



POSTI GROUP CORPORATION HALF-YEAR REPORT, JULY 27, 2017 AT 1:00 P.M. (EEST)

Posti Group Corporation Half-year Report January-June 2017



Posti Group improved its operating result in January–June 2017

Posti Group Corporation Half-year Report January-June 2017

April–June

Financial highlights

- The Group's net sales increased by 3.4% to EUR 402.3 (389.0) million.
- The Group's adjusted EBITDA declined to EUR 19.8 (21.8) million, 4.9% (5.6%).
- The Group's EBITDA declined to EUR 12.8 (17.0) million, 3.2% (4.4%).
- The adjusted operating result declined to EUR 0.3 (1.9) million, or 0.1% (0.5%) of net sales.
- The operating result declined to EUR -7.6 (-2.9) million, or -1.9% (-0.7%) of net sales.

Operational highlights

- The number of working days was 60 (63). Easter fell in the second quarter of 2017, unlike last year, when it fell in the first quarter. The number of working days in April–June was lower than in the previous year by three days. The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparison and consecutive quarter comparison
- Measured in waybills, Posti's domestic freight grew by 4%. The combined parcel volume of Finland and the Baltic countries increased by 4%. The number of addressed letters delivered by Posti in Finland decreased by 10%.
- Posti's structural transformation continued:
 - On April 3, 2017, Posti and Solemo Oy announced that they have signed an agreement on establishing Flexo, a joint venture that will provide in-house logistics services. The Finnish Competition and Consumer Authority approved the joint venture on April 25, 2017.
 - On May 4, 2017, OpusCapita, part of Posti Group, announced that it will sell its Finance and Accounting Outsourcing business to Longship, a Norwegian private equity investor. The transaction is estimated to be finalized in September.
 - On June 12, 2017, Posti announced the acquisition of the personal assistance business of SOL Henkilöstöpalvelut Oy.
 - On May 29, 2017, Posti announced that it is strengthening its early-morning delivery by acquiring the early-morning delivery business of Kaakon Viestintä. On June 27, 2017, Posti announced that it will merge its early-morning delivery operations into a newly established subsidiary, Posti Palvelut Oy.
 - OpusCapita, part of Posti Group, will outsource its digitizing production in Sweden, Norway and Poland to the US-based BancTec. The change is expected to enter into effect within 2017.
- Mail items covered by the universal service obligation accounted for 4.2% (3.8%) of all of Posti's mail items.

January–June

Financial highlights

- The Group's net sales increased by 5.3% to EUR 816.1 (775.1) million.
- The Group's adjusted EBITDA improved to EUR 55.3 (51.6) million, 6.8% (6.7%).
- The Group's EBITDA improved to EUR 42.9 (38.2) million, 5.3% (4.9%).
- The adjusted operating result improved to EUR 15.8 (12.7) million, or 1.9% (1.6%) of net sales.
- The operating result improved to EUR 2.5 (-2.3) million, or 0.3% (-0.3%) of net sales.
- In April, in line with the decision of the Annual General Meeting held on March 27, 2017, Posti distributed a dividend of EUR 25 million on the net profit for the financial year and an extra dividend of EUR 35 million. The total dividend distribution amounted to EUR 60 million.

Operational highlights

- The number of working days was 124 (124).
- Measured in waybills, Posti's domestic freight grew by 8%. The combined parcel volume of Finland and the Baltic countries increased by 6%. The number of addressed letters delivered by Posti in Finland decreased by 9%.
- As part of the Group's structural transformation, Posti acquired the home care and personal assistance service provider HR Hoiva Oy (now known as Posti Kotipalvelut Oy) in the first quarter.
- In March, Posti began the construction of a 26,000 m² freight terminal on Suokalliontie in Vantaa, Finland. The new terminal represents a response to the growth of the freight business.
- Mail items covered by the universal service obligation accounted for 4.3% (4.6%) of all of Posti's mail items.

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

	4–6 2017	4–6 2016	1–6 2017	1–6 2016	1–12 2016
Net sales, EUR million	402.3	389.0	816.1	775.1	1,607.6
Adjusted EBITDA, EUR million	19.8	21.8	55.3	51.6	126.7
Adjusted EBITDA, %	4.9	5.6	6.8	6.7	7.9
EBITDA, EUR million	12.8	17.0	42.9	38.2	116.0
EBITDA, %	3.2	4.4	5.3	4.9	7.2
Adjusted operating result, EUR million	0.3	1.9	15.8	12.7	47.1
Adjusted operating result, %	0.1	0.5	1.9	1.6	2.9
Operating result, EUR million	-7.6	-2.9	2.5	-2.3	30.7
Operating result, %	-1.9	-0.7	0.3	-0.3	1.9
Result before taxes, EUR million	-12.3	-1.4	-2.6	-2.0	29.5
Result for the period, EUR million	-13.0	-0.8	-7.0	-0.8	23.2
Cash flow from operating activities			28.2	28.2	63.1
Return on equity (12 months), %			3.0	0.5	3.9
Return on invested capital (12 months), %			4.8	1.2	5.1
Equity ratio, %			49.3	47.0	54.9
Gearing, %			-3.7	-4.3	-13.6
Gross capital expenditure, EUR million	11.9	48.4	36.3	59.8	100.4
Employees on average			20,334	20,838	20,632
Employees on average, FTE			18,323	18,676	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 and competition increases in traditional postal operations. The sharp decline in the volume of addressed letters continued, with the rate of decrease being 10% in the second quarter. However, digitization is also a source of opportunities for Posti. 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 demand for which was boosted by the favorable economic climate and growth in e-commerce in the second quarter.

Net sales increased by 3.4% in the second quarter. While letter product volumes continued to fall, the volumes of parcel and logistics products showed favorable development. Adjusted for the number of working days, parcel volume grew by 10% and freight volume by 9% in Finland. Net sales increased by 20.9% in Logistics Services and by 0.5% in Parcel Services. The increase in net sales was also significantly supported by the Group's expansion through acquisitions as well as the strengthening of Russian ruble. Digitization and the market entry of new players have had a substantial effect on the volumes of basic services, but pricing changes have mitigated the financial impacts of declining mail volumes. We continued our determined and collective effort to ensure high quality. Growth was sought through corporate transactions in areas including in-house logistics, personal assistance services and the delivery of publications.

Posti's adjusted EBITDA in the second quarter was 4.9%. The distribution of the net sales and result between the first and second quarter was affected by Easter falling in April this year. The improved profitability of logistics services was supported by a general increase in demand as well as the improved efficiency of operations. OpusCapita's EBITDA decreased. Posti's adjusted operating result for the first half of the year improved and represented 1.9% of net sales.

Itella Russia's net sales grew by 15.9% measured in euros, but declined by 2.7% in rubles. The measures taken to improve the profitability of Itella Russia's operations are showing good results already in the half-year period and the adjustment of the cost structure will continue.

OpusCapita is moving forward with its transformation as planned. The Buyer-Supplier Ecosystem business unit continued its global growth. A transaction to divest the financial management outsourcing business is in the implementation phase. The sending of documents and invoices as well as digitizing operations in Finland will be transferred to Posti's Postal Services business group within 2017. OpusCapita's digitizing production in Sweden, Norway and Poland will be outsourced. Following these corporate transactions, OpusCapita will focus on pursuing growth in the Buyer-Supplier Ecosystem business.

