POSTI GROUP CORPORATION INTERIM REPORT, APRIL 28, 2017 AT 10:00 A.M. (EET)

Posti Group's net sales in Q1 2017 grew by 7% mainly driven by acquisitions - operating result improved

Posti Group Corporation Interim Report Q1/2017

Financial highlights

- The Group's net sales increased by 7.2% to EUR 413.8 (386.1) million.
- The Group's adjusted EBITDA improved and was EUR 35.5 (29.8) million, 8.6% (7.7%).
- The Group's EBITDA improved to EUR 30.0 (21.2) million, 7.3% (5.5%).
- The adjusted operating result increased to EUR 15.5 (10.8) million, or 3.8% (2.8%) of net sales.
- The operating result improved and amounted to EUR 10.0 (0.6) million, or 2.4% (0.1%) of net sales.

Operational highlights

- Measured in waybills, Posti's domestic freight grew by 11%. Parcel volumes in Finland and in the Baltic countries grew by 8%. The number of addressed letters decreased in Finland by 8%.
- On January 10, 2017, Posti acquired HR Hoiva Oy (currently Posti Kotipalvelut Oy), which produces home care and personal assistance services for municipalities, joint municipal authorities and private customers.
- Posti started building a freight terminal of approximately 26,000 m^2 on Suokalliontie in Vantaa. The construction of the terminal is a response to the growth of the freight business.
- Mail items covered by the universal service obligation accounted for 4.5% (5.6%) of all of Posti's mail items.
- The number of working days was 64 (61).
- In line with the Board of Directors' proposal, the Annual General Meeting decided on March 27, 2017 that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Annual General Meeting decided in line with the Board of Directors' proposal that an extra dividend of EUR 35 million be distributed. Dividend distribution is altogether EUR 60 million. Markku Pohjola, M.Sc. (Econ. & Bus. Adm.) was elected as the new Chairman of the Board of Directors and Eero Hautaniemi as the new Member of the Board of Directors.

Outlook

- Net sales in euros for the year are further expected to increase compared to the previous year. The Group's adjusted operating result is further expected to remain on par with the previous year. The operating result for 2017 will include significant special items.

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

Key figures of Posti Group

	1-3/2017	1-3/2016	1-12/2016
Net sales, EUR million	413.8	386.1	1,607.6
Adjusted EBITDA, EUR million	35.5	29.8	126.7
Adjusted EBITDA, %	8.6	7.7	7.9
EBITDA, EUR million	30.0	21.2	116.0
EBITDA, %	7.3	5.5	7.2
Adjusted operating result, EUR million	15.5	10.8	47.1
Adjusted operating result, %	3.8	2.8	2.9
Operating result, EUR million	10.0	0.6	30.7
Operating result, %	2.4	0.1	1.9
Result before taxes, EUR million	9.7	-0.6	29.5
Result for the period, EUR million	5.9	0.1	23.2
Cash flow from operating activities	3.5	29.1	63.1
Return on equity (12 months), %	5.1	3.9	3.9
Return on invested capital (12 months), %	6.4	4.3	5.1
Equity ratio, %	50.1	45.4	54.9
Gearing, %	-11.7	-15.4	-13.6
Gross capital expenditure, EUR million	24.4	11.4	100.4
Employees on average	19,986	20,577	20,632
Employees on average, FTE	18,058	18,542	18,529
Dividends, EUR million			60.0

Heikki Malinen, President and CEO

"The ongoing trend of digitization in the business environment remains strong and reflects directly on Posti, with the Group undergoing a multi-year structural transformation as communication shifts from paper to digital. However, the digitization is not only a threat, as it also offers Posti new business opportunities. Posti continues to build new cornerstones for its business in growing markets according to its strategy: the areas of future growth are in parcel and logistics services. The decline in mail volumes continued strongly and was 8%.

Net sales increased by 7.2% in the first quarter of the year. While letter product volumes continued to fall, the volumes of logistics and freight products showed favorable development in line with the improving economic climate. Logistics Services grew by 34.4% and Parcel Services by 4.2%. Net sales was impacted by currency rates and the larger amount of working days in the period. Furthermore, a significant proportion of the year-on-year growth is related to the Group's expansion through acquisitions. Digitization and the market entry of new players have had a substantial effect on the volumes of basic products, but targeted pricing changes have mitigated the financial impacts of declining mail volumes. Posti has also developed new and prominent service concepts in the area of home services, but their share of net sales remains low for the time being. Parcel point concepts have been developed further.

Posti's adjusted EBITDA in the first quarter was 8.6% (7.7%). The higher profitability was particularly attributable to the improved results in logistics and Russian operations. The year-on-year improvement in the result was partly due to Easter falling in April this year, which affects the distribution of the result between the first and second quarter. The improved profitability of logistics services was supported by a general increase in demand as well as improved operational efficiency. Posti has continued to implement measures to improve the quality of basic services.

The reform of the Postal Act, which is still in the drafting stage, plays a key role with regard to Posti's future operating conditions.

Itella Russia's net sales in the Group's reporting currency increased by 31%. The measures taken to improve the profitability of Itella Russia's operations have produced good results.

OpusCapita's Buyer-Supplier Ecosystem business unit continued to achieve global growth, but OpusCapita's Document and Transaction Processes operations are negatively affected by the same trends that are influencing Posti's letter volumes. OpusCapita's strategy is to seek growth in the Buyer-Supplier Ecosystem business."

APPENDICES
Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION
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FINANCIAL CALENDAR IN 2017
Interim Report Q2/2017: July 27, 2017, at 12:00
Interim Report Q3/2017: October 26, 2017, at 9:00

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***Posti Group** is your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in ten countries. Our net sales in 2016 amounted to EUR 1,608 million. We employ approximately 20,500 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.*

Market situation and business environment in January–March 2017

At the end of March, the Bank of Finland estimated that the growth of the global economy will increase compared to 2016 and continue at an annual rate of slightly over 3% in 2017–2019. Economic growth is expected to remain fairly high in the eurozone, the United Kingdom, Sweden, Denmark and the United States throughout the forecast period.

