



POSTI GROUP CORPORATION INTERIM REPORT, JANUARY–MARCH 2015
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Posti Group improves its result substantially in the first quarter – the market situation remains challenging

Posti Group Corporation Interim Report Q1/2015

- The Group's net sales decreased by 7.3% and amounted to EUR 435.9 (470.0) million in January–March. Mail delivery volumes continued to decline substantially, while parcel services grew. In the logistics market, the situation remained weak and competition continued to be intense. Exchange rates depreciated.
- Net sales decreased by 0.8% in Postal Services, by 10.6% in Parcel and Logistics Services and by 33.2% in Itella Russia, and increased by 0.5% in OpusCapita. Measured in local currency, Itella Russia's net sales decreased by 1.2%.
- The operating result before non-recurring items improved and amounted to EUR 20.6 (17.6) million, or 4.7% (3.7%) of net sales. Non-recurring items recognized during the period totaled EUR 0.0 (13.3) million.
- The operating result before non-recurring items improved to EUR 21.0 (16.9) million in Postal Services, to EUR 1.0 (-1.1) million in Parcel and Logistics Services, to EUR -0.9 (-2.2) million in Itella Russia, and declined to EUR 4.7 (6.8) million in OpusCapita.
- Posti Group's operating result for the first quarter was EUR 20.5 (4.3) million, or 4.7% (0.9%) of net sales.
- Cash flow from operating activities was strong at EUR 35.2 (27.4) million.
- The name of the company was changed to Posti Group Corporation on January 1, 2015. From January 1, 2015, the names of the business groups are: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. Since the beginning of 2015, Posti Group Corporation's result is reported on the basis of the new business groups.
- Ossi Pohjola was appointed acting CEO of OpusCapita Group Ltd starting from March 2, 2015.

Key figures of Posti Group

	1–3	1–3	1–12
	2015	2014	2014
Net sales, EUR million	435.9	470.0	1,858.7
Operating result (non-IFRS), EUR million*	20.6	17.6	50.8
Operating result (non-IFRS), %*	4.7	3.7	2.7
Operating result (EBIT), EUR million	20.5	4.3	5.8
Operating result (EBIT), %	4.7	0.9	0.3
Result before taxes, EUR million	21.3	2.1	-4.6
Result for the period, EUR million	15.9	4.0	-4.4
Return on equity (12 months), %	1.2	1.0	-0.7
Return on invested capital (12 months), %	3.1	0.7	1.0
Equity ratio, %	46.6	46.6	45.9
Gearing, %	11.7	18.7	17.2
Gross capital expenditure, EUR million	16.5	12.8	57.5
Average number of employees	22,579	25,066	24,617

*) Non-IFRS = excluding non-recurring items



Heikki Malinen, President and CEO:

“The start of the year was marked by major renewal for Posti Group in the form of a new name and renewed organization. The first quarter was nevertheless very challenging with respect to sales, as expected, due to the economic recession, tight market situation and declining mail delivery volumes. Net sales decreased in Postal Services, Parcel and Logistics Services and Itella Russia. OpusCapita’s net sales improved.

In spite of the decline in net sales, Posti Group achieved a substantial improvement in its result. The result was supported by the Finnish parliamentary elections and Easter falling in the first quarter. The Group’s operating result improved substantially year-on-year to EUR 20.5 million, and the operating result before non-recurring items for Parcel and Logistics Services showed a profit, which was particularly pleasing.

While our result for the first quarter was positive, there is a lot of uncertainty regarding the outlook for the rest of the year. Unfortunately, it does not appear that the Finnish economy will give a boost to the logistics sector. In Russia, the decreased purchasing power of consumers is also leading to lower demand for logistics services.

The improvement in the result is partly attributable to the fact that no non-recurring items related to the transformation of our business were recognized in the first quarter. Another, more long-term factor is that the extensive efficiency improvement measures initiated by the Group in 2013 have begun to produce results. We have successfully reduced our costs and improved the efficiency of operations across all business groups, in production, and in administrative functions. In January 2015, we launched a new two-year EUR 75 million performance improvement program.

One of the most positive aspects of the first quarter was growth in parcel traffic increasing to 5%. Our investments in expanding our network of parcel points have proved to be the right move. The parcel points have received a great deal of positive feedback from consumers, and the volume of parcels sent via parcel points was up 45% year-on-year.