The Postal Act reforms approved by the Finnish Parliament in June are an important decision for Posti. They enable the reform of delivery obligations to correspond to the accelerating digital transformation, thereby improving Posti's operating conditions in competitive markets and promoting the introduction of new business concepts and technologies. The reforms are also aimed at maintaining the cost-effective provision of universal services throughout the country in the coming years without public subsidies."

APPENDICES

Posti Group's Half-year Report in full (PDF)

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Sari Helander, CFO
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FINANCIAL CALENDAR IN 2017

Interim Report Q3/2017: October 26, 2017, at 9:00

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Posti is a service provider that delivers the smartest and most customer-focused postal and logistics services in the market. Posti is expanding into new service areas and playing an increasingly significant role in the daily life of its customers. We operate in ten countries, our net sales in 2016 amounted to EUR 1,600 million and the number of our personnel is approximately 20,500. Our businesses also include the logistics service provider Itella Russia and the electronic business specialist OpusCapita. www.posti.com.

Market situation and business environment in January–June 2017

The Bank of Finland announced in June that the upswing in the Finnish economy has strengthened further. In particular, the statistics show strong growth in the first half of 2017. Economic growth in recent years has depended entirely on domestic demand, but the foundation for growth is now expanding to include exports. The Bank of Finland forecasts GDP growth of 2.1% in 2017, 1.7% in 2018 and 1.4% in 2019.

The Ministry of Finance published a forecast in June estimating that the Finnish GDP will grow by 2.4% in 2017. Many banks, such as OP, Danske Bank and Nordea, increased their economic forecasts in the early summer.

According to the Finnish Transport Agency, transport volumes in heavy traffic have continued to increase since April 2016, which has also been reflected in Posti's higher freight and parcel volumes since last April.

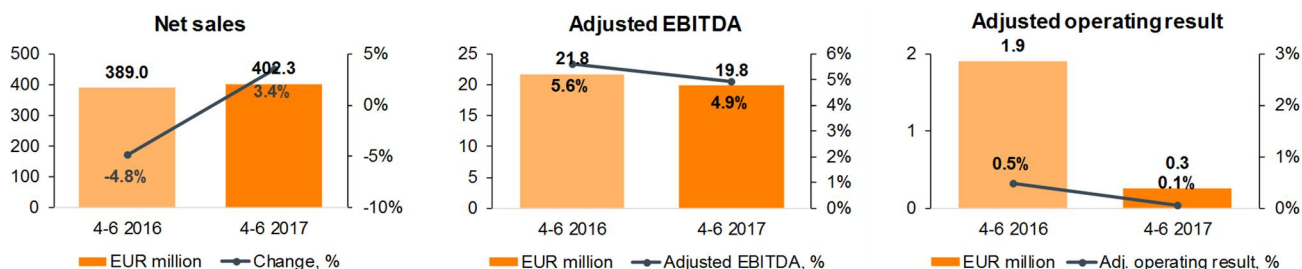
However, the decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continued. This was reflected in the 9% decline in the volume of addressed letters in January–June. The same trend is also evident in OpusCapita, particularly in the volumes of iPost products and printing services. Competition in mail delivery has

also increased following the entry into force of the amended Postal Act in June 2016. In addition to Posti, there are currently 13 operators delivering mail in Finland.

In Russia, the increase in oil prices has strengthened the ruble. Nevertheless, in June, the ruble depreciated by 12.0% against the euro and by 4.9% against the US dollar, compared to the end of March. The Russian GDP saw strong growth of 3.1% in May, compared to 1.7% in April. The retail trade in Russia also saw year-on-year growth of slightly less than one percent in June. The Russian Ministry of Finance forecasts GDP growth of 1.3% for 2017.

Net sales and operating result in April–June 2017

Easter fell in the second quarter of 2017, unlike last year, when it fell in the first quarter. The number of working days in April–June was lower than in the previous year by three days. The number of working days affects the Group's net sales and result.



The Group's net sales increased by 3.4% to EUR 402.3 (389.0) million. Net sales increased by 3.0% in Finland and by 5.7% in other countries. International operations accounted for 15.0% (14.7%) of net sales.

The Group's adjusted EBITDA declined to EUR 19.8 (21.8) million, 4.9% (5.6%). EBITDA declined to EUR 12.8 (17.0) million, 3.2% (4.4%).

The adjusted operating result declined to EUR 0.3 (1.9) million, or 0.1% (0.5%) of net sales. Mail, Parcel and Logistics Services result improved somewhat as the weight of operations is shifting from traditional mail to logistics. The decrease in group result was due to OpusCapita.

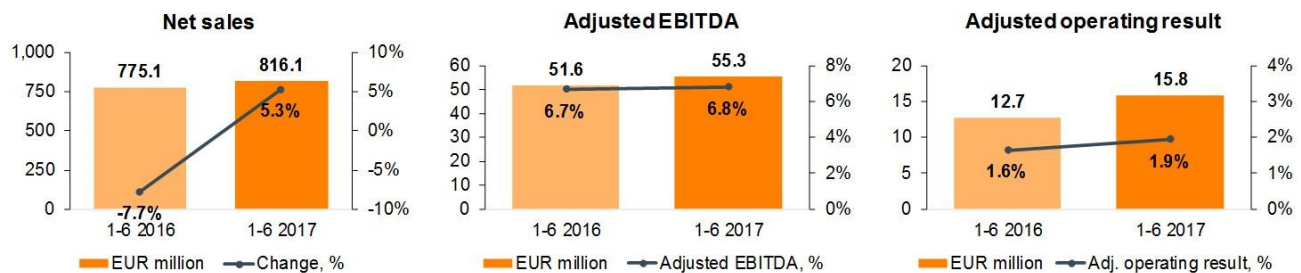
Special items amounted to EUR 7.8 (4.8) million. The special items include gains from the sale of real estate after Posti sold the main post office building in Seinäjoki in May. The special items of the businesses are described in more detail below, in connection with the segment-specific results analyses.

The operating result was EUR -7.6 (-2.9) million, or -1.9% (-0.7%) of net sales.

The result before taxes was EUR -12.3 (-1.4) million.

Mail items covered by the universal service obligation accounted for 4.2% of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 27.5 (27.9) million, or 6.8% of the Group's net sales.

Net sales and operating result in January–June 2017



The Group's net sales increased by 5.3% to EUR 816.1 (775.1) million. Net sales increased by 4.5% in Finland and by 9.9% in other countries. International operations accounted for 14.7% (14.1%) of net sales.

The Group's adjusted EBITDA improved to EUR 55.3 (51.6) million, 6.8% (6.7%). The Group's EBITDA improved to EUR 42.9 (38.2) million, 5.3% (4.9%).

The adjusted operating result improved to EUR 15.8 (12.7) million, or 1.9% (1.6%) of net sales.

Special items amounted to EUR 13.3 (15.0) million. The special items of the businesses are described in more detail below, in connection with the segment-specific results analyses.

The operating result was EUR 2.5 (-2.3) million, or 0.3% (-0.3%) of net sales.

The result before taxes was EUR -2.6 (-2.0) million.

The Group's net financing costs amounted to EUR 5.1 (income of 0.3) million. The change was attributable to exchange rate differences and non-recurring expenses.

Return on equity was 3.0% (0.5%).

Mail items covered by the universal service obligation accounted for 4.3% of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 56.1 (66.1) million, or 6.9% of the Group's net sales.

Mail, Parcel and Logistics Services

April–June

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

- Addressed letters -10% (-9%)
- Parcels in Finland and the Baltics +4% (+5%), of which B2C parcels +5% (+7%)
- Domestic freight* measured in waybills +4% (+9%)
- Warehouse fill rate in Finland on average in April–June 76% (72%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries was 9.3 (8.9) million parcels. In the Baltic countries, parcel volumes increased by 6%.