The positive undercurrent was also felt in Finland in the early part of the year. According to a survey conducted by Statistics Finland, Finns' confidence in the economy at the end of March was the highest it has been since 1995. Finland's economic growth is estimated to outpace the eurozone for the first time since 2011. For example, Danske Bank's forecast at the end of March predicted that the Finnish GDP will grow by 1.5% in 2017, while Handelsbanken's corresponding forecast at the beginning of April was 1.8%.

According to the Finnish Transport Agency, transport volumes in heavy traffic have continued to increase since April 2016.This favorable economic climate was also reflected in Posti's freight and parcel volumes, which grew in January–March. The development of parcel volumes was positive particularly in the cross-border trade, in the Baltic countries and in the B2C parcels.

However, the decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continued. Domestic delivery product volumes saw a substantial decline in the first quarter. Competition has clearly tightened following the entry into force of the amended Postal Act in June 2016, which impacted Posti's volumes in the reporting period. In addition to Posti, there are currently 13 operators delivering mail in Finland. The decline in paper invoices and the competitive situation were also reflected in OpusCapita, particularly in the volumes of iPost products.

In Russia, the increase in oil prices, which began in summer 2016, strengthened the Russian ruble by 21% year-on-year. The rise in oil prices will accelerate inflation in 2017, but it will also support the recovery of the Russian economy. The Russian Ministry of Finance forecasts GDP growth of 2% in 2017. These facts are estimated to impact positively on the importing of goods and the purchasing power of citizens towards the end of the year.

Net sales and operating result in January-March 2017

The Group's net sales grew by 7.2% and amounted to EUR 413.8 (386.1) million. Net sales increased by 6.0% in Finland and by 14.5% in other countries. International operations accounted for 14.5% (13.6%) of net sales.

The number of working days was higher than in the previous year by three days.

The Group's adjusted EBITDA improved to EUR 35.5 (29.8) million, 8.6% (7.7%). The Group's EBITDA improved to EUR 30.0 (21.2) million, 7.3% (5.5%).

The Group's adjusted operating result was EUR 15.5 (10.8) million, or 3.8% (2.8%) of net sales.

Special items amounted to EUR 5.5 (10.3) million. The special items of the businesses are described in more detail below, in connection with the segment-specific results analyses.

The operating result improved and amounted to EUR 10.0 (0.6) million, or 2.4% (0.1%) of net sales.

The result before taxes was EUR 9.7 (-0.6) million.

The Group's net financing costs amounted to EUR 0.3 (1.2) million.

Return on equity was 5.1% (3.9%).

Mail items covered by the universal service obligation accounted for 4.5% of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 28.6 (38.2) million, or 6.9% of the Group's net sales.

Mail, Parcel and Logistics Services

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

- Addressed letters -8% (-6%)
- Parcels in Finland and the Baltics +8% (-1%), of which B2C parcels +12% (-1%)
- Domestic freight* measured in waybills +11% (0%)
- Warehouse fill rate on average in January-March 76% (68%)

*Domestic freight volumes are not fully comparable with previous year's volumes. Figures from the reporting period include Kuljetus Kovalainen's, merged into Posti on March 1, freight volumes.

The decline in the volume of addressed letters was made sharper by one-off items mailed in the comparison period. The total amount of parcels delivered by Posti in Finland and the Baltic countries was 9.2 (8.6) million parcels. In the Baltic countries, parcel volumes increased by 20%. The volume of electronic letters (Netposti) fell by 12%. The number of digital mailbox Netposti users increased by 10% and stood at 725,000 (659,000) at the end of March.

The net sales of Mail, Parcel and Logistics Services amounted to EUR 340.6 (319.5) million. The increase in net sales was mainly due to acquisitions, higher demand for freight and logistics services and the fact that the first quarter included three more working days than the corresponding period in the previous year.

Net sales of Mail and Marketing Services, Press Services, Parcel Services and Logistics Services:

Net sales, EUR million	1–3 2017	1–3 2016	Change
Mail and Marketing Services	140.5	143.6	-2.2%
Press Services	41.7	42.7	-2.5%
Parcel Services	69.1	66.3	4.2%
Logistics Services	91.0	67.7	34.4%

The net sales of Mail and Marketing Services declined due to a fall of the domestic delivery product volume and the increasing competition, which was partly compensated by the price increases. Parcel Services saw positive development particularly in the cross-border trade, in the Baltic countries and in the B2C parcels. The number of parcels going through parcel points grew by 28%. In Logistics Services, the net sales of domestic freight increased also due to acquisitions. In the warehousing business, processing volumes and fill rates increased.

Mail, Parcel and Logistics Services' adjusted EBITDA improved to EUR 27.0 (24.2) million, 7.9% (7.6%). This increase was attributable to the growth of net sales as well as operational efficiency improvement measures. Improvement measures were impacted by the actions done in order to improve quality. EBITDA improved to EUR 25.6 (15.9) million, 7.5% (5.0%) due to smaller restructuring costs compared to the previous year.

The adjusted operating result increased and amounted to EUR 16.4 (14.0) million. The weaker result of traditional postal operations was compensated for by the growth of freight and parcel services.

Special measures were implemented during the review period to improve delivery quality. According to the report given to the Finnish Communications Regulatory Authority the 5-day delivery speed requirements for letters covered by the universal service obligation was fulfilled with over 99.8%, which exceeds the requirements set by the Finnish Communications Regulatory Authority. The realization in March 2017 was 99.87% when the same percentage in August 2016 was 98.87% and in November 2016 99.17%.

Special items recognized during the period amounted to EUR 1.4 (8.3) million. The special items were related to personnel restructuring in both the review period and the comparison period.

The operating result improved to EUR 15.0 (5.7) million.

At the beginning of March, Posti and Sinebrychoff signed a significant supplementary agreement in order to expand the provision of beverage logistics services. Under the agreement, Posti will handle the transport, delivery, shelving and reverse logistics of Sinebrychoff's products comprehensively across nearly all of Finland.

