

Interim Report January-September 2016



Posti Group Corporation
October 31, 2016



POSTI GROUP CORPORATION INTERIM REPORT, OCTOBER 31, 2016 AT 10:00 A.M. (EET)

Posti Group's parcel and freight volumes continued to grow

Posti Group Corporation Interim Report January–September 2016

July–September 2016

Financial highlights

- Group's net sales decreased by 0.5% to EUR 371.5 (373.5) million. Comparable net sales decreased by 2.9% in July–September.
- Adjusted operating result declined and was EUR 7.5 (9.6) million, 2.0% (2.6%) of net sales.
- Operating result improved and amounted to EUR 14.5 (-2.2) million, representing 3.9% (-0.6%) of net sales.

Operational highlights

- Measured in waybills, Posti's domestic freight grew by 8%. Parcel volumes grew by 2%. The number of addressed letters declined by 9%.
- In August, Posti acquired Veine, a company that specializes in temperature-regulated logistics. The acquisition supports Posti's strategy to grow in food logistics. Posti and Veine can together offer competitive and nationwide food logistics solutions.
- In September, Posti Kiinteistöt sold a 74,000 square metre logistics warehouse property, Pennala, located in Orimattila.
- Mail items covered by the universal service obligation accounted for 3.9% of all of Posti's mail items in July–September.

January–September 2016

Financial highlights

- Group's net sales decreased by 5.6% in January–September and amounted to EUR 1,148.0 (1,215.6) million. Comparable net sales decreased by 3.9%.
- Adjusted operating result declined and was EUR 21.5 (23.3) million, 1.9% (1.9%) of net sales.
- Operating result declined and was EUR 13.6 (46.2) million, or 1.2% (3.8%) of net sales. Special items include a EUR 9.3 (44.4) million gain from sales of real estates. Other special items are described in connection with business group results.

Operational highlights

- Measured in waybills, Posti's domestic freight grew by 6% year-on-year. Parcel volumes grew by 1%. The number of addressed letters declined by 8%.
- OpusCapita sold its businesses serving the local markets in the Baltic countries to BaltCap in January.
- Itella Russia acquired the Russian courier company MaxiPost in March.
- By parliament's decision in June, The Finnish State can decrease its ownership at Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August. The Finnish State's direct holding will remain at 50.1%.
- OpusCapita acquired the Germany-based software company jCatalog Software in April. The acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.
- Mail items covered by the universal service obligation accounted for 4.4% of all of Posti's mail items in January–September.

Posti changed its terminology for Alternative Performance Measures in accordance with the new guidelines issued by the European Securities and Markets Authority (ESMA) as of the interim report for the second quarter of 2016. “Non-recurring items” was replaced by “special items”. “Operating result before non-recurring items” was replaced by “adjusted operating result”. The definitions for these performance measures and for items affecting the comparability of reported figures are provided in the section “Calculation of key figures” of this interim report and at www.posti.com/financials.

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

Key figures of Posti Group		7–9	7–9	1–9	1–9	1–12
EUR million		2016	2015	2016	2015	2015
Net sales		371.5	373.5	1,148.0	1,215.6	1,650.3
Adjusted operating result		7.5	9.6	21.5	23.3	48.7
Adjusted operating result	%	2.0	2.6	1.9	1.9	2.9
Operating result		14.5	-2.2	13.6	46.2	55.9
Operating result	%	3.9	-0.6	1.2	3.8	3.4
Result before taxes		12.6	-7.0	11.9	37.2	43.3
Result for the period		10.2	-1.1	10.5	31.7	36.0
Cash flow from operating activities				9.0	29.2	81.9
Return on equity (12 months)	%			2.4	5.9	6.1
Return on invested capital (12 months)	%			3.4	6.3	6.3
Equity ratio	%			49.2	48.8	47.8
Gearing	%			-7.7	8.1	-10.5
Gross capital expenditure		17.3	11.8	77.2	43.7	60.6
Average number of employees				20,759	22,482	22,219
Dividend						18.0

Heikki Malinen, President and CEO:

Posti will continue to seek new growth in logistics services in accordance with strategy, while mail and newspaper delivery volumes continued to decrease. In August, Posti purchased Veine, specialized in temperature-regulated logistics, and through this acquisition Posti is expanding its service supply into food logistics and temperature-regulated transport. In October, Posti strengthened further its market position in food logistics by acquiring Kuljetus Kovalainen.

Due to the acquisition of Veine and growth in freight, Parcel and Logistics Services' net sales increased by almost 8%. However, business group's adjusted operating result declined, but was still positive. Heavy transport volumes have turned to growth since April 2016 after declining for 47 consecutive months. This is a very positive development and gives confidence to the whole logistics market.

In July-September, the number of parcels delivered by Posti continued to grow. The growth was particularly strong in the Baltic countries, a total of 27%. We have strengthened our position in the international e-commerce by establishing of more than 1,200 pick-up points in the Baltic countries and by joining the DHL European partner network. This network offers customers access to pick-up points in 16 European countries. In Finland, the growth in parcel delivery is fastest through parcel points. The digital subscription channels are gaining popularity, as well. The number of parcels paid online has increased five-fold during the third quarter.

During the third quarter, the market situation remained challenging in Finland and its neighboring areas, affecting negatively the Group's net sales and adjusted operating result. Group's net sales in July–September



decreased by 0.5% and adjusted operating result declined to EUR 7.5 million. Adjusted operating result improved in Postal Services and in Itella Russia.

By parliament's decision in June, The Finnish State can decrease its ownership at Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August. The Finnish State's direct holding will remain at 50.1%. Possible enlargement in the ownership of Posti would support remarkably the renewal of the company in the transformation of the postal industry. It would also strengthen Posti's viability and boost new growth. Posti's main strategic goal is to be the leading provider of postal and logistics services in Finland.

The Russian economy has remained in recession, and the economic recovery continues to have a lot of questions. However, Itella Russia is showing some signs of slow recovery in transport volumes. In July–September, the adjusted operating result of Itella Russia improved to EUR -0.6 million. Although Russia's economy still includes a lot of uncertainty, Itella Russia's goal is to turn the result profitable.

The Ministry of Transport and Communications is currently finalizing the reform of the Postal Act, aiming to adjust the universal service to the era of digitalization. This is essential as digitalization moves on irrevocably. In January–September, the volume of addressed letters declined by 8% and newspaper delivery volumes by 9% compared to the previous year. In the coming years, the state plans to reduce paper mail from authorities to citizens by transferring the paper mail to digital mailbox, speeding up the need of Postal Act reform.

The first phase of Postal Act entered into force in June and allows Posti's competitors to deliver mail anywhere and at any time without any delivery obligations. However, current law requires Posti to maintain a five-day delivery obligation in spite of the fact that an average Finn receives only about 11 universal service letters in a year. In the situation of free competition, this regulation with decreasing mail volumes will lead to very expensive and cost-ineffective delivery. We urge that the universal service obligation be renewed to be more flexible, in order to ensure an affordable universal service for citizens and businesses all over Finland.

Posti is ready to maintain 5–7 days delivery for newspapers in sparsely populated areas on a commercial basis also in future. However, this requires that the Postal Act reform will be put into effect financially in a sustainable way. The delivery of newspapers could also be renewed by enabling mail, newspaper and freight distribution, and other home services in sparsely populated areas with support of a Transport Code.

APPENDICES

Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION

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

DISTRIBUTION

NASDAQ OMX Helsinki
Key media
www.posti.com/financials

IMAGES AND LOGOS

www.posti.com/newsroom

Posti Group is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in nine countries. Our net sales in 2015 amounted to EUR 1,650 million. We employ approximately 22,000 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. All of our services in Finland are carbon neutral. www.posti.com.

Interim Report for January–September 2016

Market situation and business environment

The positive development of heavy transport was reflected in Posti's domestic freight volumes. Measured in waybills, they grew by 8% in the third quarter and by 6% in January–September. Parcel volumes grew by 2% in the third quarter and by 1% in January–September. Positive development was seen especially in the B2C segment and in cross-border volumes. According to a report by the Finnish Transport Agency, transport volumes in heavy traffic decreased in Finland continuously starting from May 2012, but have been growing since April 2016.