In the coming years, digitization will be one of the most significant factors transforming the structures of society, the economy, and commerce. For Posti, this means a great challenge, structural transformation, but also a new area of growth: we will develop our service network and new digital services as paper-based communication declines and customer needs change. I am very pleased to note that Netposti, Posti’s electronic mailbox service, is steadily growing in popularity. It now has 600,000 users. The cloud services and e-invoicing services of our IT services company OpusCapita also continued to see strong growth.

However, digitization will pose a threat to Posti’s profitability in the coming years if the company is forced to satisfy the requirements placed on it by existing regulations despite mail delivery volumes being down by half. We hope that Finland’s new Government and Parliament will be prepared to adapt the regulation of postal services to the digital era to ensure that postal services can still be produced throughout the country without taxpayer money.”



APPENDICES

Posti Group's Interim Report in full

FURTHER INFORMATION

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FINANCIAL CALENDAR IN 2015

Interim Report Q2/2013, July 17
Interim Report Q3/2014, November 2

IMAGES AND LOGOS

www.posti.com/media

Posti Group is your first choice for postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 11 countries. Our net sales in 2014 amounted to EUR 1,859 million. We employ approximately 23,000 professionals who serve our customers in Finland under the name Posti and in other countries under the name Itella. www.posti.com.

Interim Report for January–March 2015

Market situation and business environment

The overall economic situation remained weak in Finland in the first quarter, which was reflected as lower mail and freight volumes. The market situation in Russia deteriorated significantly towards the end of the first quarter. The Russian ruble appreciated in the first quarter, but the closing rate was still down 28% year-on-year. Furthermore, there was intense competition in Scandinavia and part of the business was given up. The situation was reflected as lower net sales in Posti Group.

The seasonal decline in the volumes of addressed letter items was less steep than in the previous year at -6% (-10%). Newspaper delivery volumes, however, declined significantly more than in the previous year, -31% (-8%), that was partly the result of the expiration of early-morning delivery agreements in 2014. The decline in magazine delivery volumes was on a par with the previous year at -10% (-10%).

Posti's Parcel Services grew by 5% year-on-year, and Posti delivered eight million parcels in January–March. The total volume of parcel traffic in Finland grew by 3.3% in 2014. Posti's parcel volume grew by 2.2% over the same period.

In OpusCapita, the strong growth of cloud services continued in payments and cash management. OpusCapita's BPaaS services (Business Process as a Service) and SaaS product sales (Software as a Service) are expected to see significantly stronger growth than traditional software license sales.



Profit performance and net sales

The Group's net sales in January–March amounted to EUR 435.9 (470.0) million. Net sales decreased by 7.3%. In local currencies, the decline in net sales was 4.1%.

Net sales decreased in Postal Services, Parcel and Logistics Services and Itella Russia, and grew in OpusCapita. Net sales declined by 1.9% in Finland and by 26.3% in other countries. The substantial year-on-year depreciation of the ruble contributed to the decline in net sales. International operations accounted for 23% (27%) of net sales.

The operating result before non-recurring items was EUR 20.6 (17.6) million, or 4.7% (3.7%) of net sales. The operating result before non-recurring items improved in Postal Services, Parcel and Logistics Services and Itella Russia, and declined in OpusCapita.

Non-recurring items recognized during the period totaled EUR 0.0 (13.3) million.

The operating result was EUR 20.5 (4.3) million, or 4.7% (0.9%) of net sales. The operating result improved in Postal Services, Parcel and Logistics Services and Itella Russia, and declined in OpusCapita.

The Group's net financial income amounted to EUR 0.8 million (costs EUR 2.3 million) due to exchange rate gains on unhedged items denominated in foreign currencies.

The Group's operating result for the period amounted to EUR 15.9 (4.0) million.

Return on equity stood at 1.2% (1.0%).

As of the beginning of 2015 services that fall under the universal service obligation exist both in Postal Services and Parcel and Logistics Services. Operations under the universal service obligation amounted to EUR 38.4 (31.4) million, which was 8.8% (6.7%) of the entire Group's net sales.

Performance improvement program

In August, the Group launched a new performance improvement program for 2015–2016, aiming at EUR 75 million in cost savings. The aims include achieving synergy benefits through the consolidation of production, improving the efficiency of Posti's retail network and ICT function, achieving savings in sourcing, and simplifying the product portfolio. Approximately 10% of the savings target was achieved by the end of March.

Cooperation negotiations commenced on January 26, 2015, in the service delivery of OpusCapita's Finance and Accounting Outsourcing unit led to the dismissal of nine employees in total. Posti's warehousing services commenced cooperation negotiations on March 3, 2015, concerning 59 people in total. The negotiations led to the dismissal of 10 employees.