The renewal of Posti's retail network has progressed according to plan. On March 31, 2017, Posti had a total of 1,427 service points in Finland, of which 480 were parcel points.

Itella Russia

Euro-denominated net sales increased by 31.0% to EUR 27.5 (21.0) million. Measured in local currency, Itella Russia's net sales decreased by 0.7%.

Net sales were negatively affected by weakness of the economy and international trade, as well as the optimization of warehouse space due to lower customer demand. Net sales were boosted by higher demand for air and sea freight, growth in e-commerce and the new business brought in by the MaxiPost acquisition. The decline was the steepest in the demand for contract logistics, particularly warehousing. Processing volumes grew in January-March, especially in Moscow.

Adjusted EBITDA improved to EUR 0.9 (-0.9) million, 3.3% (-4.1%). EBITDA declined to EUR 0.9 (1.2) million, 3.3% (5.9%).

The adjusted operating result improved to EUR -1.0 (-2.4) million due to the optimization of warehouse space in the Moscow region and the appreciation of the ruble.

The average fill rate for warehouses in Moscow was 76% (78%) in January-March, while that of other regions was 77% (87%). One large warehouse in Moscow was closed down in the first quarter, which had a positive effect on the fill rate of warehouses in Moscow in March.

The Russian ruble appreciated by 21.0% compared to the previous year.

The operating result declined to EUR -1.0 (-0.2) million.

Itella Russia's investments amounted to EUR 0.4 (1.4) million.

OpusCapita

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

- Electronic transactions (comparable) +18%
- iPost products -5%

OpusCapita transmitted a total of 131 million transactions. This includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 60 million transactions, which represents 46% of the total transaction volume. Traditional mail delivery volumes are declining and paper communications are increasingly moving online. In OpusCapita, this shift is particularly reflected in the declining volumes of iPost products.

OpusCapita's net sales decreased by 0.7% to EUR 60.9 (61.3) million. 58% of the net sales came from Finland, while the remaining 42% was from other countries. The Buyer-Supplier Ecosystem business grew by 21% during the first quarter as a result of a business acquisition.

Adjusted EBITDA improved to EUR 4.0 (3.8) million, 6.6% (6.2%). EBITDA declined to EUR 0.8 (1.9) million, 1.3% (3.1%).

The adjusted operating result declined to EUR 1.4 (2.0) million. The decline was due to investments in growth.

Special items amounting to EUR 3.2 (3.5) were recognized during the review period, related to corporate transactions.

The operating result declined to EUR -1.8 (-1.5) million.

Key figures for segments

EUR million	1-3/2017	1-3/2016	Change	1-12/2016
Net sales				
Mail, Parcel and Logistics Services	340.6	319.5	6.6 %	1,321.6
Itella Russia	27.5	21.0	31.0 %	104.6
OpusCapita	60.9	61.3	-0.7 %	240.1
Other operations	1.2	1.4	-13.0 %	5.1
Intra-Group sales	-16.5	-17.2	-	-63.9
Posti Group	**413.8**	**386.1**	**7.2 %**	**1,607.6**
Adjusted EBITDA				
Mail, Parcel and Logistics Services	27.0	24.2	11.6 %	91.0
Itella Russia	0.9	-0.9	-	2.6
OpusCapita	4.0	3.8	6.3 %	19.1
Other operations	3.6	2.7	31.4 %	14.1
Posti Group	**35.5**	**29.8**	**19.0 %**	**126.7**
EBITDA				
Mail, Parcel and Logistics Services	25.6	15.9	61.3 %	76.9
Itella Russia	0.9	1.2	-26.7 %	3.9
OpusCapita	0.8	1.9	-58.6 %	12.2
Other operations	2.7	2.2	22.2 %	23.1
Posti Group	**30.0**	**21.2**	**41.3 %**	**116.0**
Adjusted EBITDA, %				
Mail, Parcel and Logistics Services	7.9 %	7.6 %		6.9 %
Itella Russia	3.3 %	-4.1 %		2.5 %
OpusCapita	6.6 %	6.2 %		7.9 %
Posti Group	**8.6 %**	**7.7 %**		**7.9 %**
EBITDA, %				
Mail, Parcel and Logistics Services	7.5 %	5.0 %		5.8 %
Itella Russia	3.3 %	5.9 %		3.7 %
OpusCapita	1.3 %	3.1 %		5.1 %
Posti Group	**7.3 %**	**5.5 %**		**7.2 %**

EUR million	1-3/2017	1-3/2016	Change	1-12/2016
Adjusted operating result				
Mail, Parcel and Logistics Services	16.4	14.0	16.8 %	48.7
Itella Russia	-1.0	-2.4	-	-4.0
OpusCapita	1.4	2.0	-29.7 %	9.7
Other operations	-1.2	-2.8	-	-7.3
Posti Group	**15.5**	**10.8**	**43.5 %**	**47.1**
Operating result				
Mail, Parcel and Logistics Services	15.0	5.7	-	34.6
Itella Russia	-1.0	-0.2	-	-2.7
OpusCapita	-1.8	-1.5	-	-1.4
Other operations	-2.1	-3.3	-	0.2
Posti Group	**10.0**	**0.6**	-	**30.7**
Adjusted operating result, %				
Mail, Parcel and Logistics Services	4.8 %	4.4 %		3.7 %
Itella Russia	-3.7 %	-11.2 %		-3.8 %
OpusCapita	2.3 %	3.2 %		4.0 %
Posti Group	**3.8 %**	**2.8 %**		**2.9 %**
Operating result, %				
Mail, Parcel and Logistics Services	4.4 %	1.8 %		2.6 %
Itella Russia	-3.6 %	-1.2 %		-2.6 %
OpusCapita	-3.0 %	-2.5 %		-0.6 %
Posti Group	**2.4 %**	**0.1 %**		**1.9 %**

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 3.5 (29.1) million.

Investments according to the statement of cash flow amounted to EUR 23.1 (11.3) million. During the year, the Group invested in the acquisition of HR Hoiva Oy, information systems, the transport fleet and production projects.