The number of electronic mailbox Netposti letter volumes grew. Addressed letters declined by 8% and unaddressed delivery volumes by 11%. Newspaper delivery volumes declined by 9% and magazine delivery volumes by 2%.

In Russia, positive signs were seen in transport services, especially in air and sea and cross-dock services. The Russian ruble strengthened by 3.7% from the previous year. The market situation in Russia remained challenging and the Russian GDP continued to decline. The steepest decline was seen in the demand for contract logistics, both in storage and in handling.

OpusCapita transmitted a total of 364 million transactions in January–September. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume grew to 151 million transactions, which represents 41% of the total transaction volume. The comparable change in the electronic transaction volume was 15%. The accelerating shift from paper to online communications was reflected particularly in OpusCapita's iPost volumes. iPost volumes fell by 10%.

By parliament's decision in June, The Finnish State can decrease its ownership at Posti Group Corporation. In accordance with Government Resolution on Ownership Steering Policy, 49.9% of the ownership of Posti Group Corporation will be transferred to a new state-owned development company, Vake Oy, which was established in August.

Changes in management

Kaarina Ståhlberg, LL.M., was appointed as VP, Legal Affairs, and a member of the Management Board, effective from March.

Turkka Kuusisto, M.Sc. (Tech.), was appointed as SVP, Postal Services, effective from August, 2016. Kuusisto was also appointed as a member of Posti's Executive Board.

Jani Jolkkonen, M.Sc. (Tech.), EMBA, was appointed as SVP, ICT and Digitalization, effective from August, 2016. Jolkkonen will also continue to be a member of Posti's Executive Board.

Net sales and operating result in July–September

Group's net sales in July–September decreased by 0.5% to EUR 371.5 (373.5) million. Comparable net sales decreased by 2.9%. In local currencies, net sales increased by 0.1%. Net sales increased by 1.2% in Finland and decreased by 8.9% in other countries. International operations accounted for 15.6% (17.1%) of net sales.

Net sales decreased by 5.1% in Postal Services, which was driven by volume decline. Net sales decreased by 8.3% in Itella Russia, driven by lower storage and handling in contract logistics. OpusCapita's net sales decreased by 6.5%, which was driven by the decline in iPost volumes and divested business. Net sales increased by 7.8% in Parcel and Logistics Services because of an acquisition and growing freight volumes.

The number of working days was the same as in the previous year.

Adjusted operating result declined and was EUR 7.5 (9.6) million, 2.0% (2.6%) of net sales.

Adjusted operating result improved to EUR 7.5 (5.7) million in Postal Services and to EUR -0.6 (-1.4) million in Itella Russia. Adjusted operating result declined to EUR 2.8 (4.2) million in OpusCapita and to EUR 0.3 (2.1) million in Parcel and Logistics Services.

July–September special items were positive, EUR 7.1 (negative 11.8) million. The special items of the business groups are described in more detail below, in connection with the results analysis specific to each business group. Posti Kiinteistöt sold the Pennala logistics warehouse property, located in Orimattila, to RBS Nordisk Renting. The

sale is visible in Other operation's special items. The sale of the property was part of Posti's plan to release capital for renewal and growth, among other purposes. Posti continues its business operations in the property with a long-term lease.

Group's operating result was EUR 14.5 (-2.2) million, or 3.9% (-0.6%) of net sales.

Result before taxes was EUR 12.6 (-7.0) million.

Mail items covered by the universal service obligation accounted for 3.9% of all of Posti's mail items in July–September. Operations under the universal service obligation amounted to EUR 26.8 (28.8) million in July–September, which was 7.2% of the Group's net sales.

Net sales and operating result in January–September

Group's net sales decreased by 5.6% to EUR 1,148.0 (1,215.6) million. Comparable net sales in January–September decreased by 3.9%. Net sales decreased by 2.3% in Finland and by 21.0% in other countries. International operations accounted for 14.6% (17.4%) of net sales.

Postal Services' net sales decreased by 4.7%, due to volume decline. Net sales in Parcel and Logistics Services decreased by 4.1%. The decline was due to the divestment of Scandinavian operations in 2015. Net sales decreased by 17.1% in Itella Russia, driven mainly by currency depreciation, and by 7.5% in OpusCapita. Comparable net sales decreased by 5.2% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 4.9%.

The number of working days was the same as previous year.

Group's adjusted operating result declined and was EUR 21.5 (23.3) million, or 1.9% (1.9%) of net sales.

Adjusted operating result improved to EUR 35.9 (31.6) million in Postal Services. Adjusted operating result declined to EUR -5.5 (1.0) million in Parcel and Logistics Services, to EUR -4.5 (-4.3) million in Itella Russia, and to EUR 6.2 (11.1) million in OpusCapita.

January–September special items were negative EUR 7.9 (positive 22.9) million. Special items of the business groups are described in more detail below, in connection with the results analysis

specific to each business group. Posti Kiinteistöt sold the Pennala logistics warehouse property, located in Orimattila, to RBS Nordisk Renting. The sale is visible in Other operation's special items.

Operating result was EUR 13.6 (46.2) million, or 1.2% (3.8%) of net sales. Special items include a EUR 9.3 (44.4) million gain from sales of real estates. Other special items are described in connection with business group results.

Result before taxes was EUR 11.9 (37.2) million.

Group's net financial costs amounted to EUR 1.7 (9.0 million). Net financial costs were decreased by reversal of impairment from receivables and exchange rate gains from ruble.

Return on equity was 2.4% (5.9%).

Mail items covered by the universal service obligation accounted for 4.4% of all of Posti's mail volumes in January–September. Universal service obligation revenue amounted to EUR 93.0 (96.7) million in January–September, which was 8.1% of the Group's net sales.

Postal Services

July–September

The Postal Services business group's net sales in July–September decreased by 5.1% and amounted to EUR 153.3 (161.6) million. The decrease in net sales was due to the accelerating decline in the domestic delivery product volume. The decline in volume was partly compensated by the price increases that entered into force earlier in the year.

The business group's adjusted operating result improved to EUR 7.5 (5.7) million. The decrease in the domestic delivery product net sales was not fully compensated by cost adaptation measures in production. July-September operating result includes a positive impact from the international postal payment (terminal dues) returns. No special items were recognized during the period (positive EUR 0.7 million).

Operating result was EUR 7.5 (6.4) million.

January–September

The Postal Services business group's net sales in January–September decreased by 4.7% and amounted to EUR 510.0 (535.0) million. The

decrease in net sales was due to a decline in the domestic delivery product volume. The decline in volume was partly compensated by the price increases that entered into force earlier in the year.

The business group's adjusted operating result improved to EUR 35.9 (31.6) million. The result was driven by the improvements in operational efficiency, the increases in postage fees that took effect at the beginning of 2016, as well as higher delivery volumes related to Easter and Valentine's Day and a positive impact from the international postal payment (terminal dues) returns. No special items were recognized during the period (positive 0.9 million).

Operating result was EUR 35.9 (32.5) million.

In January–September, the year-on-year development of mail delivery volumes was as follows:

- Addressed letters, -8% (-7%)
- Unaddressed direct marketing, -11% (+6%)
- Newspapers, -9% (-30%)
- Magazines, -2% (-8%)
- Electronic letters, +3% (+4%)

Competitors have expanded their deliveries in mail delivery driven by the Postal Act effective in June. The implications for Posti's volumes was not yet material during the reporting period. The volume decrease of addressed letters was 8%, accelerating from the previous year. Unaddressed delivery volumes decreased by 11%. This was due to changes in customers' media strategies.

Electronic letter volumes grew. Newspaper delivery volumes declined by 9%. The exceptionally steep decline in newspaper delivery volumes in 2015 was attributable to the expiration of early-morning delivery agreements. Magazine delivery volumes declined by 2%. Magazine delivery volumes declined at a slower rate than in the previous year due to changes in customers' mailing methods, such as products being moved from unaddressed direct marketing to magazines.

The number of digital mailbox Netposti users increased by 8% year-on-year and stood at 674,000 at the end of September.

In cash services offered to consumers, Posti adopted in February the pricing model used commonly in Europe, in which all domestic and foreign letter items have their own fees. There

were also price increases in other cash-paid postal services.