The net sales of Mail, Parcel and Logistics Services amounted to EUR 329.2 (317.3) million. The increase in net sales was mainly due to acquisitions as well as higher demand for logistics services. Net sales for the period were reduced by Easter falling in the second quarter of 2017, unlike last year, when it fell in the first quarter. The number of working days was lower than in the previous year by three days.

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

Net sales, EUR million	4–6 2017	4–6 2016	Change
Mail and Marketing Services	128.4	130.2	-1.3%
Press Services	41.4	43.6	-5.1%
Parcel Services	68.1	67.7	0.5%
Logistics Services	92.7	76.7	20.9%

The net sales of Mail and Marketing Services were affected by the decline in domestic delivery product volumes, which was partly compensated for by price increases. Another factor influencing net sales was the substantial increase in competition. Parcel Services saw positive development, particularly in the volumes of domestic B2C parcels and international B2C parcels addressed to Finland. The number of parcels going through parcel points grew by 13%. In Logistics Services, the net sales of domestic freight increased, with acquisitions also playing a part in the growth. In the warehousing business, processing volumes and fill rates increased.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 15.5 (14.7) million, 4.7% (4.6%). The adjusted EBITDA was boosted by the increase in net sales. EBITDA improved to EUR 13.8 (10.5) million.

The adjusted operating result improved to EUR 4.9 (4.4) million, 1.5% (1.4%). The weaker result of traditional postal operations was compensated for by the growth of freight and parcel services and their improved net sales and profitability.

Special items recognized during the period amounted to EUR 1.7 (4.2) million. The special items were related to personnel restructuring in both the review period and the comparison period.

The operating result improved to EUR 3.2 (0.2) million.

On April 13, 2017, Posti and Solemo Oy established Flexo, a joint venture that will provide in-house logistics services.

On May 29, 2017, Posti announced that it is strengthening its early-morning delivery by acquiring the early-morning delivery business of Kaakon Viestintä. On June 27, 2017, Posti announced that it will merge its early-morning delivery operations into a newly established subsidiary, Posti Palvelut Oy.

On June 12, 2017, Posti announced the acquisition of the personal assistance business of SOL Henkilöstöpalvelut Oy.

January–June

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

- Addressed letters -9% (-7%)
- Parcels in Finland and the Baltics +6% (+2%), of which B2C parcels +7% (+3%)
- Domestic freight* measured in waybills +8% (+4%)
- Warehouse fill rate in Finland on average in January–June 76% (71%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries was 18.7 (17.6) million parcels. In the Baltic countries, parcel volumes increased by 13%. The volume of electronic letters (Netposti) fell by 9%. The number of digital mailbox Netposti users increased by 12% and stood at 750,000 (663,000) at the end of June.

The net sales of Mail, Parcel and Logistics Services amounted to EUR 669.9 (636.8) million. The increase in net sales was mainly due to acquisitions as well as higher demand for parcel, freight and logistics services.

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

Net sales, EUR million	1–6 2017	1–6 2016	Change
Mail and Marketing Services	268.9	273.7	-1.8%
Press Services	83.0	86.3	-3.8%
Parcel Services	137.1	134.0	2.3%
Logistics Services	183.7	144.4	27.2%

The net sales of Mail and Marketing Services were affected by the decline in domestic delivery product volumes, which was partly compensated for by price increases. Another factor influencing net sales was the increase in competition. Parcel Services saw strong growth, particularly in the volumes of domestic B2C parcels and international B2C parcels addressed to Finland. The number of parcels going through parcel points grew by 20%. In Logistics Services, the net sales of domestic freight increased, with acquisitions also playing a part in the growth. In the warehousing business, processing volumes and fill rates increased.

The adjusted EBITDA of Mail, Parcel and Logistics Services increased to EUR 42.5 (38.9) million, 6.3% (6.1%). This increase was attributable to increased net sales and higher profitability as well as operational efficiency improvement measures, which also reflected measures related to the improvement of quality. EBITDA improved to EUR 39.4 (26.4) million.

The adjusted operating result improved to EUR 21.2 (18.5) million, 3.2% (2.9%). The decline in the result of traditional postal operations was compensated for by the growth and improved result of freight and parcel services.

Special items recognized during the period amounted to EUR 3.1 (12.5) million. The special items were related to personnel restructuring in both the review period and the comparison period.

The operating result improved to EUR 18.1 (5.9) million.

The renewal of Posti's retail network has progressed according to plan. The number of Posti service points has continued to increase. On June 30, 2017, Posti had a total of 1,432 service points in Finland, of which 484 were parcel points.

Itella Russia

April–June

Euro-denominated net sales increased by 15.9% to EUR 29.2 (25.2) million. Measured in local currency, Itella Russia's net sales decreased by 2.7%. Net sales were negatively affected by the weakness of the economy and international trade, as well as the optimization of warehouse space due to lower customer demand. Growth was seen in air and sea freight as well as e-commerce. The decline was the steepest in the demand for contract logistics, particularly warehousing. The processing volumes of warehousing operations declined.

The adjusted EBITDA was EUR 0.1 (0.0) million, 0.5% (0.2%). EBITDA was EUR 0.1 (0.0) million.

The adjusted operating result remained on a par with the previous year at EUR -1.7 (-1.6) million. The decrease in net sales in rubles was partly compensated for by cost-saving measures. In April–June, the average fill rate for warehouses was 84.0% (79.6%) in Moscow and 72.7% (86.7%) in other regions.

The operating result declined slightly, to EUR -1.8 (-1.6) million.

January–June

Euro-denominated net sales increased by 22.8% to EUR 56.7 (46.2) million. Measured in local currency, Itella Russia's net sales decreased by 1.8%. Net sales were negatively affected by the weakness of the economy and international trade, as well as the optimization of warehouse space due to lower customer demand. Growth was seen in air and sea freight as well as e-commerce. The decline was the steepest in the demand for contract logistics.

The adjusted EBITDA improved to EUR 1.0 (-0.8) million, 1.8% (-1.8%). The increase was mainly attributable to the stronger ruble. EBITDA declined slightly to EUR 1.0 (1.3) million.

The adjusted operating result improved to EUR -2.7 (-3.9) million due to the optimization of warehouse space in the Moscow region and the appreciation of the ruble.

The average fill rate for warehouses showed a year-on-year increase in Moscow and a decrease in other regions. In January–June, the average fill rate was 80.0% (78.8%) in Moscow and 75.7% (86.8%) in other regions. One large warehouse in Moscow was closed down in the first quarter, which has had a positive effect on the fill rate of warehouses in Moscow from March onwards.

The Russian ruble appreciated by 5.6% compared to the previous year. Nevertheless, in June, the ruble depreciated by 12.0% against the euro and by 4.9% against the US dollar, compared to the end of March.

The operating result declined to EUR -2.8 (-1.8) million.

OpusCapita

April–June

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

- Electronic transactions (comparable) +17%
- iPost products -3%

OpusCapita transmitted a total of 121 million transactions. This includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 63 million transactions, which represents 52% 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. The decline in volumes was also significant in basic printing services.

OpusCapita's net sales decreased by 4.4% to EUR 58.1 (60.8) million. Some 58% of the net sales came from Finland, while the remaining 42% was from other countries. The Buyer-Supplier Ecosystem business grew by 5% in the second quarter.

The adjusted EBITDA declined to EUR 2.3 (3.7) million, 4.0% (6.2%). EBITDA decreased to EUR -4.1 (3.3) million.