At the end of the review period, liquid funds totaled EUR 119.7 (290.5) million, and undrawn committed credit facilities amounted to EUR 150.0 (150.0) million. The Group's interest-bearing liabilities were EUR 128.9 (287.4) million. The equity ratio was 50.1% (45.4%), and gearing was -11.7% (-15.4%).

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 27, 2017. In line with the Board of Directors' proposal, the Annual General Meeting decided that a dividend of 69% of the Group's adjusted net profit, EUR 25 million be distributed. In addition to that, the Annual General Meeting decided in line with the Board of Directors' proposal that an extra dividend of EUR 35 million be distributed. Dividend distribution is altogether EUR 60 million.

The meeting adopted the 2016 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It was decided that the Board of Directors be composed of eight members. The following will continue as members of the Board of Directors:

- **Petri Järvinen**, Global Supply Chain Planning Director, Coop Sverige
- **Petri Kokko**, Director, Google Deutschland GmbH
- **Kirsi Nuotto**, Senior Vice President, Human Resources, VTT Technical Research Centre of Finland Ltd
- **Marja Pokela**, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- **Suvi-Anne Siimes**, Managing Director, The Finnish Pension Alliance (TELA)
- Board Professional **Arja Talma**

The following were elected as new members of the Board of Directors:

- **Markku Pohjola**, M.Sc. (Econ. & Bus. Adm.)
- **Eero Hautaniemi**, President & CEO, Oriola-KD

Markku Pohjola was elected as the Chairman of the Board of Directors and Suvi-Anne Siimes as the Vice Chairman.

It was decided that the Supervisory Board be composed of 12 members. The following will continue as members of the Supervisory Board:

- **Maria Guzenina**, MP, Social Democratic Party
- **Rami Lehto**, MP, Finns Party
- **Eeva-Maria Maijala**, MP, Centre Party
- **Sari Moisanen**, Project Manager, House of Lapland, Left Alliance
- **Mats Nylund**, MP, Swedish People's Party of Finland
- **Juha Pylväs**, MP, Centre Party
- **Sari Raassina**, MP, National Coalition Party
- **Lulu Ranne**, Master of Science (Tech.), Finns Party
- **Markku Rossi**, MP, Centre Party
- **Satu Taavitsainen**, MP, Social Democratic Party
- **Jani Toivola**, MP, The Greens of Finland
- **Kari Tolvanen**, MP, Finns Party

Markku Rossi was re-elected as the Chairman of the Supervisory Board and Jani Toivola as the Vice Chairman of the Supervisory Board.

The authorized public accountancy firm PricewaterhouseCoopers Oy (PwC) was elected as Posti Group Corporation's auditor, with Authorized Public Accountant **Merja Lindh** as the principal auditor.

No changes were made to the Board of Directors' or Supervisory Board's fees. Members of the Board of Directors receive a monthly remuneration and a meeting fee. Members of the Supervisory Board receive a meeting fee.

Changes in management

Jussi Kuutsa, M.Sc. (Econ.), was appointed President of Itella Russia effective from January 1, 2017. In conjunction with the appointment, Kuutsa gave up his membership in the Board of Directors of Posti Group Corporation.

M.Sc. (Tech.), MBA, MA and the Managing Director of OpusCapita Patrik Sallner was elected as member of the Executive Board of Posti Group as of 1 March 2017.

Employees

Number of empolyees on average converted into full-time equivalents in January-March was 18,058 (18,542). Number of employees converted into full-time equivalents on March 31, 2017 was:

- The Group: 18,141 (18,466) people
- Finland: 13,759 (14,180) people
- Other countries of operation: 4,381 (4,286) people

The Group's personnel expenses, EUR 176.9 million, decreased by EUR 16.7 million, or by 8.6% year-on-year. Personnel expenses included EUR 1.7 (10.8) million in restructuring costs. Excluding restructuring costs, personnel expenses declined by 4.1% year-on-year.

Uusi polku (New path) program, March 31, 2017:

- Number of employees applied for the program: 2,620
- Number of employees approved for the program: 1,829

The program launched at the beginning of 2014 offers personnel not only financial support, but also training and support for job seeking, retraining or starting a business.

Cooperation negotiations

On January 25, 2017, Posti announced it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprised 308 employees and the reduction need at the start of the negotiations was at most 43 people. The negotiations led to personnel reductions concerning 33 people.

On March 20, 2017, Posti started cooperation negotiations in the Sorting organization under the Operations unit to support the restructuring of supervisory positions at the sorting centers in Helsinki, Vantaa and Lieto. The target group of the negotiations comprises 37 people and the preliminary reduction need is 7 people.

Changes in the corporate structure

Veine Oy, which was acquired by Posti Oy in August 2016, merged into Posti Oy on January 1, 2017. On January 10, 2017, Posti Oy acquired HR Hoiva Oy. Name was changed into Posti Kotipalvelut Oy on March 31, 2017. Kuljetus Kovalainen Oy, which was acquired by Posti Oy in October 2016, merged into Posti Oy on March 1, 2017.

Regulatory environment

The Government submitted its draft bill for the Postal Act to the Parliament on January 26, 2017. The legislative reform concerns Posti's universal service products. If the proposed legislative amendments were to be implemented, five-day delivery would continue in areas that do not have a delivery network maintained by newspapers, i.e. early-morning delivery of newspapers. The proposal states that, in sparsely populated areas, delivery would be implemented by means of a sourcing procedure arranged by the universal service provider.

The delivery speed requirements for letters covered by the universal service obligation is suggested to be made more flexible throughout the country, and a reasonable margin is suggested to be allowed in the pricing of universal service products. The right to deviate from the requirements pertaining to delivery frequency in areas that are difficult to reach would be made more flexible. Information in the postal code system and the address register system would be opened to increase competition. Apartment buildings could shift to mail delivery to pigeonholes, subject to the housing company's decision. A further proposal is that sending items in braille to people with visual impairments would be made free of charge. The new Postal Act is scheduled to enter into force on June 1, 2017.