As part of its efficiency improvement measures, Posti will renew its mail delivery operations. Posti revised delivery routes and extended mail delivery towards the evening, starting from April 25, 2016. The change allows the delivery of postal items and different types of services, parcels and products more flexibly to customers' homes, also in the evening. Tuesday mail delivery will be renewed during the beginning of 2017 in order to control the rise of delivery costs. Following the changes, basic delivery on Tuesdays will cover the majority of newspapers as well as parcels, express letters, international letter items and laboratory items. Tuesday deliveries will no longer cover magazines, advertisements, letters and free publications, provided that all early-week items have been delivered on Monday.

Posti will simplify the sending of letters by combining the letter payment classes, i.e. the current 1st and 2nd class on January 1, 2017.

Parcel and Logistics Services

July–September

The Parcel and Logistics Services business group's net sales increased by 7.8% and amounted to EUR 148.2 (137.5) million. Net sales was boosted by the increase in freight volumes, new customers in Supply Chain Solutions and the acquisition of Veine. Comparable net sales increased by 1.4%.

The amount of parcels delivered by Posti in July–September increased by 2% in Finland and by 27% in the Baltic countries. The amount of parcels delivered by Posti in July–September was 7.8 (7.6) million parcels. Positive development was seen especially in the B2C segment and in cross-border volumes. The number of parcels going through Posti's parcel points grew by 26%.

Measured in waybills, Posti's domestic freight grew by 8% year-on-year. Domestic freight volumes grew due to new customer acquisition and Finland's growing heavy transport volumes.

Posti lost one of its biggest customers in July, when the department store chain Anttila went bankrupt. Posti has been in charge of the supply chain solutions in Anttila's department stores and online stores.

The net sales of the warehousing business increased from the previous year due to higher processing volumes and fill rates towards the end of the period. Both were favorably affected by the start of operations for new customers acquired by Posti earlier in the year, following a transition period.

The business group's adjusted operating result declined to EUR 0.3 (2.1) million. The comparison period included items from the divestment of Scandinavian operations. Items had a positive impact on the result.

July–September special items were of negative EUR 1.1 (positive 2.2) million. Special items were related to organizational restructuring.

The business group's operating result was EUR -0.8 (4.3) million. The special items in the comparison period had a positive impact on the operating result and they mainly were related to the divestment of Scandinavian operations.

January–September

The Parcel and Logistics Services business group's net sales decreased by 4.1% and amounted to EUR 429.6 (448.1) million. The decline was due to the divestment of Scandinavian operations in 2015. Comparable net sales was at the previous year's level.

The amount of parcels delivered by Posti in January–September grew by 1% and totaled 23.7 (23.4) million parcels. Parcel volumes were negatively affected by general weakness of domestic growth and tight competition. Posti lost some parcel customers when they sought optional channels in the last quarter of 2015. The growth in volumes was driven by the growing e-commerce, especially in the B2C segment and cross-border volumes. The number of parcels going through Posti's parcel points grew by 27% year-on-year.

Measured in waybills, Posti's domestic freight grew by 6% year-on-year. Domestic freight volumes grew due to new customer acquisition and Finland's growing heavy transport volumes.

The net sales of the warehousing business increased from the previous year due to higher processing volumes and fill rates. Both were favorably affected by the start of operations for new customers acquired by Posti earlier in the year, following a transition period. The fill rate for

warehouses in Finland was 75% (72%) at the end of September.

Posti strengthened its role in international e-commerce and established a pickup point network in the Baltic countries to serve consumers and companies at shops and kiosks in Estonia, Latvia and Lithuania. The network encompasses 1,200 item pickup points and will be the largest pickup point system in the Baltic countries. Posti joined the DHL partner network that offers harmonized international parcel deliveries in 16 European countries. In addition to the Finnish end customers covered by the network, Posti delivers parcels to Estonia, Latvia, and Lithuania through its newly-established pickup point network.

Business group's adjusted operating result declined to EUR -5.5 (1.0) million. The result was weighed down by the low warehouse fill rate early in the year, investments in information systems in production operations, and start-up costs arising from new customer relationships. Further factors that had a negative effect on the result included tighter competition in the parcel business and a negative change in the fuel price.

Special items recognized during the period totaled EUR 1.0 (11.4) million. The special items in the comparison period were related to the restructuring of Scandinavian operations.

Business group's operating result improved to EUR -6.5 (-10.4) million.

Stockmann and Posti signed an agreement on transferring the logistics operations of Hobby Hall to Posti starting from May 1, 2016. The agreement covered the warehousing of Hobby Hall's products, online store logistics services—including dispatches and the center for product returns—and the transportation of products to the Hobby Hall store. The entire warehouse personnel of Hobby Hall was transferred to Posti as existing employees.

On June 1, 2016, Posti signed an agreement to acquire the entire share capital of Veine, a company that specializes in temperature-regulated logistics. Veine is a Finnish logistics company that offers transport, terminal, delivery and warehousing services. Its annual net sales are approximately EUR 54 million and it employs 130 people. The transaction was completed in August 2016. The acquisition supports Posti's strategy to grow in food logistics. Posti and Veine can



together offer competitive and nationwide food logistics solutions.

The renewal of Posti's retail network has progressed according to plan. Posti had 1,415 service points in Finland, of which 479 were parcel points at the end of September.

Itella Russia

July–September

Measured in local currency, Itella Russia's net sales decreased by 5.4% in July–September. Net sales were negatively affected by the decline in contract logistics, mainly in storage but also in handling, and by the closing of one of the biggest warehouses. Net sales were boosted by the higher demand for transport business and the new business brought in by the MaxiPost acquisition.

Euro-denominated net sales decreased by 8.3% to EUR 26.9 (29.3) million.

Business group's adjusted operating result improved to EUR -0.6 (-1.4) million. In spite of the difficult market situation, the result improved due to factors including a release of provision for onerous leases made in 2015, lower depreciation as well as efficiency improvement and cost reduction measures.

The warehouse fill rate declined in Moscow and remained stable in other areas.

Operating result was EUR -0.7 (-9.0) million. The corresponding figure, EUR -9.0 million, includes EUR 7.6 million in impairment losses on customer relationships.

January–September

Measured in local currency, Itella Russia's net sales decreased by 4.9% in January–September. Net sales were negatively affected by the weak economic climate, GDP decline and the weak demand for logistics services due to lower customer volumes.

The steepest decline was seen in the demand for contract logistics, both in storage and in handling. The strongest demand was seen in transport services, especially in air and sea and cross-dock services.

Euro-denominated net sales decreased by 17.1% to EUR 73.1 (88.1) million.

Despite lower net sales, business group's adjusted operating result remained close to the previous year's level and was EUR -4.5 (-4.3) million. The result improved due to factors including a release of provision for onerous leases made in 2015, lower depreciation as well as efficiency improvement and cost reduction measures.

The Russian ruble strengthened by 3.7% from the previous year.

Operating result was EUR -2.5 (-12.2) million. The corresponding figure, EUR -12.2 million, includes EUR 7.6 million in impairment losses on customer relationships.

Itella Russia acquired the Russian courier company MaxiPost in March. MaxiPost specializes in the delivery of parcels for e-commerce operators. The company delivered more than one million shipments in 2015. The MaxiPost acquisition allows Itella Russia to strengthen its e-commerce and parcel services expertise in accordance with its strategy. MaxiPost has approximately 250 employees.

Itella Russia's investments amounted to EUR 3.3 (1.9) million.

OpusCapita

July–September

OpusCapita's net sales decreased by 6.5% to EUR 56.8 (60.8) million. Comparable net sales decreased by 5.5%. Electronic transaction volumes saw strong growth, with a comparable increase of 15%. Net sales nevertheless decreased due to the accelerating shift from paper to online communications, which was reflected particularly in OpusCapita's iPost volumes. iPost volumes fell by 10%. During the third quarter, Buyer-Supplier Ecosystem business area grew by 19%, as a result of the investments made in this business.

Adjusted operating result declined to EUR 2.8 (4.2) million. The decline was due to the decrease in traditional print volume, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy. Special items recognized during the period totaled EUR 0.7 (0.5) million and were related to corporate transactions and restructuring measures pursuant to the new strategy.

