses	6	**-22.9**	8.4
Income from Group companies		**0.0**	0.6
Income from associated companies		**1.0**	0.0
Income from other non-current investments		**3.2**	1.7
From Group companies		**2.8**	0.9
From others		**0.4**	0.7
Other interest and financial income		**9.7**	10.0
From Group companies		**0.7**	0.5
From others		**9.0**	9.5
Interest and other financial expenses		**-2.7**	-4.0
To Group companies		**-0.7**	-0.5
To others		**-2.0**	-3.5
Impairment losses on non-current assets		**-34.1**	-
Profit before extraordinary items		**56.6**	157.5
Extraordinary items	7	**15.4**	21.5
Extraordinary income		**16.9**	22.1
Extraordinary expenses		**-1.5**	-0.5
Profit before appropriations and income taxes		**72.0**	179.0
Appropriations		**5.0**	4.9
Increase (-) or decrease (+) in depreciation reserve		**5.0**	4.9
Income tax	8	**-29.2**	-50.3
Profit for the financial period		**47.8**	133.6

Cash Flow Statement of Parent Company (FAS)

EUR million	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Cash flow from operations	**56.6**	157.5
Profit before extraordinary items		
Adjustments:		
Depreciation and amortisation according to plan	**28.2**	27.8
Gains/losses on sale of property, plant and equipment and other non-current assets	**-0.2**	-4.5
Financial income (-) and expenses (+)	**-11.2**	-8.4
Impairment losses on non-current assets	**34.1**	-
Other adjustments	**0.4**	-7.3
Cash flow before change in net working capital	**107.9**	165.2
Change in net working capital		
Non-interest-bearing current receivables, increase (-), decrease (+)	**-6.1**	3.6
Inventories, increase (-), decrease (+)	**0.2**	0.4
Non-interest-bearing liabilities, increase (+), decrease (-)	**15.1**	11.8
Change in provisions	**-12.1**	10.5
Change in net working capital	**-2.9**	26.3
Cash flow from operating activities before financial items and income tax	**105.1**	191.4
Interests paid	**-0.8**	-4.5
Interests received	**12.5**	12.5
Other financial items	**-1.3**	0.6
Income taxes paid	**-47.8**	-44.3
Cash flow from financial items and taxes	**-37.3**	-35.7
Cash flow from operating activities (A)	**67.8**	155.7
Cash flow from investing activities		
Investments in property, plant and equipment and intangible assets	**-15.7**	-35.4
Proceeds on sale of property, plant and equipment and intangible assets	**2.4**	21.8
Acquisition of Group companies and business operations	**-24.0**	-34.9
Proceeds on disposal of Group companies and associated companies	**1.7**	0.7
Loans granted	**-64.8**	-50.4
Repayments of loan receivables	**25.7**	6.1
Dividends received	**1.0**	0.7
Cash flow from investing activities (B)	**-73.8**	-91.4
Cash flow from financing activities		
Proceeds on current loans	**-**	-39.5
Repayment of current loans	**9.9**	-
Repayment of non-current loans	**-**	-60.0
Dividends paid and other profit distribution	**-43.0**	-35.0
Received and paid group contributions	**21.5**	26.9
Cash flow from financing activities (C)	**-11.6**	-107.6
Change in cash and cash equivalents (A+B+C), increase (+) decrease(-)	**-17.6**	-43.3
Cash and cash equivalents at the period-start	**240.7**	243.1
Effect of investments fair value change	**0.3**	1.8
Cash and cash equivalents transferred due to merger	**-**	39.1
Cash and cash equivalents at period-end	**223.4**	240.7

Balance Sheet of Parent Company (FAS)