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 the allegation that the Finnish Value Added Tax Act had been, 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 positive 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 Appeal. The total amount of the compensations claimed in the Court of Appeal is approximately EUR 99 million, and the interest claimed amounted to approximately EUR 56 million on March 31, 2017.

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 2016 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, which is progressing more rapidly than expected, as well as to the general economic development (including increasing fuel and energy prices), Posti's ability to respond to intensifying competition as well as Posti's ability to develop new business models and to execute the Group's transformation according to its strategy. In OpusCapita, the key strategic risks are whether the company is able to improve its cost-efficiency sufficiently and to develop its operations and service offering quickly enough when, on the one hand, the volume of paper-based transactions is decreasing and, on the other hand, financial management software is being increasingly offered as cloud services. In Russia, the fluctuation of the ruble and the weakening of demand affect shareholders' equity through changes in the value of capital employed in Russia.

Operational risks are primarily related to profitability and Posti's ability to implement the necessary efficiency improvement programs, maintaining the quality of delivery operations, the dependence of businesses on functional IT systems and business interruptions and other disruptions. Regulatory environment risks are especially related to potential unanticipated regulatory changes. The above-mentioned risks as well as financial risks and their management are described in more detail in the 2016 financial statements and its notes.

Events after the financial period

On April 3, 2017, Posti and Solemo Oy (SOL) announced they have signed an agreement on establishing a joint venture. The joint venture is intended to produce in-house logistics services. Before the joint venture can be established, it must be approved by the Finnish Competition and Consumer Authority.

OpusCapita announced on April 24, 2017 that it will start cooperation negotiations in Document and Transaction Processing unit. Negotiations concern 69 people in Finland and the estimated need for reduction is at the most 15 employees.

Outlook for 2017

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

The development of exchange rates, especially the ruble exchange rate, may affect the Group's net sales, result and balance sheet.

Net sales in euros for the year are further expected to increase compared to the previous year. The Group's adjusted operating result is further expected to remain on par with the previous year. The operating result for 2017 will include significant special items.

Capital expenditure excluding possible mergers and acquisitions is expected to increase from the previous year.

Helsinki, April 28, 2017

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 release

Interim Report January-March 2017

Key figures of Posti Group

EUR million		1-3 2017	1-3 2016	1-12 2016
Net sales		413.8	386.1	1,607.6
Adjusted EBITDA		35.5	29.8	126.7
Adjusted EBITDA	%	8.6	7.7	7.9
EBITDA		30.0	21.2	116.0
EBITDA	%	7.3	5.5	7.2
Adjusted operating result		15.5	10.8	47.1
Adjusted operating result	%	3.8	2.8	2.9
Operating result		10.0	0.6	30.7
Operating result	%	2.4	0.1	1.9
Result before taxes		9.7	-0.6	29.5
Result for the period		5.9	0.1	23.2
Cash flow from operating activities		3.5	29.1	63.1
Return on equity (12 months)	%	5.1	3.9	3.9
Return on invested capital (12 months)	%	6.4	4.3	5.1
Equity ratio	%	50.1	45.4	54.9
Gearing	%	-11.7	-15.4	-13.6
Gross capital expenditure		24.4	11.4	100.4
Employees on average		19,986	20,577	20,632
Employees on average, FTE		18,058	18,542	18,529
Dividends				60.0

Consolidated Income Statement

EUR million	1-3 2017	1-3 2016	1-12 2016
Net sales	**413.8**	**386.1**	**1,607.6**
Other operating income	3.9	5.0	26.0
Materials and services	121.8	95.1	448.6
Employee benefits	176.9	193.6	730.8
Other operating expenses	89.0	81.1	338.2
Depreciation and amortisation	19.9	19.0	79.2
Impairment losses	0.1	1.7	6.1
Operating result	**10.0**	**0.6**	**30.7**
% of net sales	2.4 %	0.1 %	1.9 %
Finance income	2.5	2.8	12.7
Finance expenses	2.8	4.0	13.9
Result before income tax	**9.7**	**-0.6**	**29.5**
% of net sales	2.3 %	-0.2 %	1.8 %
Income tax	-3.8	0.7	-6.3
Result for the period	**5.9**	**0.1**	**23.2**
% of net sales	1.4 %	0.0 %	1.4 %

Consolidated Statement of Comprehensive Income

Result for the period	**5.9**	**0.1**	**23.2**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets	0.0	0.0	0.0
Change in fair value of cash flow hedges	0.0	-0.7	0.0
Translation differences	6.7	4.9	20.0
Income tax relating to these items	0.0	0.1	0.0
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	0.0	2.0	0.0
Income tax relating to these items	0.0	-0.4	0.0
Comprehensive income for the period	**12.6**	**5.9**	**43.2**

Consolidated Balance Sheet

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Non-current assets			
Goodwill	214.6	184.0	213.7
Other intangible assets	60.5	50.3	60.7
Investment property	9.6	10.2	9.7
Property, plant and equipment	371.4	401.4	360.5
Other non-current investments	4.6	6.1	6.1
Non-current receivables	1.9	2.6	2.6
Deferred tax assets	13.2	25.5	13.6
Total non-current assets	**675.8**	**680.1**	**667.0**
Current assets			
Inventories	3.9	4.1	4.0
Trade and other receivables	307.9	257.9	295.6
Current income tax receivables	7.6	1.4	4.2
Current financial assets	142.9	246.2	132.8
Cash and cash equivalents	51.6	130.9	82.0
Total current assets	**514.0**	**640.5**	**518.6**
Total assets	**1,189.8**	**1,320.6**	**1,185.6**
Equity			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	0.1	-0.5	0.1
Translation differences	-76.9	-98.7	-83.5
Retained earnings	425.1	457.6	479.2
Total equity	**561.0**	**571.1**	**608.4**
Non-current liabilities			
Deferred tax liabilities	26.7	22.8	26.6
Non-current borrowings	16.6	123.9	19.8
Other non-current liabilities	14.8	11.2	13.9
Advances received	13.6	16.7	16.8
Non-current provisions	13.4	17.6	14.3
Defined benefit pension plan liabilities	11.9	9.7	11.9
Total non-current liabilities	**97.0**	**201.8**	**103.3**
Current liabilities			
Current borrowings	112.3	163.5	112.3
Trade and other payables	358.1	312.4	298.1
Advances received	55.6	47.2	60.0
Current income tax liabilities	3.4	17.5	0.0
Current provisions	2.2	7.1	3.5
Total current liabilities	**531.7**	**547.7**	**473.9**
Total liabilities	**628.7**	**749.5**	**577.2**
Total equity and liabilities	**1,189.8**	**1,320.6**	**1,185.6**