Operating result declined to EUR 2.1 (3.8) million.

January–September

OpusCapita's net sales decreased by 7.5% to EUR 179.0 (193.5) million. Some 59% of the net sales comes from Finland, while the remaining 41% is from other countries. Comparable net sales decreased by 5.2% after factoring out the divested businesses serving the local markets in the Baltic countries in January and the acquisition of the software company jCatalog in April.

OpusCapita transmitted a total of 364 million transactions in January–September. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume grew to 151 million transactions, which represents 41% of the total transaction volume. The comparable change in the electronic transaction volume was 15%. The decline in traditional mail delivery volumes and the accelerating shift from paper to online communications is reflected in OpusCapita's operations, particularly in the volumes of iPost products, which decreased by 10% from the previous year.

The decline in paper-based volumes is expected to continue, hence the increased investments in electronic transactions, financing solutions and software-based solutions in business. This trend is expected to lead to a higher share of foreign revenue.

Adjusted operating result declined to EUR 6.2 (11.1) million. The decline was due to the decrease in traditional print volumes, the divestment of the businesses serving the local markets in the Baltic countries and investments in OpusCapita's new strategy. Special items recognized during the period totaled EUR 4.7 (1.4) million and were related to corporate transactions and personnel restructuring measures pursuant to the new strategy.

Operating result was EUR 1.5 (9.7) million.

On January 11, 2016, OpusCapita sold its business operations in Estonia, Latvia, and Lithuania, which served the local markets in the Baltic countries. The transaction did not include the service centers and centers of expertise related to OpusCapita's global business that are located in the Baltic countries.

On April 25, 2016, OpusCapita acquired the Germany-based software company jCatalog Software. jCatalog's solutions in the areas of e-commerce, catalog management, supplier management and procurement processes complement OpusCapita's purchase to pay offering. jCatalog employs some 130 professionals in Europe and the United States and its net sales in 2015 amounted to approximately EUR 10 million. The acquisition supports OpusCapita's strategy to build a global buyer-supplier ecosystem offering and expands its geographical reach.

Key Figures for Business Groups

EUR million	7–9/2016	7–9/2015	Change	1–9/2016	1–9/2015	Change
Net sales						
Postal Services	153.3	161.6	-5.1%	510.0	535.0	-4.7%
Parcel and Logistics Services	148.2	137.5	7.8%	429.6	448.1	-4.1%
Itella Russia	26.9	29.3	-8.3%	73.1	88.1	-17.1%
OpusCapita	56.8	60.8	-6.5%	179.0	193.5	-7.5%
Other operations	1.1	2.0	-46.8%	3.8	6.7	-42.9%
Intra-Group sales	-14.8	-17.7		-47.6	-55.8	
Posti Group	371.5	373.5	-0.5%	1,148.0	1,215.6	-5.6%
Adjusted operating result						
Postal Services	7.5	5.7	32.6%	35.9	31.6	13.7%
Parcel and Logistics Services	0.3	2.1	-84.1%	-5.5	1.0	-
Itella Russia	-0.6	-1.4	-	-4.5	-4.3	-

OpusCapita	2.8	4.2	-33.0%	6.2	11.1	-43.7%
Other operations	-2.6	-1.1	-	-10.5	-16.1	-
Posti Group	7.5	9.6	-22.0%	21.5	23.3	-7.8%
Operating result						
Postal Services	7.5	6.4	17.8%	35.9	32.5	10.6%
Parcel and Logistics Services	-0.8	4.3	-	-6.5	-10.4	-
Itella Russia	-0.7	-9.0	-	-2.5	-12.2	-
OpusCapita	2.1	3.8	-43.2%	1.5	9.7	-84.4%
Other operations	6.3	-7.7	-	-14.8	26.6	-
Posti Group	14.5	-2.2	-	13.6	46.2	-70.6%
Adjusted operating result, %						
Postal Services	4.9%	3.5%		7.0%	5.9%	
Parcel and Logistics Services	0.2%	1.5%		-1.3%	0.2%	
Itella Russia	-2.3%	-4.6%		-6.2%	-4.8%	
OpusCapita	5.0%	7.0%		3.5%	5.7%	
Posti Group	2.0%	2.6%		1.9%	1.9%	
Operating result, %						
Postal Services	4.9%	4.0%		7.0%	6.1%	
Parcel and Logistics Services	-0.5%	3.1%		-1.5%	-2.3%	
Itella Russia	-2.4%	-30.7%		-3.4%	-13.8%	
OpusCapita	3.8%	6.2%		0.8%	5.0%	
Posti Group	3.9%	-0.6%		1.2%	3.8%	

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 9.0 (29.2) million.

Investments amounted to EUR 70.0 (42.1) million. The Group invested in acquisitions, information systems, transport fleet and production projects in January–September.

Proceeds from divestments totaled EUR 72.1 (135.8) million. The most significant divestments were the selling of real estates in Orimattila in September and in Pirkkala in August and OpusCapita's sale of its businesses serving the local markets in the Baltic countries to BaltCap in January.

At the end of the reporting period, liquid assets totaled EUR 236.0 (221.7) million, and undrawn

committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 284.3 (290.6) million. Equity ratio was 49.2% (48.8%), and gearing was -7.7% (8.1%).

Employees

At the end of September, the Group employed 19,913 (21,187) people. The Group's average number of personnel was 20,759 (22,482). At the end of September, a total of 4,421 (4,781) employees worked outside Finland. The number of employees working in Finland was 15,492 (16,406).

The Group's personnel expenses decreased by EUR 25.4 million in January–September, or by 4.5% year-on-year. Personnel expenses included EUR 18.4 (7.3) million in restructuring costs.

Excluding restructuring costs, personnel expenses decreased by 6.5% year-on-year.

Posti's Uusi polku (New Path) support program offers personnel not only financial support, but also training and support for job seeking, retraining or starting a business. By the end of September, 2,397 employees had applied for the program and 1,742 had been approved.

Cooperation negotiations

Posti commenced cooperation negotiations on January 26, 2016 in its administration, Operations' basic delivery, Sales and Customer Services unit, and in certain Group Functions. The target group of the negotiations consisted of 7,600 employees and the reduction need was at most 860 employees. The negotiations were concluded on March 16, 2016, with the exception of the Operations unit's basic delivery in south-eastern Finland. The negotiations ended up in 181 layoffs. In the Operations unit's basic delivery in south-eastern Finland, the initial need for personnel reductions was a maximum of 95 permanent employees and the negotiations concerned a total of 390 employees. The negotiations were completed on June 22, 2016 and ended up in 12 layoffs. Seven employees were made part-time.

OpusCapita started cooperation negotiations on February 8, 2016. The estimated reduction need was approximately 80 persons, of which at most 50 were in Finland and about 30 in other countries. The outcome of the cooperation negotiations was a total reduction of approximately 70 persons. The total reduction in Finland was 41 persons, of which 22 were achieved through layoffs and 19 through other arrangements. In other countries, the reduction was 30 persons, of which two-thirds were achieved through layoffs.

On June 13, 2016, Posti started cooperation negotiations concerning early-morning delivery in the Uusimaa region. The target group comprised 538 Posti early-morning delivery employees in Uusimaa. The outcome of the cooperation negotiations was a total reduction of 232 employees. Of these, altogether 138 were achieved through layoffs and 94 through other arrangements, such as the Uusi polku (New Path) support program.

On July 4, 2016, Posti started cooperation negotiations concerning early-morning delivery in Oulu. The target group of the negotiations comprised 47 employees and the reduction need

was 47 employees. When the negotiations were completed, the reduction need was 47 employees, of which 15 were achieved through arrangements other than layoffs.

On July 28, 2016, Posti started cooperation negotiations in its warehouse in Vantaa. The target group of the negotiations comprised 123 employees and the reduction need was 70 employees. Posti's Uusi polku (New Path) support program significantly reduced the number of layoffs down to 28.

On August 8, 2016, OpusCapita started cooperation negotiations in the Finance and Accounting Outsourcing business unit in Finland. The scope of cooperation negotiations included 126 employees. During the process, the amount decreased to 105 employees. At the beginning of the negotiations the reduction need was 43 permanent positions at maximum. As a result of the negotiations, the final reduction need was 34 permanent positions in Finland. In addition, the scope included 12 fixed-term employees whose employment continues until the end of December 2016.