EUR million	NOTE	31 DEC 2006	31 DEC 2005
Assets			
Non-current assets		**496.2**	495.7
Intangible assets	9	**18.7**	19.8
Development costs		**5.8**	3.3
Intangible rights		**5.9**	6.2
Goodwill		**5.1**	6.5
Other capitalised non-current expenses		**0.9**	1.0
Prepayments		**1.1**	2.7
Property, plant and equipment	10	**217.5**	230.7
Land and water		**37.0**	37.3
Buildings and structures		**146.2**	151.5
Machinery and equipment		**28.4**	33.8
Other tangible assets		**1.9**	2.0
Work in progress		**4.0**	6.1
Non-current investments	11	**259.9**	245.2
Shares in Group companies		**171.9**	166.3
Receivables from Group companies		**53.3**	41.3
Shares in associated companies		**19.0**	20.1
Receivables from associated companies		**0.5**	2.0
Other shares and holdings		**15.3**	15.5
Current assets		**508.9**	512.2
Inventories		**3.7**	3.9
Materials and consumables		**3.7**	3.9
Receivables and other assets		**262.6**	248.8
Non-current	12	**76.5**	65.9
Receivables from Group companies		**73.0**	61.6
Receivables from associated companies		**0.8**	0.8
Loan receivables		**0.9**	0.9
Deferred tax assets		**1.8**	2.6
Current	13	**186.1**	182.9
Trade receivables		**106.3**	104.8
Receivables from Group companies		**37.3**	43.4
Receivables from associated companies		**-**	0.6
Other current receivables		**0.7**	0.6
Prepayments and accrued income		**41.8**	33.5
Current investments	14	**239.1**	255.8
Shares and holdings		**239.1**	255.8
Cash and bank		**3.4**	3.6
Total assets		**1,005.1**	**1,007.9**

EUR million	NOTE	31 DEC 2006	31 DEC 2005
Equity and liabilities			
Equity	15	**708.8**	703.7
Share capital		**70.0**	70.0
Fair value reserve		**0.6**	0.4
Other reserves		**142.7**	142.7
Retained earnings		**447.6**	357.0
Profit for the financial period		**47.8**	133.6
Appropriations	16	**21.9**	26.9
Depreciation in excess of plan		**21.9**	26.9
Provisions for liabilities and charges	17	**0.9**	12.9
Other provisions		**0.9**	12.9
Liabilities		**273.5**	264.4
Non-current liabilities		**0.2**	0.1
Deferred tax liability	18	**0.2**	0.1
Current liabilities		**273.3**	264.2
Advances received		**7.0**	7.7
Trade payables		**29.8**	23.6
Amounts owed to Group companies	19	**25.9**	18.8
Amounts owed to associated companies	20	**0.0**	2.9
Other current liabilities		**63.2**	65.0
Accruals and deferred income	21	**147.4**	146.2
Total equity and liabilities		**1,005.1**	**1,007.9**

Notes to the financial statements (Parent company)

EUR million	2006	2005
1. Net sales by geographical market		
Finland	1,099.5	1,050.5
Other countries	57.2	58.1
Total	1,156.7	1,108.6
2. Other operating income		
Gains on sale of non-current assets	0.3	4.6
Rental income	15.9	16.5
Other operating income	10.5	66.4
Total	26.7	87.5
3. Management remuneration		
President & CEO	0.4	0.4
Executive Board	2.1	1.8
Members of the Board of Directors	0.2	0.2
Members of the Supervisory Board	0.1	0.1
Total	2.9	2.5

Management pension obligations are presented in Notes to the consolidated financial statements.

4. Average number of personnel during the financial year

	2006	2005
	22,065	21,378

EUR million	2006	2005
5. Other operating expenses		
Lease expenses	56.1	53.2
Losses on disposal of non-current assets	0.1	0.2
Other operating expenses	172.2	197.8
Total	228.4	251.2
6. Financial income and expenses		
Dividends received		
From Group companies	0.0	0.6
From others	1.0	0.1
Total	1.0	0.7
Interest income from non-current investments		
From Group companies	2.8	0.9
From others	0.4	0.7
Total	3.2	1.6
Other interest and financial income		
From Group companies	0.7	0.5
From others	9.0	9.5
Total	9.7	10.0
Interest and financial income, total	12.9	11.7
Impairment losses on non-current assets		
Impairment losses on group interests	-34.1	
Total	-34.1	