Consolidated Cash Flow Statement

EUR million	**1-3 2017**	**1-3 2016**	**1-12 2016**
Result for the period	**5.9**	**0.1**	**23.2**
Adjustments to cash flow	23.2	17.0	69.4
Change in net working capital	-22.1	11.6	-3.9
Cash flow before financial items and income tax	**7.0**	**28.7**	**88.7**
Financial items (net)	0.6	0.7	-6.9
Income tax paid	-4.1	-0.3	-18.7
Cash flow from operating activities	**3.5**	**29.1**	**63.1**
Purchase of intangible assets	-3.1	-4.8	-14.5
Purchase of property, plant and equipment	-18.9	-4.9	-40.9
Proceeds from sale of intangible and tangible assets	1.4	0.1	69.7
Business acquisitions	-1.0	-1.6	-36.8
Proceeds from business disposals less cash and cash equivalents	-	8.4	8.4
Financial assets at fair value through profit or loss	9.7	-32.7	48.6
Financial assests held to maturity	-20.0	10.0	40.3
Cash flow from other investments	1.0	0.2	2.0
Cash flow from investing activities	**-31.0**	**-25.3**	**76.7**
Change in loans (net)	0.0	0.0	-159.1
Finance lease payments	-3.3	-3.3	-11.6
Dividends paid	-	-	-18.0
Cash flow from financing activities	**-3.3**	**-3.3**	**-188.6**
Change in cash and cash equivalents	**-30.8**	**0.5**	**-48.9**
Cash and cash equivalents at the beginning of the period	**82.0**	**130.1**	**130.1**
Effect of exchange rates changes	0.4	0.3	0.8
Cash and cash equivalents at the end of the period	**51.6**	**130.9**	**82.0**

Consolidated Statement of Changes in Equity

EUR million	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity Jan 1, 2016	**70.0**	**142.7**	**0.1**	**-103.6**	**474.0**	**583.2**
Comprehensive income						
Result for the period					0.1	0.1
Other comprehensive income:						
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.6			-0.6
Translation differences				4.9		4.9
Remeasurements of post-employment benefit obligations, net of tax					1.6	1.6
Comprehensive income for the period			**-0.6**	**4.9**	**1.6**	**5.9**
Transactions with equity holders						
Dividends paid					-18.0	-18.0
Equity Mar 31, 2016	**70.0**	**142.7**	**-0.5**	**-98.7**	**457.6**	**571.1**
Equity Jan 1, 2017	**70.0**	**142.7**	**0.1**	**-83.5**	**479.2**	**608.4**
Comprehensive income						
Result for the period					5.9	5.9
Other comprehensive income:						
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			0.0			0.0
Translation differences				6.7		6.7
Remeasurements of post-employment benefit obligations, net of tax						
Comprehensive income for the period			**0.0**	**6.7**	**5.9**	**12.6**
Transactions with equity holders						
Dividends paid					-60.0	-60.0
Equity Mar 31, 2017	**70.0**	**142.7**	**0.1**	**-76.9**	**425.1**	**561.0**

Notes

1. Accounting Principles

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. In the preparation of this review, the Group has applied the same accounting principles as in the Consoldidated Financial Statements for 2016 as well as currently valid IFRS standards and interpretations. 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 2017 had no impact on consolidated income statement or statement of financial position.

2. Segment Information

EUR million	1-3 2017	1-3 2016	1-12 2016
Net sales by segments			
Mail, Parcel and Logistics Services	340.6	319.5	1,321.6
inter-segment sales	-13.3	-12.9	-49.4
Itella Russia	27.5	21.0	104.6
inter-segment sales	0.0	0.0	0.0
OpusCapita	60.9	61.3	240.1
inter-segment sales	-2.0	-2.9	-9.4
Other operations	1.2	1.4	5.1
inter-segment sales	-1.2	-1.4	-5.0
Total eliminations	-16.5	-17.2	-63.9
Total	**413.8**	**386.1**	**1,607.6**
Adjusted EBITDA			
Mail, Parcel and Logistics Services	27.0	24.2	91.0
Itella Russia	0.9	-0.9	2.6
OpusCapita	4.0	3.8	19.1
Other operations	3.6	2.7	14.1
Total	**35.5**	**29.8**	**126.7**
EBITDA			
Mail, Parcel and Logistics Services	25.6	15.9	76.9
Itella Russia	0.9	1.2	3.9
OpusCapita	0.8	1.9	12.2
Other operations	2.7	2.2	23.1
Total	**30.0**	**21.2**	**116.0**
Adjusted operating result			
Mail, Parcel and Logistics Services	16.4	14.0	48.7
Itella Russia	-1.0	-2.4	-4.0
OpusCapita	1.4	2.0	9.7
Other operations	-1.2	-2.8	-7.3
Total	**15.5**	**10.8**	**47.1**
Operating result by segments			
Mail, Parcel and Logistics Services	15.0	5.7	34.6
Itella Russia	-1.0	-0.2	-2.7
OpusCapita	-1.8	-1.5	-1.4
Other operations	-2.1	-3.3	0.2
Total	**10.0**	**0.6**	**30.7**
Financial income and expenses	**-0.3**	**-1.2**	**-1.2**
Result for the financial period	**5.9**	**0.1**	**23.2**