On August 25, 2016, Posti started cooperation negotiations in its warehousing services. The main reason was the bankruptcy of one of Posti's significant customers, Anttila. The need for personnel reductions was a maximum of 75 permanent employees and the negotiations concerned a total of 588 employees. When the negotiations were completed, the reduction need was 75 employees, of which 15 were achieved through arrangements other than layoffs.

Changes in corporate structure

In January, OpusCapita Group Ltd sold its business operations serving the local markets in the Baltic countries, namely OpusCapita AS (Estonia), OpusCapita AS (Latvia) and UAB OpusCapita (Lithuania).

Posti Global Ltd acquired a Russian courier company, OOO MaxiPost, in March.

In April, OpusCapita Group Ltd acquired the Germany-based software company jCatalog Software AG and the United States-based jCatalog Software Inc.

In August, Posti Ltd acquired Veine Group, a company that specializes in temperature-regulated logistics.

Regulatory environment

The amended Postal Act entered into force on June 9, 2016. As a result of the amendments, nearly all delivery obligations were eliminated from the delivery operators that compete with Posti. Instead, Posti will remain subject to the five-day delivery obligation.

The Finnish Communications Regulatory Authority redefined the universal service obligation for parcels in June. According to its decision, Posti's universal service obligation will be discontinued for domestic parcels starting from October 31, 2016, but it will remain in effect for international parcels sent from Finland, weighing no more than 10kg, throughout Finland except the Åland Islands. The obligation applies to parcel services paid for in cash.

Posti lodged an appeal concerning the decision with the Administrative Court of Helsinki. The appeal concerned two matters. Posti requested an extension to the decision's date of entry into force so that it would not enter into force before December 31, 2016. For this, the Administrative Court issued a decision on August 24, 2016 in which it rejected Posti's appeal. Posti will not lodge an appeal about the Administrative Court's decision but accepts it. Posti suggests that its universal service obligation will also be removed from international parcels sent from Finland, weighing no more than 10kg. The matter is still pending.

Legal proceedings

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on an allegation that the Finnish Value Added Tax Act had and would still be contrary to the EU's Value Added Tax Directive.

Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the financial institutions. The recourse claim is pending until the claims by the financial institutions have been processed and a final ruling issued.

On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the

matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99 million, and the interests claimed amount to approximately EUR 54 million on September 30, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

Business risks

The business risks are described in the Group's 2015 Financial Statements, and there have been no significant changes to the risks since then.

The key strategic risks are related to the decline in postal delivery volumes that will progress more rapidly than expected as well as the economic recession and other changes related to markets or the business environment that will be unexpected or more extensive than anticipated. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Other strategic risks are related to Posti's competitive ability, Posti's ability to implement its strategy and develop new business models and its corporate culture, as well as regulation by the authorities. Operational risks are primarily related to profitability, the renewal of ICT operations, and business interruptions and other disruptions.

Following the amendments to the Postal Act that entered into force in June, the entire postal market is now open to free competition. According to the amended Postal Act, Posti's competitors may freely deliver mail anywhere and at any time without a specific delivery day obligation. This puts Posti on very unequal footing with regard to the competition, as Posti will remain subject to the heavy five-day delivery obligation in spite of the universal service obligation only applying to less than 5% of Posti's delivered items today. With this in mind, Posti considers it essential that the universal service obligation is eased in the upcoming reform of the Postal Act. Easing regulations concerning universal service allows for

better control over the changes in unit costs. Reforming the regulations will allow Posti to continue to fulfill its universal service obligation throughout Finland.

The Finnish Communications Regulatory Authority redefined the universal service obligation for parcels in June. According to its decision, Posti's universal service obligation will be discontinued for domestic parcels starting from October 31, 2016, but it will remain in effect for international parcels sent from Finland, weighing no more than 10kg, throughout Finland except the Åland Islands. The obligation applies to parcel services paid in cash. The obligation applies to parcel services paid in cash. The percentage of parcels covered by the obligation would be only about 0.5% of Posti's parcel flow. The obligation would burden the network excessively relative to the low use of the service. As a whole, the change would call for significant changes to Posti's systems and it would take place close to the Christmas season, which is a significant period with regard to the company's overall result. Posti is considering appealing the decision.

Strategic risks

Continued economic recession may have an impact on the activities of companies and consumers and, consequently, on the volumes of products transported by Posti and demand for warehousing services in Finland and abroad. Turbulent exchange rates and financial markets and any related disturbances may also pose a risk to the Group's business operations.

Significant market risks include the digitization of postal services at a more rapid rate than expected and other unanticipated changes in this area, such as an unexpectedly fast decline in the volumes of letters, magazines, and newspapers. Posti strives to develop its operations continuously to minimize the impacts of this risk.

Rigid cost structures slow the improvement of profitability, particularly in production operations in Finland, where the universal service obligation also limits the potential for enhanced efficiency. As volumes decline, the economic recession further complicates efforts to maintain profitability.

In logistics, unanticipated regulatory changes related to domestic transport and increasing international competition are also seen as risks.

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct financial losses and pose a strategic risk that limits business development. Our goal is to ensure successful integration through careful planning and monitoring.

In Russia, the development of the economic, social, legislative and other areas of the business environment may pose a strategic market risk for Posti. From the Group's point of view, Russia also involves significant financial risks: the fluctuation and depreciation of the ruble and declining demand affect shareholders' equity through changes in the value of capital employed in Russia.

Currency risk is managed in accordance with the financial policy confirmed by the Board of Directors. Equity investments in subsidiaries are not hedged. The Group has discontinued the hedging of the parent company's ruble-denominated receivables for the time being due to high hedging costs. The aim is to hedge local transaction risk in Russia.

Risks in Russia are managed by continuously monitoring business development, increasing the monitoring of critical processes and by establishing a solid foothold in the Russian market through our own companies, employees, and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment, and regular compliance training for employees.

In OpusCapita, with the volume of paper-based transactions decreasing, and that of electronic transactions increasing rapidly, along with competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

Financial management software is being increasingly offered as cloud services. This involves the risk of whether OpusCapita is able to develop its operations and service offering quickly enough. OpusCapita's capacity to develop the outsourcing of financial processes against intensifying and increasingly international competition involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations.



The protection and development of key production and warehouse facilities and the continuity of the ICT infrastructure are critical in the management of operational risks related to loss and interruption. If materialized, in a fire, for example, such risks could result in substantial losses of customer accounts and value for Posti.

Other significant business disruption risks are related to the vulnerability of information security, networks and the production infrastructure. These risks concern both operations and the corporate image.

Other risks

Financial risks and their management are explained in the Notes to the Financial Statements.

In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability. The Safe Workplace project is underway at Posti in Finland to further develop the management of occupational safety risks related to employees.

The postal industry is undergoing the most dramatic transformation in its history. This requires Posti to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years. Changes may cause disturbances to mail deliveries and processes. We seek to minimize these risks through active cooperation with employees, good change implementation planning, the Uusi polku (New path) program launched at the beginning of 2014 and professional communication.

We seek to insure against all residual risks for which insurance is the best option for financial or other reasons. Insurance policies related to business continuity, property and liabilities as well as certain insurance policies related to personnel are managed centrally at the Group level. In addition to management liabilities, liability risks include risks arising from operations and products. Deductibles are determined based on the Group's risk-bearing ability.

Events after the reporting period

On October 10, 2016, Posti acquired Kuljetus Kovalainen, a Finnish company specializing in food product transport.

Nikolay Voinov, President of Itella Russia and member of the Posti Group Executive Board, will leave the company on November 18, 2016. Martin Nilsson, CFO of Itella Russia, was appointed acting President for the company.

Outlook for 2016

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

Comparable net sales in euros for 2016 are expected to decrease compared to 2015. The Group's adjusted operating result is expected to remain on a par with the previous year. There is continued uncertainty related to the development prospects of the result achieved in Russia. The operating result for 2016 will continue to include significant special items. The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Capital expenditure is expected to increase significantly from 2015.