EUR million	2006	2005
Interest and other financial expenses		
To Group companies	0.7	0.5
To others	2.0	3.5
Total	2.7	4.0
Interest and financial expenses, total	-22.9	8.4
The item 'Other interest and financial income' includes exchange rate gains (net)	0.3	-0.3
7. Extraordinary items		
Group contributions received	16.9	22.1
Group contributions given	-1.5	-0.5
Total	15.4	21.5
8. Income tax		
Income tax on business activities	28.0	47.7
Income tax from previous years	0.3	5.0
Change in deferred tax liability in appropriations	-	-0.4
Change in deferred tax assets from temporary differences	0.9	-2.0
Total	29.2	50.3
9. Intangible assets		
Development costs		
Cost 1 Jan	3.6	-
Additions	3.6	3.6
Cost 31 Dec	7.2	3.6
Accumulated amortisation 1 Jan	0.3	-
Amortisation for the financial period	1.1	0.3
Accumulated amortisation 31 Dec	1.4	0.3
Book value 31 Dec	5.8	3.3
Intangible rights		
Cost 1 Jan	34.7	23.1
Additions	1.5	2.1
Disposals	0.0	-0.6
Additions in transfers of business	1.2	-
Transfers between items	0.8	10.2
Cost 31 Dec	38.2	34.7
Accumulated amortisation 1 Jan	28.5	17.5
Accumulated amortisation on disposals	0.0	-0.6
Accumulated amortisation on add. in transfers of business	1.2	-
Accumulated amortisation in transfers	0.1	9.1
Amortisation for the financial period	2.5	2.6
Accumulated amortisation 31 Dec	32.3	28.5
Book value 31 Dec	5.9	6.2

EUR million	2006	2005
Goodwill		
Cost 1 Jan	9.4	1.1
Additions	-	8.3
Transfers between items	-0.8	-
Cost 31 Dec	8.7	9.4
Accumulated amortisation 1 Jan	2.9	1.1
Accumulated amortisation on disposals and transfers	-0.1	1.0
Amortisation for the financial period	0.8	0.8
Accumulated amortisation 31 Dec	3.6	2.9
Book value 31 Dec	5.1	6.5
Other capitalised non-current expenses		
Cost 1 Jan	2.5	2.4
Transfers between items	-	0.1
Cost 31 Dec	2.5	2.5
Accumulated amortisation 1 Jan	1.5	1.3
Accumulated amortisation on disposals and transfers	-	0.1
Amortisation for the financial period	0.1	0.1
Accumulated amortisation 31 Dec	1.6	1.5
Book value 31 Dec	0.9	1.0
Prepayments		
Cost 1 Jan	2.7	-
Additions	1.9	2.7
Disposals	-3.6	-
Cost 31 Dec	1.1	2.7
Book value 31 Dec	1.1	2.7
Intangible assets, total	18.7	19.8

10. Property, plant and equipment

EUR million	2006	2005
Land and water		
Cost 1 Jan	37.3	41.2
Additions	0.0	1.5
Disposals	-0.4	-5.3
Cost 31 Dec	37.0	37.3
Book value 31 Dec	37.0	37.3
Buildings and structures		
Cost 1 Jan	234.4	238.8
Additions	6.7	13.8
Disposals	-3.2	-18.2
Cost 31 Dec	237.9	234.4
Accumulated depreciation 1 Jan	82.8	79.8
Accumulated depreciation on disposals	-1.1	-6.1
Accumulated depreciation on transfers	-	0.0
Depreciation for the financial period	9.2	9.2
Impairment losses	0.7	-
Accumulated depreciation 31 Dec	91.7	82.8
Book value 31 Dec	146.2	151.5
Machinery and equipment		
Cost 1 Jan	144.3	141.1
Additions	7.6	6.5
Disposals	-1.6	-9.0
Additions in transfers of business	8.4	-
Transfers between items	-	5.7
Cost 31 Dec	158.6	144.3
Accumulated depreciation 1 Jan	110.5	101.1
Accumulated depreciation on disposals	-1.5	-8.8
Accumulated depreciation on additions in transfers of business	7.7	-
Accumulated depreciation on transfers	-	3.8
Depreciation for the financial period	13.5	14.4
Accumulated depreciation 31 Dec	130.2	110.5
Book value 31 Dec	28.4	33.8
Balance sheet value of production machinery and equipment on 31 Dec	24.2	28.5
Other tangible assets		
Cost 1 Jan	3.5	13.1
Additions	0.1	0.2
Transfers between items	-	-9.8
Cost 31 Dec	3.6	3.5
Accumulated depreciation 1 Jan	1.5	10.2
Accumulated depreciation on transfers	-	-9.0
Depreciation for the financial period	0.2	0.3
Accumulated depreciation 31 Dec	1.7	1.5
Book value 31 Dec	1.9	2.0
Work in progress		
Cost 1 Jan	6.1	1.6
Additions	7.3	18.9
Disposals	-9.4	-14.4
Cost 31 Dec	4.0	6.1
Book value 31 Dec	4.0	6.1
Property, plant and equipment, total	217.5	230.7