Reconciliation of EBITDA and operating result

1-3 2017	Mail, Parcel and Logistics Services	Itella Russia	Opus Capita	Other opera-tions	Group total
EBITDA	**25.6**	**0.9**	**0.8**	**2.7**	**30.0**
Special items included in EBITDA:					
Personnel restructuring	1.4	0.0	0.1	0.2	1.7
Provision for onerous contracts		0.0			0.0
Changes in contingent purchase considerations			2.5		2.5
Other			0.7	0.6	1.3
Special items included in EBITDA total	**1.4**	**0.0**	**3.2**	**0.9**	**5.5**
Adjusted EBITDA	**27.0**	**0.9**	**4.0**	**3.6**	**35.5**
Operating result	**15.0**	**-1.0**	**-1.8**	**-2.1**	**10.0**
Special items included in operating result:					
Special items included in EBITDA	1.4	0.0	3.2	0.9	5.5
Special items total	**1.4**	**0.0**	**3.2**	**0.9**	**5.5**
Adjusted operating result	**16.4**	**-1.0**	**1.4**	**-1.2**	**15.5**

1-3 2016	Mail, Parcel and Logistics Services	Itella Russia	Opus Capita	Other opera-tions	Group total
EBITDA	**15.9**	**1.2**	**1.9**	**2.2**	**21.2**
Special items included in EBITDA:					
Personnel restructuring	8.3	0.1	1.9	0.5	10.8
Disposals of subsidiaries, real-estates and businesses			-2.8		-2.8
Provision for onerous contracts		-2.2			-2.2
Changes in contingent purchase considerations			2.7		2.7
Special items included in EBITDA total	**8.3**	**-2.1**	**1.9**	**0.5**	**8.6**
Adjusted EBITDA	**24.2**	**-0.9**	**3.8**	**2.7**	**29.8**
Operating result	**5.7**	**-0.2**	**-1.5**	**-3.3**	**0.6**
Special items included in operating result:					
Special items included in EBITDA	8.3	-2.1	1.9	0.5	8.6
Impairment losses			1.7		1.7
Special items total	**8.3**	**-2.1**	**3.5**	**0.5**	**10.3**
Adjusted operating result	**14.0**	**-2.4**	**2.0**	**-2.8**	**10.8**

1-12
2016

EBITDA	**76.9**	**3.9**	**12.2**	**23.1**	**116.0**
Special items included in EBITDA:					
Personnel restructuring	14.7	0.4	3.1	0.8	18.9
Disposals of subsidiaries, real-estates and businesses			-2.8	-10.6	-13.4
Provision for onerous contracts		-1.7	1.6		0.0
Changes in contingent purchase considerations			4.1		4.1
Other	-0.6		0.8	0.9	1.1
Special items included in EBITDA total	**14.1**	**-1.3**	**6.8**	**-9.0**	**10.7**
Adjusted EBITDA	**91.0**	**2.6**	**19.1**	**14.1**	**126.7**
Operating result	**34.6**	**-2.7**	**-1.4**	**0.2**	**30.7**
Special items included in operating result:					
Special items included in EBITDA	14.1	-1.3	6.8	-9.0	10.7
Impairment losses			4.3	1.4	5.7
Special items total	**14.1**	**-1.3**	**11.1**	**-7.5**	**16.4**
Adjusted operating result	**48.7**	**-4.0**	**9.7**	**-7.3**	**47.1**

Segments' assets and liabilities

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Assets			
Mail, Parcel and Logistics Services	549.3	536.0	537.4
Itella Russia	158.7	133.9	153.5
OpusCapita	198.5	169.5	202.4
Other operations and unallocated	290.9	485.2	299.9
Eliminations	-7.7	-3.9	-7.6
Total	**1,189.8**	**1,320.6**	**1,185.6**
Liabilities			
Mail, Parcel and Logistics Services	320.6	312.1	329.6
Itella Russia	20.6	26.9	23.0
OpusCapita	45.5	37.5	47.5
Other operations and unallocated	249.7	377.0	184.6
Eliminations	-7.7	-3.9	-7.6
Total	**628.7**	**749.5**	**577.2**
Personnel at end of the period			
Mail, Parcel and Logistics Services	15,057	15,414	15,455
Itella Russia	2,345	2,629	2,389
OpusCapita	2,085	2,034	2,051
Other operations	596	583	602
Total	**20,083**	**20,660**	**20,497**
Personnel at end of the period, FTE			
Mail, Parcel and Logistics Services	13,182	13,534	13,557
Itella Russia	2,344	2,374	2,377
OpusCapita	2,023	1,977	1,991
Other operations	592	581	594
Total	**18,141**	**18,466**	**18,519**

3. Acquired businesses and business divestments

Acquired businesses Jan-Mar 2017

HR-Hoiva Oy

Posti acquired HR Hoiva Oy in January 2017. HR Hoiva Oy provides home care and personal assistance services for municipalities, joint municipal authorities and private customers. HR Hoiva's net sales in 2016 were approximately EUR 2.5 million and the company continues its operations as a subsidiary of Posti.

The acquisition cost was EUR 2.2 million, of which the contingent earn-out component recognized in liabilities amounted to EUR 1.0 million.

The goodwill arising from the acquisition amounts to EUR 0.8 million. The goodwill is generated by the synergies achievable with Posti's operations. The company has been renamed as Posti Kotipalvelut Oy in March.