The adjusted operating result declined to EUR -0.2 (1.4) million, -0.4% (2.3%). The decline was attributable to the lower volumes of iPost products as well as investments in the growth of the Buyer-Supplier Ecosystem business.

Special items amounting to EUR 7.2 (0.5) were recognized during the review period, related to corporate transactions.

The operating result decreased to EUR -7.5 (0.9) million.

OpusCapita is carrying out significant restructuring measures. OpusCapita has agreed to sell its Finance and Accounting Outsourcing business. The transaction is estimated to be finalized in September. In addition, OpusCapita's sending of documents and invoices as well as the digitizing operations in Finland will be transferred to Posti's Postal Services business group. OpusCapita's digitizing production in Sweden, Norway and Poland will be outsourced. The Buyer-Supplier Ecosystem business will remain a unit of its own. The changes are expected to enter into effect within 2017.

In June, OpusCapita announced its acquisition of the Switzerland-based Billexco AG. The transaction was finalized in July.

January–June

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

- Electronic transactions (comparable) +18%
- iPost products -4%

OpusCapita transmitted a total of 252 million transactions. This includes printed letters, mailed paper letters and electronic transactions. The electronic transaction volume was 123 million transactions, which represents 49% 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 2.5% to EUR 119.0 (122.1) million. Some 58% of the net sales came from Finland, while the remaining 42% was from other countries. The Buyer-Supplier Ecosystem business grew by 13%, mainly due to an acquisition.

The adjusted EBITDA declined to EUR 6.3 (7.5) million, 5.3% (6.2%). EBITDA decreased to EUR -3.3 (5.2) million.

The adjusted operating result declined to EUR 1.2 (3.4) million, 1.0% (2.8%). The decline was attributable to the lower volumes of iPost products as well as investments in growth.

Special items amounting to EUR 10.5 (4.0) were recognized during the review period, related to corporate transactions.

The operating result declined to EUR -9.3 (-0.6) million.

Key figures for segments

EUR million	4–6 2017	4–6 2016	1–6 2017	1–6 2016	1–12 2016
Net sales					
Mail, Parcel and Logistics Services	329.2	317.3	669.9	636.8	1,321.6
Itella Russia	29.2	25.2	56.7	46.2	104.6
OpusCapita	58.1	60.8	119.0	122.1	240.1
Other operations	1.1	1.3	2.4	2.7	5.1
Intra-Group sales	-15.4	-15.5	-31.9	-32.7	-63.9
Posti Group	402.3	389.0	816.1	775.1	1,607.6
Change in net sales, %					
Mail, Parcel and Logistics Services	3.8%	-3.5%	5.2%	-6.6%	-1.2%
Itella Russia	15.9%	-18.9%	22.8%	-21.5%	-12.0%
OpusCapita	-4.4%	-6.9%	-2.5%	-8.0%	-6.4%
Posti Group	3.4%	-4.8%	5.3%	-7.7%	-2.5%
Adjusted EBITDA					
Mail, Parcel and Logistics Services	15.5	14.7	42.5	38.9	91.0
Itella Russia	0.1	0.0	1.0	-0.8	2.6
OpusCapita	2.3	3.7	6.3	7.5	19.1
Other operations	1.9	3.2	5.5	6.0	14.1
Posti Group	19.8	21.8	55.3	51.6	126.7
EBITDA					
Mail, Parcel and Logistics Services	13.8	10.5	39.4	26.4	76.9
Itella Russia	0.1	0.0	1.0	1.3	3.9
OpusCapita	-4.1	3.3	-3.3	5.2	12.2
Other operations	3.1	3.2	5.8	5.4	23.1
Posti Group	12.8	17.0	42.9	38.2	116.0
Adjusted EBITDA, %					
Mail, Parcel and Logistics Services	4.7%	4.6%	6.3%	6.1%	6.9%
Itella Russia	0.5%	0.2%	1.8%	-1.8%	2.5%
OpusCapita	4.0%	6.2%	5.3%	6.2%	7.9%
Posti Group	4.9%	5.6%	6.8%	6.7%	7.9%
EBITDA, %					
Mail, Parcel and Logistics Services	4.2%	3.3%	5.9%	4.1%	5.8%
Itella Russia	0.2%	0.1%	1.7%	2.8%	3.7%
OpusCapita	-7.1%	5.4%	-2.8%	4.2%	5.1%
Posti Group	3.2%	4.4%	5.3%	4.9%	7.2%

Key figures for segments

EUR million	4–6 2017	4–6 2016	1–6 2017	1–6 2016	1–12 2016
Adjusted operating result					
Mail, Parcel and Logistics Services	4.9	4.4	21.2	18.5	48.7
Itella Russia	-1.7	-1.6	-2.7	-3.9	-4.0
OpusCapita	-0.2	1.4	1.2	3.4	9.7
Other operations	-2.7	-2.4	-3.9	-5.2	-7.3
Posti Group	0.3	1.9	15.8	12.7	47.1
Operating result					
Mail, Parcel and Logistics Services	3.2	0.2	18.1	5.9	34.6
Itella Russia	-1.8	-1.6	-2.8	-1.8	-2.7
OpusCapita	-7.5	0.9	-9.3	-0.6	-1.4
Other operations	-1.5	-2.4	-3.5	-5.7	0.2
Posti Group	-7.6	-2.9	2.5	-2.3	30.7
Adjusted operating result, %					
Mail, Parcel and Logistics Services	1.5%	1.4%	3.2%	2.9%	3.7%
Itella Russia	-5.9%	-6.2%	-4.8%	-8.5%	-3.8%
OpusCapita	-0.4%	2.3%	1.0%	2.8%	4.0%
Posti Group	0.1%	0.5%	1.9%	1.6%	2.9%
Operating result, %					
Mail, Parcel and Logistics Services	1.0%	0.1%	2.7%	0.9%	2.6%
Itella Russia	-6.2%	-6.3%	-4.9%	-4.0%	-2.6%
OpusCapita	-12.8%	1.5%	-7.8%	-0.5%	-0.6%
Posti Group	-1.9%	-0.7%	0.3%	-0.3%	1.9%

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 28.2 (28.2) million in January–June.

Investments according to the statement of cash flow amounted to EUR 38.8 (56.4) million. In January–June, the Group invested in the acquisitions of Kaakon Viestintä Oy, the personal assistance business of SOL Henkilöstöpalvelut Oy as well as HR Hoiva Oy. The Group also invested in information systems, the transport fleet and production projects.

At the end of June, liquid funds totaled EUR 149.9 (224.8) million and undrawn committed credit facilities totaled EUR 210.0 (150.0) million. The Group took out a new long-term loan of EUR 60 million in the second quarter. The Group's interest-bearing liabilities were EUR 185.5 (285.5) million. The equity ratio was 49.3% (47.0%) and gearing was -3.7% (-4.3%).

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 a member of the Executive Board of Posti Group as of March 1, 2017.

Employees

The Group's average number of employees, converted into full-time equivalents, was 18,323 (18,676) in January–June. On June 30, 2017, the numbers of employees converted into full-time equivalents were:

- The Group: 19,433 (19,472) employees
- Finland: 15,108 (15,289) employees
- Other countries of operation: 4,325 (4,182) employees

The number of employees is higher in the summer. This summer, the Group will employ 2,400 summer workers.

The Group's personnel expenses amounted to EUR 354.8 (377.6) million in January–June, down 6.0% from the previous year. The personnel expenses included EUR 3.5 (16.3) million in restructuring costs. Excluding restructuring costs, the personnel expenses declined by 2.8% year-on-year.