Helsinki, October 28, 2016

Posti Group Corporation
Board of Directors

APPENDICES

Key figures of Posti Group
Consolidated income statement and consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated cash flow statement
Consolidated statement of changes in equity
Notes to the Interim Report

Interim Report January-September 2016

Key figures of Posti Group

EUR million	7-9 2016	7-9 2015	1-9 2016	1-9 2015	1-12 2015
Net sales	371.5	373.5	1,148.0	1,215.6	1,650.3
Adjusted operating result	7.5	9.6	21.5	23.3	48.7
Adjusted operating result %	2.0	2.6	1.9	1.9	2.9
Operating result	14.5	-2.2	13.6	46.2	55.9
Operating result %	3.9	-0.6	1.2	3.8	3.4
Result before taxes	12.6	-7.0	11.9	37.2	43.3
Result for the period	10.2	-1.1	10.5	31.7	36.0
Cash flow from operating activities			9.0	29.2	81.9
Return on equity (12 months) %			2.4	5.9	6.1
Return on invested capital (12 months) %			3.4	6.3	6.3
Equity ratio %			49.2	48.8	47.8
Gearing %			-7.7	8.1	-10.5
Gross capital expenditure	17.3	11.8	77.2	43.7	60.6
Employees on average			20,759	22,482	22,219
Dividends					18.0

Consolidated Income Statement

EUR million	7-9 2016	7-9 2015	1-9 2016	1-9 2015	1-12 2015
Net sales	371.5	373.5	1,148.0	1,215.6	1,650.3
Other operating income	12.7	-2.2	20.4	53.3	57.5
Materials and services	109.7	99.5	311.4	321.7	437.6
Employee benefits	162.4	167.9	539.9	565.4	756.5
Depreciation and amortisation	20.2	20.0	59.1	61.3	80.5
Impairment losses	0.2	7.6	1.9	8.7	11.9
Other operating expenses	77.1	78.4	242.5	265.6	365.4
Operating result	14.5	-2.2	13.6	46.2	55.9
% of net sales	3.9 %	-0.6 %	1.2 %	3.8 %	3.4 %
Financial income	2.2	1.6	8.0	11.3	13.9
Financial expenses	4.2	6.3	9.8	20.2	26.4
Result before income tax	12.6	-7.0	11.9	37.2	43.3
% of net sales	3.4 %	-1.9 %	1.0 %	3.1 %	2.6 %
Income tax	-2.4	5.8	-1.4	-5.5	-7.4
Result for the financial period	10.2	-1.1	10.5	31.7	36.0
% of net sales	2.7 %	-0.3 %	0.9 %	2.6 %	2.2 %

Consolidated Statement of Comprehensive Income

Result for the financial period	10.2	-1.1	10.5	31.7	36.0
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Available-for-sale financial assets	0.1	0.0	0.0	-0.1	-0.1
Change in fair value of cash flow hedges	0.3	-0.1	-0.1	0.0	-
Translation differences	1.2	-22.5	11.2	-2.2	-9.0
Tax effect	-0.1	0.0	0.0	0.0	0.0
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains and losses	0.4	0.1	2.3	1.6	4.6
Tax effect	-0.1	0.0	-0.5	-0.3	-0.9
Comprehensive income for the financial period	12.0	-23.7	23.5	30.7	30.5

Consolidated Statement of Financial Position

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Non-current assets			
Goodwill	212.1	185.7	186.0
Other intangible assets	64.3	51.3	50.7
Investment property	9.9	10.5	10.3
Property, plant and equipment	349.2	421.9	406.0
Other non-current investments	6.1	5.7	6.3
Non-current receivables	3.7	80.7	1.5
Deferred tax assets	20.6	23.8	18.0
Total non-current assets	665.9	779.8	678.9
Current assets			
Inventories	4.2	5.2	4.7
Trade and other receivables	287.6	258.5	262.5
Income tax receivables	5.0	1.6	1.0
Financial assets available-for-sale	0.2	0.4	0.2
Financial assets held to maturity	95.1	20.0	95.0
Financial assets at fair value through profit or loss	98.0	142.0	128.9
Cash and cash equivalents	138.4	79.6	130.1
Total current assets	628.5	507.4	622.4
Non-current assets classified as held for sale	-	-	3.6
Total assets	1,294.5	1,287.1	1,304.8
Equity			
Share capital	70.0	70.0	70.0
Contingency reserve	142.7	142.7	142.7
Fair value reserve	0.0	0.1	0.1
Translation differences	-92.3	-96.8	-103.6
Retained earnings	489.5	488.5	495.2
Total equity	609.9	604.5	604.4
Non-current liabilities			
Deferred tax liabilities	26.5	24.2	23.1
Non-current interest-bearing loans	120.7	278.9	126.7
Other non-current liabilities	13.8	11.2	10.3
Non-current provisions	16.4	15.3	17.0
Defined benefit pension plan liabilities	9.4	14.6	11.6
Total non-current liabilities	186.9	344.2	188.6
Current liabilities			
Current interest-bearing loans	163.6	11.7	163.6
Trade payables and other liabilities	268.7	255.9	282.0
Advances received	53.7	47.6	40.1
Income tax payables	7.0	19.4	14.9
Current provisions	4.7	3.9	10.2
Total current liabilities	497.7	338.4	510.8
Liabilities associated with non-current assets classified as held for sale	-	-	1.0
Total liabilities	684.6	682.6	700.4
Total equity and liabilities	1,294.5	1,287.1	1,304.8

Consolidated Cash Flow Statement

EUR million	1-9 2016	1-9 2015	1-12 2015
Result for the financial period	10.5	31.7	36.0
Adjustments to cash flow	46.6	38.1	74.7
Change in net working capital	-29.6	-38.9	-18.2
Cash flow before financial items and income tax	27.5	30.9	92.4
Financial items (net)	1.0	0.7	-7.6
Income tax paid	-19.5	-2.4	-3.0
Cash flow from operating activities	9.0	29.2	81.9
Purchase of intangible assets	-11.1	-13.5	-17.7
Purchase of property, plant and equipment	-24.3	-25.2	-34.7
Proceeds from sale of intangible and tangible assets	63.7	121.9	122.2
Business acquisitions	-34.6	-3.5	-3.5
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	8.4	13.9	14.2
Financial assets at fair value through profit or loss	29.2	-56.9	-42.0
Financial assets held to maturity	-0.1	-83.0	-83.0
Cash flow from other investments	1.3	3.3	4.0
Cash flow from investing activities	32.5	-42.9	-40.4
Change in loans (net)	-5.4	4.1	4.3
Payments of finance lease liabilities	-10.1	-8.9	-12.2
Dividends paid	-18.0	-	-
Cash flow from financing activities	-33.5	-4.8	-8.0
Change in cash and cash equivalents	8.0	-18.5	33.4
Cash and cash equivalents at the beginning of the period	130.1	98.7	98.7
Effect of changes in exchange rates	0.4	-0.6	-0.3
Cash and cash equivalents for assets classified as held for sale	-	-	-1.8
Cash and cash equivalents at the end of the period	138.4	79.6	130.1

Consolidated Statement of Changes in Equity

EUR million	Share capital	Conting- ency reserve	Fair value reserve	Trans- lation differ- ences	Retained earnings	Total equity
Equity 1 January 2015	70.0	142.7	0.2	-94.6	455.6	573.8
Comprehensive income						
Result for the financial period					31.7	31.7
Other items of Comprehensive income:						
Change in fair value reserve			-0.1			-0.1
Change in translation differences				-2.2		-2.2
Actuarial gains and losses					1.2	1.2
Comprehensive income for the financial period			-0.1	-2.2	33.0	30.7
Equity 30 September 2015	70.0	142.7	0.1	-96.8	488.5	604.5
Equity 1 January 2016	70.0	142.7	0.1	-103.6	495.2	604.4
Comprehensive income						
Result for the financial period					10.5	10.5
Other items of Comprehensive income:						
Change in fair value reserve			-0.1			-0.1
Change in translation differences				11.2		11.2
Actuarial gains and losses					1.9	1.9
Comprehensive income for the financial period			-0.1	11.2	12.3	23.5
Transactions with equity holders						
Dividends paid					-18.0	-18.0
Equity 30 September 2016	70.0	142.7	0.0	-92.3	489.5	609.9

Notes

1. Accounting Principles

The interim review has been prepared in accordance with IAS 34 Interim Financial Reporting applying the same accounting principles as those used in financial statements for 2015. The Group has applied the currently valid IFRS standards and interpretations in the preparation of this interim review. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim review is unaudited. The amendments to IFRS standards effective as of 1 January 2016 had no impact on consolidated income statement or statement of financial position.