11. Non-current investments

EUR million	2006	2005
Shares in Group companies		
Cost 1 Jan	166.3	147.8
Additions	24.0	34.9
Disposals	-	-16.5
Disposals in transfers of business	-3.4	-
Cost 31 Dec	186.9	166.3
Accumulated impairment losses	15.0	-
Book value 31 Dec	171.9	166.3

Notes to the financial statements (Parent company)

EUR million	2006	2005
Shares in associated companies		
Cost 1 Jan	21.8	22.2
Disposals	-1.7	-0.3
Transfers between items	0.6	-
Cost 31 Dec	20.7	21.8
Share of profits or losses 1 Jan	1.7	1.7
Share of profits or losses 31 Dec	1.7	1.7
Book value 31 Dec	19.0	20.1
Other shares and holdings		
Cost 1 Jan	16.9	16.9
Disposals	-0.3	0.0
Cost 31 Dec	16.5	16.9
Accumulated impairment losses 1 Jan	1.4	1.4
Impairment losses	-0.1	-
Accumulated impairment losses 31 Dec	1.3	1.4
Book value 31 Dec	15.3	15.5
Receivables from Group companies		
Capital loan receivables		
Cost 1 Jan	41.3	46.5
Additions	31.1	-
Disposals	-	-5.2
Cost 31 Dec	72.4	41.3
Impairment losses	19.1	-
Accumulated impairment losses 31 Dec	19.1	-
Book value 31 Dec	53.3	41.3
Receivables from associated companies		
Capital loan receivables		
Cost 1 Jan	2.0	2.0
Disposals	-1.0	-
Transfers between items	-0.6	0.0
Cost 31 Dec	0.5	2.0
Book value 31 Dec	0.5	2.0
Investments, total	259.9	245.2

12. Non-current receivables

EUR million	2006	2005
Receivables from Group companies		
Loan receivables	73.0	61.5
Total	73.0	61.5
Receivables from associated companies		
Loan receivables	0.8	0.8
Total	0.8	0.8
Deferred tax assets		
From temporary differences	1.8	2.6
Total	1.8	2.6

13. Current receivables

EUR million	2006	2005
Receivables from Group companies		
Trade receivables	4.6	3.8
Loan receivables	15.6	17.5
Interest receivables	0.1	0.0
Prepayments and accrued income	17.0	22.1
Total	37.3	43.4
Receivables from associated companies		
Trade receivables	-	0.4
Interest receivables	-	0.2
Total	-	0.6
Key items in prepayments and accrued income		
Interest receivables	0.1	0.1
Tax assets	3.6	-
Receivables from other postal administrations	26.3	29.0
Other prepayments and accrued income	11.8	4.4
Total	41.8	33.5

Cash and cash equivalents:
The parent company's accounts form part of the Group's cash pool.