Uusi polku (New path) program on June 30, 2017

- applicants to date: 2,722 employees
- approved: 1,891 employees

Launched at the beginning of 2014, the Uusi polku (New path) program 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 that it will start cooperation negotiations concerning administrative positions. The target group of the negotiations comprised 308 employees and 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 negotiations covered 37 employees and led to personnel reductions concerning six people.

On April 24, 2017, OpusCapita announced that it will start cooperation negotiations in the Document and Transaction Processing unit. The target group of the negotiations comprised 69 employees and they led to personnel reductions concerning 15 people.

Posti started cooperation negotiations concerning supervisory positions in the Operations unit's Southeast Finland regional delivery organization on May 9, 2017 and in the Northern Finland regional delivery organization on June 19, 2017. The negotiations in Southeast Finland covered 28 delivery supervisors and led to personnel reductions concerning six people. The negotiations in Northern Finland covered 23 delivery supervisors and led to personnel reductions concerning five people.

Changes in the corporate structure

Veine Ltd, which was acquired by Posti Ltd in August 2016, merged into Posti Ltd on January 1, 2017.

On January 10, 2017, Posti Ltd acquired HR Hoiva Ltd and subsequently changed its name to Posti Kotipalvelut Ltd on March 31, 2017.

Kuljetus Kovalainen Ltd, which was acquired by Posti Ltd in October 2016, merged into Posti Ltd on March 1, 2017.

On April 13, 2017, Posti Group Corporation and Solemo Ltd established Flexo Palvelut Ltd, a joint venture that will provide in-house logistics services. Posti owns 80% of the shares in Flexo, with Solemo owning the remaining 20%.

Regulatory environment

The Government submitted its draft bill for the Postal Act to Parliament on January 26, 2017. Parliament approved the draft bill on June 21, 2017.

Five-day mail delivery will continue in a large part of Finland, namely the areas that do not have early-morning delivery networks maintained by newspapers. In these areas, Posti will be required to arrange competitive bidding for five-day delivery. In urban areas where early-morning delivery networks maintained by newspapers are available, the new Postal Act makes it possible to deviate from five-day delivery by allowing three-day delivery. Universal service letters must be delivered so that at least 50% of the items are delivered by the fourth weekday following the mailing date and at least 97% by the fifth weekday from the mailing date. The delivery speed obligation applies to letters and cards furnished with a stamp. The delivery speeds of all other items are based on commercial agreements and are not regulated. The new Postal Act also includes other amendments that affect Posti's operations.

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 58 million on June 30, 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.

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, 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 acquisitions is expected to increase from the previous year.

Helsinki, July 27, 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 half-year report release

Interim Report January-June 2017

Key figures of Posti Group

EUR million		4-6 2017	4-6 2016	1-6 2017	1-6 2016	1-12 2016
Net sales		402.3	389.0	816.1	775.1	1,607.6
Adjusted EBITDA		19.8	21.8	55.3	51.6	126.7
Adjusted EBITDA	%	4.9	5.6	6.8	6.7	7.9
EBITDA		12.8	17.0	42.9	38.2	116.0
EBITDA	%	3.2	4.4	5.3	4.9	7.2
Adjusted operating result		0.3	1.9	15.8	12.7	47.1
Adjusted operating result	%	0.1	0.5	1.9	1.6	2.9
Operating result		-7.6	-2.9	2.5	-2.3	30.7
Operating result	%	-1.9	-0.7	0.3	-0.3	1.9
Result before taxes		-12.3	-1.4	-2.6	-2.0	29.5
Result for the period		-13.0	-0.8	-7.0	-0.8	23.2
Cash flow from operating activities				28.2	28.2	63.1
Return on equity (12 months)	%			3.0	0.5	3.9
Return on invested capital (12 months)	%			4.8	1.2	5.1
Equity ratio	%			49.3	47.0	54.9
Gearing	%			-3.7	-4.3	-13.6
Gross capital expenditure		11.9	48.4	36.3	59.8	100.4
Employees on average				20,334	20,838	20,632
Employees on average, FTE				18,323	18,676	18,529
Dividends						60.0

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

EUR million	4-6 2017	4-6 2016	1-6 2017	1-6 2016	1-12 2016
Net sales	402.3	389.0	816.1	775.1	1,607.6
Other operating income	5.6	2.7	9.5	7.8	26.0
Materials and services	126.1	106.5	247.8	201.6	448.6
Employee benefits	177.9	184.0	354.8	377.6	730.8
Other operating expenses	91.0	84.3	180.0	165.4	338.2
Depreciation and amortisation	19.5	19.9	39.4	38.9	79.2
Impairment losses	0.9	0.0	0.9	1.7	6.1
Operating result	-7.6	-2.9	2.5	-2.3	30.7
Finance income	0.0	3.1	2.4	5.8	12.7
Finance expenses	4.7	1.6	7.5	5.6	13.9
Result before income tax	-12.3	-1.4	-2.6	-2.0	29.5
Income tax	-0.7	0.5	-4.5	1.2	-6.3
Result for the period	-13.0	-0.8	-7.0	-0.8	23.2
Result for the period attributable to					
Parent company shareholders	-13.0	-0.8	-7.0	-0.8	23.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share, basic, EUR	-0.32	-0.02	-0.18	-0.02	0.58
Earnings per share, diluted, EUR	-0.32	-0.02	-0.18	-0.02	0.58

Consolidated Statement of Comprehensive Income

Result for the period	-13.0	-0.8	-7.0	-0.8	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	-0.1	-0.1	-0.1	-0.1	0.0
Change in fair value of cash flow hedges	-0.9	0.4	-0.8	-0.4	0.0
Translation differences	-11.9	5.2	-5.3	10.1	20.0
Income tax relating to these items	0.2	0.1	0.2	0.1	0.0
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations	0.4	0.0	0.4	2.0	0.0
Income tax relating to these items	-0.1	0.0	-0.1	-0.4	0.0
Comprehensive income for the period	-25.3	4.7	-12.7	10.5	43.2
Comprehensive income attributable					
Parent company shareholders	-25.3	4.7	-12.7	10.5	43.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

Consolidated Balance Sheet

EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Non-current assets			
Goodwill	214.2	203.9	213.7
Other intangible assets	59.3	63.8	60.7
Investment property	9.4	10.0	9.7
Property, plant and equipment	349.1	405.9	360.5
Other non-current investments	4.6	6.1	6.1
Non-current receivables	1.5	3.7	2.6
Deferred tax assets	14.1	25.4	13.6
Total non-current assets	652.2	718.9	667.0
Current assets			
Inventories	3.6	3.5	4.0
Trade and other receivables	296.0	252.5	295.6
Current income tax receivables	7.6	1.6	4.2
Current financial assets	103.1	202.2	132.8
Cash and cash equivalents	102.1	109.2	82.0
Total current assets	512.4	569.0	518.6
Total assets	1,164.5	1,287.9	1,185.6
EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Equity attributable to the shareholders of the parent company			
Share capital	70.0	70.0	70.0
General purpose reserve	142.7	142.7	142.7
Fair value reserve	-0.7	-0.3	0.1
Translation differences	-88.8	-93.5	-83.5
Retained earnings	408.8	456.8	479.2
Total shareholders' equity	532.1	575.7	608.4
Non-controlling interests	0.3	0.0	0.0
Total equity	532.4	575.7	608.4
Non-current liabilities			
Deferred tax liabilities	24.4	27.7	26.6
Non-current borrowings	73.3	122.1	19.8
Other non-current liabilities	20.5	11.4	13.9
Advances received	13.8	16.7	16.8
Non-current provisions	12.7	17.1	14.3
Defined benefit pension plan liabilities	11.4	9.7	11.9
Total non-current liabilities	156.2	204.6	103.3
Current liabilities			
Current borrowings	112.2	163.4	112.3
Trade and other payables	280.0	289.7	298.1
Advances received	70.5	45.3	60.0
Current income tax liabilities	5.3	2.6	0.0
Current provisions	8.0	6.5	3.5
Total current liabilities	475.9	507.6	473.9
Total liabilities	632.1	712.2	577.2
Total equity and liabilities	1,164.5	1,287.9	1,185.6