In addition to IFRS-based performance measures, Posti Group discloses adjusted operating result to enhance comparability as the adjusting items are not considered to incur as part of the normal business operations and also to improve transparency of special items affecting profitability. Management believes that adjusted operating result provides meaningful supplemental information to both management and investors regarding the business performance. Adjusted operating result is also one of the key business performance indicators in Posti Group's management reporting.

2. Segment Information

EUR million	7-9 2016	7-9 2015	1-9 2016	1-9 2015	1-12 2015
Net sales by business groups					
Postal Services	153.3	161.6	510.0	535.0	742.3
inter-segment sales	-11.8	-13.0	-36.7	-40.3	-52.4
Parcel and Logistics Services	148.2	137.5	429.6	448.1	596.7
inter-segment sales	-0.1	0.0	-0.2	-0.2	-0.3
Itella Russia	26.9	29.3	73.1	88.1	118.9
inter-segment sales	0.0	0.0	0.0	0.0	0.0
OpusCapita	56.8	60.8	179.0	193.5	256.7
inter-segment sales	-1.7	-2.7	-6.9	-8.6	-11.5
Other operations	1.1	2.0	3.8	6.7	8.7
inter-segment sales	-1.1	-2.0	-3.8	-6.7	-8.8
Total eliminations	-14.8	-17.7	-47.5	-55.8	-73.0
Total	371.5	373.5	1,148.0	1,215.6	1,650.3
Adjusted operating result by business groups					
Postal Services	7.5	5.7	35.9	31.6	56.4
Parcel and Logistics Services	0.3	2.1	-5.5	1.0	0.6
Itella Russia	-0.6	-1.4	-4.5	-4.3	-5.1
OpusCapita	2.8	4.2	6.2	11.1	14.5
Other operations	-2.6	-1.1	-10.5	-16.1	-17.7
Total	7.5	9.6	21.5	23.3	48.7
Operating result by business groups					
Postal Services	7.5	6.4	35.9	32.5	57.3
Parcel and Logistics Services	-0.8	4.3	-6.5	-10.4	-12.6
Itella Russia	-0.7	-9.0	-2.5	-12.2	-25.0
OpusCapita	2.1	3.8	1.5	9.7	13.3
Other operations	6.3	-7.7	-14.8	26.6	22.8
Total	14.5	-2.2	13.6	46.2	55.9
Financial income and expenses	-2.0	-4.7	-1.7	-9.0	-12.5
Result for the financial period	10.2	-1.1	10.5	31.7	36.0

Reconciliation of operating result

	Postal Services	Parcel and Logistics Services	Itella Russia	Opus Capita	Other operations	Group Total
7-9/2016						
Operating result	7.5	-0.8	-0.7	2.1	6.3	14.5
Special items:						
Personnel restructuring		1.1	0.1	0.5	0.3	2.1
Disposals of subsidiaries, real- estates and businesses					-9.3	-9.3
Provision for onerous contracts			-0.1			-0.1
Other				0.2		0.2
Special items total		1.1	0.0	0.7	-9.0	-7.1
Adjusted operating result	7.5	0.3	-0.6	2.8	-2.6	7.5
1-9/2016						
Operating result	35.9	-6.5	-2.5	1.5	-14.8	13.6
Special items:						
Personnel restructuring		1.6	0.3	2.9	13.6	18.4
Disposals of subsidiaries, real- estates and businesses				-2.8	-9.3	-12.1
Impairment losses				1.7		1.7
Provision for onerous contracts			-2.4			-2.4
Other		-0.6		2.9		2.3
Special items total		1.0	-2.1	4.7	4.3	7.9
Adjusted operating result	35.9	-5.5	-4.5	6.2	-10.5	21.5
7-9/2015						
Operating result	6.4	4.3	-9.0	3.8	-7.7	-2.2
Special items:						
Personnel restructuring	-0.7	1.4	0.0	0.5	-1.9	-0.7
Disposals of subsidiaries, real- estates and businesses		-3.6			8.5	4.9
Impairment losses			7.6			7.6
Special items total	-0.7	-2.2	7.7	0.5	6.6	11.8
Adjusted operating result	5.7	2.1	-1.4	4.2	-1.1	9.6
1-9/2015						
Operating result	32.5	-10.4	-12.2	9.7	26.6	46.2
Special items:						
Personnel restructuring	-0.9	8.7	0.3	0.9	-1.6	7.3
Disposals of subsidiaries, real- estates and businesses		1.0			-40.8	-39.8
Impairment losses		1.1	7.6			8.7
Other		0.6		0.5	-0.2	0.8
Special items total	-0.9	11.4	7.9	1.4	-42.7	-22.9
Adjusted operating result	31.6	1.0	-4.3	11.1	-16.1	23.3

1-12/2015

Operating result	57.3	-12.6	-25.0	13.3	22.8	55.9
Special items:						
Personnel restructuring	-0.9	9.6	0.6	0.9	-1.8	8.4
Disposals of subsidiaries, real- estates and businesses		1.3			-40.8	-39.5
Impairment losses		1.1	7.6	1.1	2.3	12.0
Provision for onerous contracts			11.7			11.7
Other		1.3		-0.8	-0.2	0.3
Special items total	-0.9	13.2	19.9	1.2	-40.5	-7.2
Adjusted operating result	56.4	0.6	-5.1	14.5	-17.7	48.7

Segments' assets and liabilities

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Assets			
Postal Services	267.1	266.6	262.1
Parcel and Logistics Services	257.2	295.7	288.5
Itella Russia	140.5	131.1	126.1
OpusCapita	203.9	174.6	172.7
Non-current assets classified as held for sale	-	-	3.6
Other operations and unallocated	430.1	427.3	456.9
Eliminations	-4.4	-8.1	-5.1
Total	1,294.4	1,287.1	1,304.8
Liabilities			
Postal Services	151.3	151.6	163.5
Parcel and Logistics Services	120.7	110.3	119.2
Itella Russia	25.0	17.7	27.0
OpusCapita	39.1	36.8	36.1
Liabilities associated with non-current assets classified as held for sale	-	-	1.0
Other operations and unallocated	352.9	374.4	358.8
Eliminations	-4.4	-8.1	-5.1
Total	684.6	682.6	700.4
Personnel at end of the period			
Postal Services	78	74	69
Parcel and Logistics Services	1,561	1,474	1,478
Itella Russia	2,407	2,708	2,646
OpusCapita	2,036	2,171	2,178
Operations	12,889	13,788	14,256
Other functions	942	972	971
Total	19,913	21,187	21,598

3. Acquired businesses and business divestments

Acquired businesses July-September 2016

Veine

In August 2016 Posti acquired the entire share capital of Veine Oy, a company operating in food logistics. Veine Group companies operate in Finland and have about 130 employees.

The acquisition cost was EUR 6.1 million, of which the contingent earn-out component recognized in liabilities amounted to EUR 2.3 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized in other operating expenses.

Goodwill according to preliminary acquisition calculation totalled EUR 8.3 million. Goodwill is justified as the acquisition supports Posti's strategy to grow in food logistics. Posti and Veine can together offer competitive and nationwide food logistics solutions.

Analysis of net assets acquired - provisional amounts

Effect on assets

EUR million	Fair value
Intangible assets	2.3
Property, plant and equipment	2.6
Receivables	7.2
Cash and cash equivalents	0.9
Effect on assets	13.0

Effect on liabilities

EUR million	
Deferred tax liability	0.3
Interest-bearing loans	8.1
Trade payables and other liabilities	6.8
Effect on liabilities	15.2
Net assets acquired	-2.2

Components of acquisition cost

EUR million	
Cash consideration	3.8
Earn-out consideration (estimated)	2.3
Total cost of acquisition	6.1
Fair value of net assets acquired	-2.2
Goodwill	8.3

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	3.8
Cash and cash equivalents of the acquired subsidiary	0.9
Cash flow	-2.9

Business and subsidiary divestments July-September 2016

In August 2016, Posti sold Kiinteistö Oy Linnakalliontie located in Pirkkala. Posti will continue operations in the real estate with a long term leasing contract.