Postal Services

The Postal Services business group's net sales in January–March decreased by 0.8% and amounted to EUR 195.8 (197.3) million. The decline of the delivery product volume continued.

The business group's operating result before non-recurring items was EUR 21.0 (16.9) million. Non-recurring income recognized during the period totaled EUR 0.2 (0.0) million. The result was boosted

by improvements in operational efficiency, the increases in postage fees that took effect at the beginning of 2015, as well as the Finnish parliamentary elections and Easter deliveries falling in the first quarter.

The operating result improved to EUR 21.2 (16.9) million.

In January–March, delivery volumes of postal items developed as follows compared with the corresponding period in 2014:

- Addressed letters, -6% (-10%)
- Unaddressed direct marketing, -9% (-23%)
- Newspapers, -31% (-8%)
- Magazines, -10% (-10%)
- Electronic letters, +6% (+3%)

The smaller decline in the volume of addressed letters in 2015 was attributable to the Finnish parliamentary elections and Easter falling in the first quarter. The sharp decline in newspaper volumes is partly the result of the expiration of early-morning delivery agreements in 2014.

Posti had 1,402 service points at the end of March. After 11 new parcel points were opened in January–March, their number totaled 470 at the end of the quarter. The plan is to extend the network from the current 1,400 service points to 1,500 service points by 2017.

The number of the users of Netposti, Posti's electronic mailbox service, reached 600,000 at the end of March, increasing by nearly 10% from the previous year.

The delivery speed of 2nd class letters paid for by postage stamps met the requirements stipulated by law. The Postal Act requires that 95% of 2nd class letters must be delivered by the second weekday after the mailing date. The actual rate in the first quarter 97.7%.

At the beginning of March, Posti launched a new product for unaddressed advertising. With the new product Posti aims at improving the attention of the delivery and reduce the amount of manual sorting. Since the beginning of March, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week. Previously, unaddressed items were delivered unwrapped among addressed mail.

Parcel and Logistics Services

The Parcel and Logistics Services business group's net sales decreased by 10.6% and amounted to EUR 161.8 (180.9) million in January–March.

Net sales decreased particularly strongly in Scandinavia and international freight. Part of the business operations in Scandinavia have been discontinued since the comparison period. In domestic freight, the total volume of the national market continued to decline in the first quarter, which had a negative effect on net sales. In addition, the share of net sales represented by fuel surcharges declined due to lower fuel prices. The net sales of Supply Chain Solutions declined from the previous year.

In Parcel Services, net sales grew on the strength of positive development in volume. The volume of Parcel Services developed favorably in the first quarter. Posti delivered a total of eight million parcels in January–March. The use of parcel points increased during the first quarter, with the



number of parcels growing by 45% year-on-year. Posti's parcel services grew by 5% (1%) year-on-year. The total volume of parcel traffic in Finland grew by 3.3% in 2014.

The business group's operating result before non-recurring items improved to EUR 1.0 (-1.1) million. The improvement in the result is attributable to the higher demand for parcel services as well as the effects of warehouse consolidation and efficiency improvement measures implemented in the warehousing business. In Scandinavia, the result still showed a loss. In the Baltic countries, business developed favorably and the result was positive.

The business group's operating result improved to EUR -1.0 (-1.3) million.

Itella Russia

Measured in local currency, Itella Russia's net sales decreased by 1.2% in January–March. The decrease in net sales was due to weak demand for transport services and low processing volumes in warehousing operations. Volumes declined significantly towards the end of the first quarter. The current expectation is that volumes will remain low for at least the next six months.

By March 31, 2015, the closing rate of the Russian ruble had declined by 28% year-on-year. Euro-denominated net sales decreased by 33.2% to EUR 27.7 (41.5) million.

The business group's operating result before non-recurring items was EUR -0.9 (-2.2) million. Measured in local currency, profitability improved year-on-year.

The result of Contract Logistics improved slightly due to the higher net sales of warehousing services. Processing volumes declined slightly due to the general economic situation. The average warehouse fill rate in January–March was 84% in Moscow and 77% in other areas. Transport volumes declined due to the weak economic situation and lower cross-border trade.

The operating result improved to EUR -1.0 (-2.2) million. The positive development of the operating result is attributable to higher net sales of warehousing services, hedging gains and the improved efficiency of warehouses.

Itella Russia's investments amounted to EUR 0.7 (0.3) million.

OpusCapita

OpusCapita's net sales in January–March increased by 0.5% and amounted to EUR 67.5 (67.1) million. The growth was due to a business acquisition carried out in the fall 2014.