Consolidated Statement of Cash Flows

EUR million	1-6 2017	1-6 2016	1-12 2016
Result for the period	-7.0	-0.8	23.2
Adjustments to cash flow	51.6	34.3	69.4
Change in net working capital	-12.5	9.0	-3.9
Cash flow before financial items and income tax	32.0	42.5	88.7
Financial items (net)	1.1	1.4	-6.9
Income tax paid	-4.9	-15.7	-18.7
Cash flow from operating activities	28.2	28.2	63.1
Purchase of intangible assets	-5.6	-7.7	-14.5
Purchase of property, plant and equipment	-25.6	-17.0	-40.9
Proceeds from sale of intangible and tangible assets	6.2	0.5	69.7
Business acquisitions, net of cash acquired	-7.6	-31.7	-36.8
Proceeds from business disposals less cash and cash equivalents	-	8.4	8.4
Financial assets at fair value through profit or loss	29.5	11.3	48.6
Financial assets held to maturity	-0.5	9.4	40.3
Cash flow from other investments	1.2	1.7	2.0
Cash flow from investing activities	-2.3	-25.0	76.7
Repayment of current loans	-0.1	-0.2	-159.1
Increases in non-current loans	59.8	-	-
Finance lease payments	-6.5	-6.7	-11.6
Dividends paid	-60.0	-18.0	-18.0
Transactions with non-controlling interests	1.5	-	-
Cash flow from financing activities	-5.3	-24.9	-188.6
Change in cash and cash equivalents	20.6	-21.7	-48.9
Cash and cash equivalents at the beginning of the period	82.0	130.1	130.1
Effect of exchange rates changes	-0.5	0.7	0.8
Cash and cash equivalents at the end of the period	102.1	109.2	82.0

Consolidated Statement of Changes in Equity

EUR million	Attributable to the owners of the parent company						Non-controlling interests	Total equity
	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total		
Jan 1, 2017	70.0	142.7	0.1	-83.5	479.2	608.4	-	608.4
Comprehensive income								
Result for the period					-7.0	-7.0	0.0	-7.0
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.7			-0.7		-0.7
Translation differences				-5.3		-5.3		-5.3
Remeasurements of post-employment benefit obligations, net of tax					0.3	0.3		0.3
Comprehensive income for the period			-0.7	-5.3	-6.7	-12.7	0.0	-12.7
Transactions with equity holders								
Contributions by non-controlling interest					1.2	1.2	0.3	1.5
Other transactions with non-controlling interest					-4.8	-4.8		-4.8
Dividends paid					-60.0	-60.0		-60.0
Jun 30, 2017	70.0	142.7	-0.7	-88.8	408.8	532.1	0.3	532.4
Jan 1, 2016	70.0	142.7	0.1	-103.6	474.0	583.2	-	583.2
Comprehensive income								
Result for the period					-0.8	-0.8		-0.8
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.3			-0.3		-0.3
Translation differences				10.1		10.1		10.1
Remeasurements of post-employment benefit obligations, net of tax					1.6	1.6		1.6
Comprehensive income for the period			-0.3	10.1	0.8	10.5	-	10.5
Transactions with equity holders								
Dividends paid					-18.0	-18.0		-18.0
Jun 30, 2016	70.0	142.7	-0.3	-93.5	456.8	575.7	-	575.7

EUR million	Attributable to owners of parent company						Non-controlling interests	Total equity
	Share capital	General purpose reserve	Fair value reserve	Translation differences	Retained earnings	Total		
Jan 1, 2016	70.0	142.7	0.1	-103.6	474.0	583.2	-	583.2
Comprehensive income								
Result for the period					23.2	23.2		23.2
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		0.0
Translation differences				20.0		20.0		20.0
Remeasurements of post-employment benefit obligations, net of tax					0.0	0.0		0.0
Comprehensive income for the period			0.0	20.0	23.2	43.2	-	43.2
Transactions with equity holders								
Dividends paid					-18.0	-18.0		-18.0
Dec 31, 2016	70.0	142.7	0.1	-83.5	479.2	608.4	-	608.4

Notes

1. Accounting Policies

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 Consolidated 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.

Application of new or amended IFRS standards

The Group will adopt the new standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments on 1 January, 2018. IFRS 16 Leases will be applied from 1 January, 2019 onwards, if it is approved by the EU. IFRS 9 does not have material impact on the Group's financial statements. The effects of IFRS 16 have been described in the financial statements 2016.

The Group has continued IFRS 15 implementation project during 2017 and reviewed different contract types based on IFRS 15 revenue recognition model. Majority of the Group's net sales consists of short-term services, for which the revenue recognition method will not change. The revenue recognition principles for certain services will possibly be refined and certain contract costs will possibly be capitalized in the balance sheet. The Group estimates that these changes will not have a material impact on its financial reporting. The Group continues to assess the impacts of the standard on the information systems, revenue recognition processes and controls.

Seasonality of the business

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.

2. Foreign exchange rates

	1-6 2017	1-6 2016	1-12 2016
Average rate			
RUB	62.7349	78.4122	74.2224
SEK	9.5954	9.3015	9.4673
NOK	9.1750	9.4227	9.2927
	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Closing rate			
RUB	67.5449	71.5200	64.3000
SEK	9.6398	9.4242	9.5525
NOK	9.5713	9.3008	9.0863

3. Operating segments

4-6
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
External sales	317.0	29.2	56.1	402.3	0.0		402.3
Inter-segment sales	12.3		2.0	14.2	1.1	-15.4	
Net sales	329.2	29.2	58.1	416.5	1.1	-15.4	402.3
EBITDA	13.8	0.1	-4.1	9.7	3.1		12.8
Special items included in EBITDA:							
Personnel restructuring costs	1.7	0.1	-0.1	1.7	0.1		1.8
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)			6.5	6.5	-2.0		4.5
Onerous contracts							
Changes in contingent purchase considerations			0.0	0.0			0.0
Other					0.6		0.6
Special items included in EBITDA total	1.7	0.1	6.4	8.2	-1.2		7.0
Adjusted EBITDA	15.5	0.1	2.3	17.9	1.9		19.8
Operating result	3.2	-1.8	-7.5	-6.1	-1.5		-7.6
Special items included in operating result:							
Special items included in EBITDA	1.7	0.1	6.4	8.2	-1.2		7.0
Impairment losses			0.8	0.8			0.8
Special items total	1.7	0.1	7.2	9.0	-1.2		7.8
Adjusted operating result	4.9	-1.7	-0.2	2.9	-2.7		0.3
Financial income and expense							-4.7
Profit/loss for the period before taxes							-12.3