Acquired businesses after the reporting period

On October 10, 2016, Posti acquired Kuljetus Kovalainen, a Finnish company specializing in food product transport. The disclosures required by the IFRS 3 are not made in this interim report as they are incomplete and therefore not yet available.

4. Net sales by geographical location

EUR million	7-9 2016	7-9 2015	1-9 2016	1-9 2015	1-12 2015
Finland	281.2	286.3	896.1	927.4	1,265.3
Scandinavia	38.1	30.6	103.1	113.6	140.4
Russia	26.9	29.2	73.1	87.9	118.5
Other countries	25.3	27.3	75.6	86.8	126.1
Total	371.5	373.5	1,148.0	1,215.6	1,650.3

5. Changes in property, plant and equipment

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Carrying amount on 1 January	406.0	516.4	516.4
Additions	29.7	30.3	43.2
Disposals and transfers between items	-53.3	-74.8	-78.4
Depreciation and impairment	-46.1	-49.2	-67.4
Translation differences	12.9	-0.8	-7.8
Carrying amount at the end of the period	349.2	421.9	406.0

6. Fair values of interest-bearing loans

EUR million	Carrying amount Sep 30, 2016	Fair value Sep 30, 2016	Carrying amount Sep 30, 2015	Fair value Sep 30, 2015	Carrying amount Dec 31, 2015	Fair value Dec 31, 2015
Non-current interest-bearing loans						
Bonds	99.9	102.6	250.3	259.5	99.8	104.1
Loans from financial institutions	0.1	0.1	-	-	-	-
Finance lease liabilities	20.4	20.4	28.2	28.2	26.4	26.4
Other interest-bearing loans	0.4	0.4	0.5	0.5	0.5	0.5
Total	120.7	123.5	278.9	288.1	126.7	131.0
Current interest-bearing loans						
Bonds	150.1	150.6	-	-	150.4	154.0
Loans from financial institutions	0.0	0.0	-	-	-	-
Finance lease liabilities	13.6	13.6	11.8	11.8	13.2	13.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	163.6	164.2	11.7	11.7	163.6	167.2

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

EUR million	Total	Level 1	Level 2	Level 3
Sep 30, 2016				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6.0			6.0
Financial assets at fair value through profit and loss				
Money market investments	108.0		108.0	
Bonds	34.7	25.6	9.1	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Interest rate derivatives, non-hedge accounting	0.3		0.3	
Available-for-sale financial assets				
Equity fund investments	0.2			0.2
Total	149.3	25.6	117.5	6.2

Financial liabilities measured at fair value

Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Currency derivatives, hedge accounting	0.1		0.1	
Total	0.2	-	0.2	-

EUR million	Total	Level 1	Level 2	Level 3
Dec 31, 2015				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6.2			6.2
Financial assets at fair value through profit and loss				
Money market investments	123.4		123.4	
Bonds	45.5	35.8	9.7	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Interest rate derivatives, non-hedge accounting	1.9		1.9	
Available-for-sale financial assets				
Equity fund investments	0.2			0.2
Total	177.3	35.8	135.1	6.4

Financial liabilities measured at fair value

Trade payables and other liabilities				
Derivative contracts				
Electricity derivatives, non-hedge accounting	0.9	0.9		
Total	0.9	0.9	-	-

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

Hierarchy levels:

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

Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question.

To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.

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

Investments in money markets instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information (Level 2). The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. The fair value of currency forward contracts is calculated by measuring forward contracts against the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecast cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market price on the reporting date.

Reconciliation of financial assets measured at fair value in accordance with level 3

EUR million	Available-for-sale shares and equity fund investments
2016	
Carrying amount on 1 January	6.4
Total profits and losses	
In other comprehensive income	
Available-for-sale financial assets	0.0
Exercises	-0.2
Carrying amount on 30 September	6.2

Total profits and losses recorded on assets held at the end of the reporting period

In financial income and expenses	0.0
----------------------------------	-----

8. Contingent liabilities

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Pledges for own behalf	7.6	11.0	10.9
Lease commitments	324.7	325.6	305.7

Legal proceedings

In 2011 and 2012, seven financial institutions submitted a claim primarily against Posti and secondarily against Posti and the State of Finland in order to receive compensation for the value-added tax charged by Posti on its postal services in 1999-2014. The claim is based on an allegation that the Finnish Value Added Tax Act had and would still be contrary to the EU's Value Added Tax Directive.

Posti has submitted a recourse claim against the State of Finland, demanding it to refund Posti for any sums that Posti may be ordered to pay in the legal proceedings initiated by the financial institutions. The recourse claim is pending until the claims by the financial institutions have been processed and a final ruling issued.

On September 18, 2015, the District Court of Helsinki issued a ruling in favor of Posti in the matter and rejected all of the claims submitted by the financial institutions. All but one of the plaintiffs have appealed the decision to the Court of Appeals. The total amount of the compensations claimed in the Court of Appeals is approximately EUR 99 million, and the interests claimed amount to approximately EUR 54 million on September 30, 2016.

It is expected to take several years until all of the final court orders are rendered in the matter. According to Posti, the allegations made by the plaintiffs are without merit and it has not recorded any receivables or provisions in its financials based on the claims made.

Derivative contracts

EUR million	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Currency derivatives			
Non-hedge accounting			
Fair value	0.1	0.0	0.0
Nominal value	7.2	32.3	8.6
Hedge accounting			
Fair value	-0.1	-	-
Nominal value	6.1	-	-
Interest rate derivatives			
Non-hedge accounting			
Fair value	0.3	2.4	1.9
Nominal value	70.0	70.0	70.0
Electricity derivatives			
Non-hedge accounting			
Fair value	-	-0.9	-0.9
Nominal value	-	3.0	2.5

9. Events after the reporting period, seasonality of the business and changes in the Group structure

Events after the reporting period, description of the seasonality of the business and changes in the Group structure have been included in the management commentary section.

10. Foreign exchange rates

	1-9 2016	1-9 2015	1-12 2015
Average rate			
RUB	76.3054	66.5540	68.0090
SEK	9.3711	9.3719	9.3543
NOK	9.3784	8.8100	8.9419
	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Closing rate			
RUB	70.5140	73.2416	80.6736
SEK	9.6210	9.4083	9.1895
NOK	8.9865	9.5245	9.6030

11. Calculation of key figures

Return on equity, %	$100 \times \frac{\text{result for the period (12m rolling)}}{\text{total equity average}}$
Return on invested capital, %	$100 \times \frac{\text{result before income tax (12m rolling) + interest and other financial expenses (12m rolling)}}{\text{total equity and liabilities - non-interest-bearing liabilities average}}$
Equity ratio, %	$100 \times \frac{\text{total equity}}{\text{total assets - advances received}}$
Gearing, %	$100 \times \frac{\text{interest-bearing liabilities - cash and cash equivalents - current interest-bearing receivables}}{\text{total equity}}$
Gross capital expenditure	Investments in intangible and tangible assets and business acquisitions.
Current interest-bearing receivables	Key figure consist of financial assests held to maturity and financial assets at fair value through profit or loss - excluding derivatives.
Liquid funds	Liquid funds consist of cash and cash equivalents and liquid investments with original maturity of over three months.
Total equity average	Total equity, average on equity at the end of reporting period and end of comparison period.
Operating result	Operating result is a net amount derived from net sales plus other operating income, less cost for production materials and services, less employee benefit expenses, depreciation, amortization and any impairment losses, other operating expenses and the share of associated company's results. All other items in the income statement are shown below the operating result. Exchange rate differences are included in the operating result if they arise from items related to operations. Otherwise they are recognized in financial items.
Adjusted operating result	Operating result adjusted with special items.
Special items	The Group reports separately special items which include reorganization costs, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, real-estates or business operations, changes in purchase consideration for business combinations after the date of acquisition recognized in income statement, and other material items outside of ordinary course of business are defined as special items.
Comparable net sales	The Group defines comparable net sales as net sales excluding acquired and divested businesses.

posti