14. Fair value and change in fair value by financial instrument

EUR million	2006	2005
Investments in bonds and notes	99.4	120.9
change in fair value recognised in the income statement	-1.1	-0.6
Investments in commercial papers	133.1	124.1
change in fair value recognised in the income statement	0.2	0.2
Currency derivatives	0.0	0.0
change in fair value recognised in the income statement	-0.1	0.0
Other investments	6.5	7.5
change in fair value recognised in the fair value reserve	0.3	0.6

15. Equity

EUR million	2006	2005
Share capital 1 Jan	70.0	70.0
Share capital 31 Dec	70.0	70.0
Fair value reserve and other reserves		
Fair value reserve and other reserves 1 Jan	0.4	0.4
Profit /loss from measurement in fair value		
Other current investments	0.2	-
Fair value reserve 31 Dec	0.6	0.4
Other reserves 1 Jan	142.7	142.7
Other reserves 31 Dec	142.7	142.7

EUR million	2006	2005
Retained earnings 1 Jan	490.6	390.9
Dividend distribution	-43.0	-35.0
Changes in accounting principles	-	1.1
Retained earnings 31 Dec	447.6	357.0
Profit for the financial year 31 Dec	47.8	133.6
Equity, total	708.8	703.7
Calculation of distributable		
equity 31 Dec		
Other reserves	142.7	142.7
Retained earnings	447.6	357.0
Profit for the financial period	47.8	133.6
Total	638.1	633.3

16. Appropriatons

	2006	2005
Accumulated depreciation in excess of plan	21.9	26.9
Total	21.9	26.9

17. Provisions for liabilities and charges

	2006	2005
Other provisions	0.9	12.9
Total	0.9	12.9

Non-current liabilities

18. Deferred tax liability

	2006	2005
From measurement at fair value	0.2	0.1
Total	0.2	0.1
Deferred tax liability for appropriations		
is presented only in the		
consolidated balance sheet.	5.7	7.0

Current liabilities

19. Amounts owed to Group companies

	2006	2005
Trade payables	6.7	10.5
Other liabilities	17.4	7.2
Accruals and deferred income	1.8	1.1
Total	25.9	18.8

20. Amounts owed to associated companies

	2006	2005
Trade payables	0.0	2.9
Total	0.0	2.9

21. Key items in accruals and deferred income

	2006	2005
Tax liabilities	0.0	15.9
Accruals of personnel expenses	114.2	101.6
Amounts owed to other postal		
administrations	22.6	20.7
Other accruals and deferred income	10.6	8.0
Total	147.4	146.2

22. Interest-bearing liabilities

EUR million	2006	2005
Non-current liabilities	-	-
Current liabilities	17.4	7.5
Total	17.4	7.5

23. Assets pledged, commitments and other liabilities

	2006	2005
Other pledges for own behalf		
Mortgages on property given		
Securities pledged		
Guarantees	1.1	0.9
Total	1.1	0.9
Pledges given for Group companies		
Securities pledged		
Guarantees	14.9	9.7
Total	14.9	9.7
Pledges given for others behalf		
Guarantees	-	0.1
Other	0.0	-
Total	0.0	0.1
Other liabilities		
Supplementary pensions	0.4	0.3
Total	0.4	0.3
Leases		
Amounts payable on leases		
Payable within one year	16.3	13.6
Payable in later years	31.5	28.7
Total	47.8	42.3
Remaining lease commitments	36.0	34.3

24. Derivative contracts

	2006	2005
Currency forward contracts		
Market value	0.0	0.0
Underlying value	64.5	40.4

Derivative instruments are used for hedging foreign exchange rate risk and interest rate of the Group and they are measured at the market rates available on the balance sheet date.

25. Shares and holdings

The list of Finland Post Corporation's shares and holdings is available in company's head office.

Board of Directors' proposal and signatures

BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

According to the financial statements for 2006, the parent company's distributable profits total EUR 638,128,485.20 of which profit for the financial year accounts for EUR 47,832,927.90.

No material changes in the company's financial standing have taken place since the end of the financial year 2006, neither does the solvency test, as referred to in 13:2§ of the Companies' Act, affect the distributable profits.

The Board of Directors proposes to the Annual General Meeting that the distributable profits be allocated as follows:
- Paying a per-share dividend of EUR 0.675 or a total of EUR 27,000,000.00.
- Retaining EUR 20,832,927.90 under equity.