4-6
2016

EUR million							
External sales	305.3	25.2	58.5	389.0	0.0		389.0
Inter-segment sales	12.0	0.0	2.2	14.2	1.3	-15.5	
Net sales	317.3	25.2	60.8	403.2	1.3	-15.5	389.0
EBITDA	10.5	0.0	3.3	13.8	3.2		17.0
Special items included in EBITDA:							
Personnel restructuring costs	4.8	0.1	0.5	5.4	0.0		5.4
Onerous contracts		-0.1		-0.1			-0.1
Other	-0.6			-0.6			-0.6
Special items included in EBITDA total	4.2	0.0	0.5	4.7	0.0		4.8
Adjusted EBITDA	14.7	0.0	3.7	18.5	3.2		21.8
Operating result	0.2	-1.6	0.9	-0.4	-2.4		-2.9
Special items included in operating result:							
Special items included in EBITDA	4.2	0.0	0.5	4.7	0.0		4.8
Special items total	4.2	0.0	0.5	4.7	0.0		4.8
Adjusted operating result	4.4	-1.6	1.4	4.3	-2.4		1.9
Financial income and expense							1.5
Profit/loss for the period before taxes							-1.4

1-6
2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
External sales	644.3	56.7	115.1	816.1	0.0		816.1
Inter-segment sales	25.6		4.0	29.5	2.4	-31.9	
Net sales	669.9	56.7	119.0	845.6	2.4	-31.9	816.1
EBITDA	39.4	1.0	-3.3	37.0	5.8		42.9
Special items included in EBITDA:							
Personnel restructuring costs	3.1	0.1	-0.1	3.1	0.4		3.5
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)			7.2	7.2	-2.0		5.2
Onerous contracts		0.0		0.0			0.0
Changes in contingent purchase considerations			2.5	2.5			2.5
Other					1.3		1.3
Special items included in EBITDA total	3.1	0.1	9.6	12.8	-0.3		12.5
Adjusted EBITDA	42.5	1.0	6.3	49.8	5.5		55.3
Operating result	18.1	-2.8	-9.3	6.0	-3.5		2.5
Special items included in operating result:							
Special items included in EBITDA	3.1	0.1	9.6	12.8	-0.3		12.5
Impairment losses			0.8	0.8			0.8
Special items total	3.1	0.1	10.5	13.6	-0.3		13.3
Adjusted operating result	21.2	-2.7	1.2	19.7	-3.9		15.8
Financial income and expense							-5.1
Profit/loss for the period before taxes							-2.6

1-6
2016

EUR million							
External sales	611.9	46.2	117.0	775.0	0.0		775.1
Inter-segment sales	24.9	0.0	5.1	30.0	2.7	-32.7	
Net sales	636.8	46.2	122.1	805.1	2.7	-32.7	775.1
EBITDA	26.4	1.3	5.2	32.8	5.4		38.2
Special items included in EBITDA:							
Personnel restructuring costs	13.1	0.2	2.4	15.8	0.5		16.3
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)			-2.8	-2.8			-2.8
Onerous contracts		-2.3		-2.3			-2.3
Changes in contingent purchase considerations			2.7	2.7			2.7
Other	-0.6			-0.6			-0.6
Special items included in EBITDA total	12.5	-2.1	2.4	12.8	0.5		13.4
Adjusted EBITDA	38.9	-0.8	7.5	45.6	6.0		51.6
Operating result	5.9	-1.8	-0.6	3.5	-5.7		-2.3
Special items included in operating result:							
Special items included in EBITDA	12.5	-2.1	2.4	12.8	0.5		13.4
Impairment losses			1.7	1.7			1.7
Special items total	12.5	-2.1	4.0	14.5	0.5		15.0
Adjusted operating result	18.5	-3.9	3.4	17.9	-5.2		12.7
Financial income and expense							0.3
Profit/loss for the period before taxes							-2.0

1-12
2016

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
External sales	1,272.2	104.6	230.7	1,607.5	0.1		1,607.6
Inter-segment sales	49.4	0.0	9.4	58.9	5.0	-63.9	
Net sales	1,321.6	104.6	240.1	1,666.4	5.1	-63.9	1,607.6
EBITDA	76.9	3.9	12.2	93.0	23.1		116.0
Special items included in EBITDA:							
Personnel restructuring costs	14.7	0.4	3.1	18.2	0.8		18.9
Disposals of subsidiaries, real-estates and businesses, net gain (-) /loss (+)			-2.8	-2.8	-10.6		-13.4
Onerous contracts		-1.7	1.6	0.0			0.0
Changes in contingent purchase considerations			4.1	4.1			4.1
Other	-0.6		0.8	0.2	0.9		1.1
Special items included in EBITDA total	14.1	-1.3	6.8	19.7	-9.0		10.7
Adjusted EBITDA	91.0	2.6	19.1	112.6	14.1		126.7
Operating result	34.6	-2.7	-1.4	30.5	0.2		30.7
Special items included in operating result:							
Special items included in EBITDA	14.1	-1.3	6.8	19.7	-9.0		10.7
Impairment losses			4.3	4.3	1.4		5.7
Special items total	14.1	-1.3	11.1	23.9	-7.5		16.4
Adjusted operating result	48.7	-4.0	9.7	54.4	-7.3		47.1
Financial income and expense							-1.2
Profit/loss for the period before taxes							29.5

Jun 30, 2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
Assets	531.3	140.5	196.6	868.4	303.5	-7.3	1,164.5
Liabilities	325.4	17.2	45.9	388.6	250.9	-7.3	632.1
Capital expenditure	15.3	0.7	2.6	18.6	17.8		36.3
Depreciation and amortization	21.2	3.8	5.1	30.1	9.4		39.4
Impairment losses	0.0	0.0	0.9	0.9	0.0		0.9
Personnel at period-end	16,878	2,381	2,037	21,296	590		21,886
Personnel at period-end, FTE	14,537	2,337	1,971	18,845	588		19,433

Jun 30, 2016

EUR million							
Assets	532.1	136.4	205.4	873.9	421.2	-7.3	1,287.9
Liabilities	301.7	25.8	43.0	370.5	349.0	-7.3	712.2
Capital expenditure	11.2	3.0	34.8	49.0	10.8		59.8
Depreciation and amortization	20.5	3.1	4.1	27.7	11.2		38.9
Impairment losses			1.7	1.7			1.7
Personnel at period-end	16,714	2,513	2,043	21,270	635		21,905
Personnel at period-end, FTE	14,630	2,228	1,987	18,844	627		19,472

Dec 31, 2016

EUR million							
Assets	537.4	153.5	202.4	893.3	299.9	-7.6	1,185.6
Liabilities	329.6	23.0	47.5	400.1	184.6	-7.6	577.2
Capital expenditure	31.6	4.7	38.5	74.8	25.6		100.4
Depreciation and amortization	42.2	6.5	9.4	58.1	21.2		79.2
Impairment losses	0.1	0.0	4.3	4.4	1.6		6.1
Personnel at period-end	15,455	2,389	2,051	19,895	602		20,497
Personnel at period-end, FTE	13,557	2,377	1,991	17,925	594		18,519

4. Net sales by geographical location

EUR million	4-6 2017	4-6 2016	1-6 2017	1-6 2016	1-12 2016
Finland	311.2	306.2	632.7	613.5	1,261.9
Scandinavia	32.2	32.3	67.2	65.0	133.2
Russia	29.0	25.2	56.6	46.2	104.6
Other countries	29.8	25.3	59.6	50.3	107.7
Total	402.3	389.0	816.1	775.1	1,607.6

5. Acquired businesses and business divestments

Acquired businesses April-June 2017

In April, Posti Group Corporation ja Solemo Oy (SOL) signed an agreement on establishing a joint venture. The new company Flexo Palvelut Oy aims to achieve a leading position in the in-house logistics market.