Analysis of net assets acquired

Effect on assets

EUR million	Fair value
Intangible assets	1.8
Receivables	0.3
Cash and cash equivalents	0.0
Effect on assets	**2.1**

Effect on liabilities

EUR million	
Deferred tax liability	0.4
Interest-bearing loans	0.0
Trade payables and other liabilities	0.3
Effect on liabilities	**0.6**
Net assets acquired	**1.5**

Components of acquisition cost

EUR million	
Cash consideration	1.2
Earn-out consideration	1.0
Total cost of acquisition	**2.2**
Fair value of net assets acquired	1.5
Goodwill	**0.8**

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	1.0
Cash and cash equivalents of the acquired subsidiary	0.0
Cash flow	**-1.0**

4. Net sales by geographical location

EUR million	1-3 2017	1-3 2016	1-12 2016
Finland	321.4	307.3	1,261.9
Scandinavia	35.0	32.7	133.2
Russia	27.6	21.0	104.6
Other countries	29.8	25.0	107.7
Total	**413.8**	**386.1**	**1,607.6**

5. Changes in property, plant and equipment

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Carrying amount on 1 January	360.5	406.0	406.0
Additions	19.1	5.5	52.1
Disposals and transfers between items	-0.6	-0.1	-58.6
Depreciation and impairment	-14.8	-15.2	-62.1
Translation differences	7.2	5.3	22.9
Carrying amount at the end of the period	**371.4**	**401.4**	**360.5**

6. Fair values of interest-bearing loans

EUR million	Carrying amount Mar 31, 2017	Fair value Mar 31, 2017	Carrying amount Mar 31, 2016	Fair value Mar 31, 2016	Carrying amount Dec 31, 2016	Fair value Dec 31, 2016
Non-current interest-bearing loans						
Bonds	-	-	99.8	105.8	-	-
Finance lease liabilities	16.2	16.2	23.6	23.6	19.4	19.4
Other interest-bearing loans	0.4	0.4	0.5	0.5	0.4	0.4
Total	**16.6**	**16.6**	**123.9**	**129.9**	**19.8**	**19.8**
Current interest-bearing loans						
Bonds	99.9	102.8	150.3	153.0	99.9	103.7
Finance lease liabilities	12.3	12.3	13.2	13.2	12.3	12.3
Other	0.1	0.1	0.0	0.0	0.2	0.2
Total	**112.3**	**115.3**	**163.5**	**166.2**	**112.3**	**116.1**

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

EUR million	Total	Level 1	Level 2	Level 3
Mar 31, 2017				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	4.5			4.5
Trade and other receivables				
Derivative contracts				
Currency forward contracts, hedge accounting	0.0		0.0	
Financial assets at fair value through profit and loss				
Money market investments	36.5		36.5	
Bonds	31.5	22.6	8.9	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Available-for-sale financial assets				
Equity fund investments	0.2			0.2
Total	**72.7**	**22.6**	**45.4**	**4.7**
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Total	**0.1**	**-**	**0.1**	**-**

EUR million	Total	Level 1	Level 2	Level 3
Mar 31, 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	168.5		168.5	
Bonds	42.6	33.1	9.5	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1		0.1	
Interest rate derivatives, non-hedge accounting	1.4		1.4	
Available-for-sale financial assets				
Equity fund investments	0.2			0.2
Total	**218.7**	**33.1**	**179.4**	**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	0.7		0.7	
Electricity derivatives, non-hedge accounting	0.7	0.7		
Total	**1.6**	**0.7**	**0.8**	**-**

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 excercised or at the moment when the parametres 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
2017	
Carrying amount on 1 January	6.1
Total profits and losses	
In income statement	
Available-for-sale financial assets	-1.5
Carrying amount on 31 March	**4.7**

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

In financial income and expenses	-1.5

8. Contingent liabilities

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Pledges for own behalf	8.2	10.0	8.3
Lease commitments	318.6	301.8	326.8

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 56 million on March 31, 2017.

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	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Currency derivatives			
Non-hedge accounting			
Fair value	-0.1	0.0	0.0
Nominal value	5.2	10.1	4.6
Hedge accounting			
Fair value	0.0	-0.7	0.0
Nominal value	3.4	8.7	3.4
Interest rate derivates			
Non-hedge accounting			
Fair value	-	1.4	-
Nominal value	-	70.0	-
Electricity derivatives			
Non-hedge accounting			
Fair value	-	-0.7	-
Nominal value	-	2.4	-

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

Average rate	1-3 2017	1-3 2016	1-12 2016
RUB	62.5198	82.4730	74.2224
SEK	9.5050	9.3260	9.4673
NOK	8.9837	9.5276	9.2927

Closing rate	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
RUB	60.3130	76.3051	64.3000
SEK	9.5322	9.2253	9.5525
NOK	9.1683	9.4145	9.0863

11. Key figures reconciliation

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Cash and cash equivalents	51.6	130.9	82.0
Money market investments and investments in bonds	68.0	159.6	77.9
Liquid funds	**119.7**	**290.5**	**159.9**

EUR million	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Interest-bearing loans	128.9	287.4	132.1
Liquid funds	119.7	290.5	159.9
Debt certificates	74.7	85.0	54.7
Net debt	**-65.5**	**-88.1**	**-82.5**

12. Calculation of key figures

In addition to IFRS-based performance measures, Posti Group discloses adjusted EBITDA and adjusted operating result to enhance comparability of performance measures 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 performance measures provides meaningful supplemental information to both management and investors regarding the business performance. Adjusted EBITDA and adjusted operating result are also one of the key business performance indicators in Posti Group's management reporting.

Return on equity, % = 100 x $\frac{\text{result for the period (12m rolling)}}{\text{total equity (average of opening and closing balance of previous 12m)}}$

Return on invested capital, % = 100 x $\frac{\text{result before income tax (12m rolling) + interest and other financial expenses (12m rolling) *)}}{\text{total equity + interest-bearing debt (average of opening and closing balance of prev. 12m)}}$

*) Interest and other financial expenses excluding unrealized losses on financial liabilities and interest rate derivatives and deducted by interest income on interest rate derivatives and unrealized gains on financial liabilities.

Equity ratio, % = 100 x $\frac{\text{total equity}}{\text{total assets - advances received (current and non-current)}}$

Gearing, % = 100 x $\frac{\text{net debt}}{\text{total equity}}$

Interest-bearing debt	Non-current and current borrowings
EBITDA	EBITDA is operating result excluding depreciation, amortization and impairment losses.
Adjusted EBITDA	Adjusted EBITDA is EBITDA excluding special items.
Adjusted operating result	Adjusted operating result is operating result excluding special items.

Special items	The Group reports separately special items which include reorganization costs, significant impairment losses on assets, 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.
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, money market investments and investments in bonds.
Gross capital expenditure	Investments in intangible and tangible assets, finance lease assets, and business acquisitions.