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

Helsinki, 15 February 2007

Eero Kasanen
Chairman

Mikko Kosonen
Vice Chairman

Kalevi Alestalo

Hele-Hannele Aminoff

Erkki Helaniemi

Antero Palmolahti

Mirja Sandberg

Soili Suonoja

Pirjo Tiiri

Jukka Alho
President & CEO

Auditors’ report

To the shareholders of Finland Post Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Finland Post Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company’s financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company’s financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company’s financial statements, report of the Board of Directors and administration

In our opinion the parent company’s financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company’s financial statements give a true and fair view of the parent company’s result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company’s financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.
The consolidated financial statements and the parent company’s financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, February 15, 2007

KPMG Oy Ab

Jorma Heikkinen
Authorized Public Accountant

Reino Tikkanen
Authorized Public Accountant

Statement by the Supervisory Board

At its meeting today, the Supervisory Board of Finland Post Corporation has considered Finland Post Corporation's Board of Directors' Report, Financial Statements and the Auditors' Report for 2006.

The Supervisory Board proposes to the 2007 Annual General Meeting that the Income Statement and Balance Sheet for 2006 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 27 February 2007

Antero Kekkonen
Chairman of the Supervisory Board

Key Figures

Finland Post Group

	IFRS 2006	IFRS 2005	FAS 2004	FAS 2003	FAS 2002
Operations					
Net sales, MEUR	1,550.6	1,348.2	1,235.2	1,145.5	1,112.1
Personnel 31 Dec.	24,806	24,408	23,297	23,740	22,544
Personnel in average	25,294	24,624	23,544	23,592	23,077
Capital expenditure, MEUR	69.5	143.0	78.3	71.6	98.3
% of net sales	4.5	10.6	6.3	6.3	8.8
Profitability					
Operating profit excl.goodwill amortisation and impairment losses on goodwill, MEUR	90.9	130.0 [1)]	112.9	89.2	69.9
% of net sales	5.9	9.6	9.1	7.8	6.3
Operating profit, MEUR	89.0	97.8	95.2	73.7	55.6
% of net sales	5.7	7.3	7.7	6.4	5.0
Profit before income taxes, MEUR	94.4	103.7	101.1	76.1	58.3
% of net sales	6.1	7.7	8.2	6.6	5.2
Profit for the financial period, MEUR	67.7	64.0	69.6	46.8	36.6
% of net sales	4.4	4.7	5.6	4.1	3.3
Balance sheet and key ratios					
Equity, MEUR	680.0	655.1	596.3	556.9	525.1
Total assets, MEUR	1,051.5	1,039.3	918.8	856.4	853.0
Return on equity, %	10.1	10.0	12.0	8.7	7.2
Return on investment, %	14.1	15.4	16.1	12.9	10.5
Equity ratio, %	65.1	63.5	65.6	65.8	62.3
Gearing, %	-32.1	-34.3	-35.9	-21.1	-14.7

[1)] Operating profit includes net EUR 43,8 million in non-recurring items.

Calculation of key figures (IFRS)

Return on equity, % $= 100 \times \dfrac{\text{profit for financial period}}{\text{total equity (average for the financial period)}}$

Return on investment, % $= 100 \times \dfrac{\text{profit before income tax + interests and other financial expenses}}{\text{total assets - non-interest-bearing liabilities (average for the financial period)}}$

Equity ratio, % $= 100 \times \dfrac{\text{total equity}}{\text{total assets - advances received}}$

Gearing, % $= 100 \times \dfrac{\text{interest-bearing liabilities-cash and cash equivalents - financial assets at fair value through profit or loss}}{\text{total equity}}$

Financial reports

Financial Publications

Finland Post Corporation publishes its annual and interim reports in Finnish, Swedish and English. These plus other releases and bulletins are also available on the company's website at www.posti.fi

Interim Reports in 2006

Q1 Interim Report 24 April
Q2 Interim Report 10 August
Q3 Interim Report 26 October

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