While Posti has the control, Posti and SOL own the new company jointly. Consequently, Posti consolidates the company as a subsidiary and SOL's share in the company is treated as non-controlling interest. The non-controlling interest in the Group's equity as well as the result of the period are presented separately in the consolidated financial statements.

Early-morning delivery of newspapers operated by Kaakon Viestintä transferred to Posti. Transfer of business realized May 31, 2017 and concerned about 400 employees. As supported by Posti's strategy the acquisition strengthened the services offered in early-morning delivery of newspapers and related business will expand to regions of Lappeenranta, Kotka, Kouvola, Mikkeli and Savonlinna. The acquisition did not have a material impact on the Group's income statement or balance sheet.

Posti Home Services acquired personal assistance business from SOL Henkilöstöpalvelut on June 30, 2017. The business offers services in the regions of Helsinki capital area, Kouvola, Kuusamo and Tornio. The business has about 200 employees. The purchase consideration was paid in June and the acquisition did not have a material impact on the Group's income statement or balance sheet.

The net outflow of cash relating to acquisitions in the Group's cash flow statement totaling EUR 7.6 million is mainly related to earn-out components of acquisitions carried out in previous years.

6. Property, plant and equipment

EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Carrying amount on Jan 1	360.5	406.0	406.0
Additions	25.8	19.3	52.1
Disposals and transfers between items	-2.8	-0.2	-58.6
Depreciation and impairment	-29.1	-30.7	-62.1
Translation differences	-5.3	11.6	22.9
Carrying amount at the end of the period	349.1	405.9	360.5

7. Intangible assets

EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Carrying amount on Jan 1	274.4	236.7	236.7
Additions	10.2	41.1	63.3
Disposals and transfers between items	0.0	0.0	0.0
Depreciation and impairment	-10.6	-10.0	-22.6
Translation differences	-0.5	-0.1	-3.0
Carrying amount at the end of the period	273.5	267.7	274.4

8. Net debt and liquid funds

EUR million	Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on Jan 1, 2017	100.4	31.6	132.1	159.9	54.7	-82.5
Cash flows	59.7	-6.5	53.2	-9.5	0.5	62.2
Business acquisitions	0.0	-	0.0	-	-	0.0
Effect of exchange rates changes	0.0	0.0	0.0	-0.5	-	0.5
Other non-cash items	0.0	0.2	0.2	0.0	-	0.2
Carrying amount on Jun 30, 2017	160.1	25.4	185.5	149.9	55.2	-19.6
Fair value on Jun 30, 2017	162.1	25.4	187.5			

EUR million	Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on Jan 1, 2016	250.8	39.5	290.3	258.8	95.0	-63.5
Cash flows	-0.2	-6.7	-6.9	-34.8	-9.4	37.3
Business acquisitions	0.2	-	0.2	-	-	0.2
Effect of exchange rates changes	0.1	-	0.1	0.7	-	-0.6
Other non-cash items	-0.3	2.1	1.9	-	-	1.9
Carrying amount on Jun 30, 2016	250.5	35.0	285.5	224.8	85.6	-24.8
Fair value on Jun 30, 2016	257.8	35.0	292.8			

EUR million	Borrowings	Borrowings on finance leases	Borrowings total	Liquid funds	Debt certificates	Net debt total
Carrying amount on Jan 1, 2016	250.8	39.5	290.3	258.8	95.0	-63.5
Cash flows	-159.1	-11.6	-170.7	-100.7	-40.3	-29.7
Business acquisitions	9.8	2.2	12.1	1.0	-	11.1
Effect of exchange rates changes	0.1	0.0	0.1	0.8	-	-0.7
Other non-cash items	-1.2	1.4	0.3	-	-	0.3
Carrying amount on Dec 31, 2016	100.4	31.6	132.1	159.9	54.7	-82.5
Fair value on Dec 31, 2016	104.3	31.6	135.9			

EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Cash and cash equivalents	102.1	109.2	82.0
Money market investments and investments in bonds	47.8	115.6	77.9
Liquid funds	149.9	224.8	159.9

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

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 2017				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	4.5			4.5
Current financial assets				
Money market investments	53.9	-	53.9	-
Bonds	22.9	18.5	4.4	-
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0	-	0.0	-
Equity fund investments	0.1	-	-	0.1
Total	81.4	18.5	58.3	4.6
Financial liabilities measured at fair value				
Other non-current liabilities				
Derivative contracts				
Interest rate derivatives, hedge accounting	0.9	-	0.9	-
Written put option	4.8			4.8
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.1	-	0.1	
Total	5.7	-	0.9	4.8

EUR million	Total	Level 1	Level 2	Level 3
Jun 30, 2016				
Financial assets measured at fair value				
Non-current receivables				
Other non-current investments	6.0			6.0
Trade and other receivables				
Derivative contracts				
Currency forward contracts, hedge accounting	0.0		0.0	
Current financial assets				
Money market investments	118.0		118.0	
Bonds	34.7	25.6	9.1	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Interest rate derivatives, non-hedge accounting	0.8		0.8	
Electricity derivatives, non-hedge accounting	0.1	0.1		
Equity fund investments	0.1			0.1
Total	159.8	25.7	128.1	6.1
Financial liabilities measured at fair value				
Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Currency derivatives, hedge accounting	0.4		0.4	
Electricity derivatives, non-hedge accounting	0.4	0.4		
Total	0.8	0.4	0.4	

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. The fair value of the written put option is based on the expected contractual cash flows.

10. Contingent liabilities

EUR million	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Pledges for own behalf	8.4	8.4	8.3
Lease commitments	304.5	289.6	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 58 million on June 30, 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	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Currency derivatives			
Non-hedge accounting			
Fair value	0.0	0.0	0.0
Nominal value	4.5	6.0	4.6
Hedge accounting			
Fair value	-	-0.4	0.0
Nominal value	-	7.0	3.4
Interest rate derivatives			
Non-hedge accounting			
Fair value	-	0.8	-
Nominal value	-	70.0	-
Hedge accounting			
Fair value	-0.9	-	-
Nominal value	60.0	-	-
Electricity derivatives			
Non-hedge accounting			
Fair value	-	-0.4	-
Nominal value	-	2.4	-

11. Events after the reporting period and changes in the Group structure

Events after the reporting period and changes in the Group structure have been included in the management commentary section.

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	$\frac{\text{result for the period (12m rolling)}}{\text{total equity (average of opening and closing balance of previous 12m)}}$
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Return on invested capital, %	100 x	$\frac{\begin{aligned} &\text{result before income tax (12m rolling)} \\ &+ \text{interest and other financial expenses (12m rolling) *} \end{aligned}}{\text{total equity + interest-bearing debt (average of opening and closing balance of prev. 12m)}}$
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*) 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	$\frac{\text{total equity}}{\text{total assets - advances received (current and non-current)}}$
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Gearing, %	100 x	$\frac{\text{net debt}}{\text{total equity}}$
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Interest-bearing debt	Non-current and current borrowings
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EBITDA	EBITDA is operating result excluding depreciation, amortization and impairment losses.
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Adjusted EBITDA	Adjusted EBITDA is EBITDA excluding special items.
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Adjusted operating result	Adjusted operating result is operating result excluding special items.
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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.
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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.
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Liquid funds	Liquid funds consist of cash and cash equivalents, money market
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Gross capital expenditure	Investments in intangible and tangible assets, finance lease assets, and business acquisitions.
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