Non-recurring items recognized during the period totaled EUR 0.8 (0.5) million. The operating result before non-recurring items declined to EUR 4.7 (6.8) million.

The operating result declined due to lower volumes in the printing business and investments in development programs related to sourcing chain financing solutions, artificial intelligence, robotics and internationalization.

The operating result declined to EUR 3.9 (6.4) million.

Continuous service business operations make up 95% of OpusCapita's net sales. This includes multi-channel invoicing and invoice management solutions for paper and electronic invoices, as well as software maintenance fees, and regularly invoiced outsourcing services. OpusCapita transmitted



a total of 150 million transactions in January–March. The total transaction volume includes printed letters, mailed paper letters and electronic transactions. Electronic transaction volume grew to account for 36% of OpusCapita’s total transaction volume.

OpusCapita made changes to its Management Team at the beginning of March. Professional Board member Ossi Pohjola was appointed acting CEO of OpusCapita starting from March 2, 2015.

OpusCapita’s investments amounted to EUR 1.9 (1.3) million. The investments were related to development projects, both for customers and the company’s own processes, as well as licenses.

Key Figures for Business Groups (EUR million)	1–3/2015	1–3/2014	Change	1-12/2014
Net sales				
Postal Services	195.8	197.3	-0.8%	769.0
Parcel and Logistics Services	161.8	180.9	-10.6%	722.7
Itella Russia	27.7	41.5	-33.2%	172.0
OpusCapita	67.5	67.1	0.5%	259.6
Other operations	2.8	11.6	-76.2%	48.6
Intra-Group sales	-19.7	-28.4		-113.3
Posti Group	435.9	470.0	-7.3%	1,858.7
Operating result (non-IFRS)*				
Postal Services	21.0	16.9	24.6%	66.0
Parcel and Logistics Services	1.0	-1.1	-	-21.7
Itella Russia	-0.9	-2.2	-	2.5
OpusCapita	4.7	6.8	-31.2%	20.0
Other operations	-5.3	-2.9	-	-16.0
Posti Group	20.6	17.6	16.8%	50.8
Operating result (EBIT)				
Postal Services	21.2	16.9	25.7%	66.1
Parcel and Logistics Services	-1.0	-1.3	-	-34.2
Itella Russia	-1.0	-2.2	-	2.4
OpusCapita	3.9	6.4	-38.7%	12.7
Other operations	-2.6	-15.5	-	-41.2
Posti Group	20.5	4.3	375.6%	5.8
Operating result (non-IFRS), %*				
Postal Services	10.7%	8.6%		8.6%
Parcel and Logistics Services	0.6%	-0.6%		-3.0%
Itella Russia	-3.2%	-5.2%		1.5%
OpusCapita	7.0%	10.2%		7.7%

Posti Group	4.7%	3.7%		2.7%
Operating result (EBIT), %				
Postal Services	10.8%	8.6%		8.6%
Parcel and Logistics Services	-0.6%	-0.7%		-4.7%
Itella Russia	-3.5%	-5.3%		1.4%
OpusCapita	5.8%	9.5%		4.9%
Posti Group	4.7%	0.9%		0.3%

*) Non-IFRS = excluding non-recurring items

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 35.2 (27.4) million.

Capital expenditure amounted to EUR 14.4 (10.5) million. The Group invested in vehicles, production projects and parcel points in January–March. Investments were also made in terminal improvement projects and the transport fleet.

At the end of March, liquid assets totaled EUR 207.2 (176.6) million, and undrawn committed credit facilities amounted to EUR 150.0 (120.0) million. The Group's interest-bearing liabilities were EUR 294.3 (297.1) million. The equity ratio was 46.6% (46.6%), and gearing was 11.7% (18.7%).

Employees

At the end of March, the Group employed 22,622 (24,789) people. The Group's average number of personnel was 22,579 (25,066). At the end of March, a total of 5,044 (5,564) employees worked outside Finland. The number of employees working in Finland was 17,578 (19,225).

Personnel distribution was as follows:

Postal Services	110 (104)
Parcel and Logistics Services	1,732 (2,056)
Itella Russia	2,794 (3,303)
OpusCapita	2,239 (2,118)
Other functions	15,747 (17,208)

All employees in production were transferred to other functions effective on January 1, 2015.

The Group's personnel expenses decreased by EUR 28.1 million, or by 12.7% year-on-year. Personnel expenses included restructuring costs in the amount of EUR -0.1 (10.6) million. Excluding restructuring costs, personnel expenses declined by 8.3% year-on-year.

In January 2014, Posti launched the Uusi polku (New path) program, which offers not only financial support, but also training and support for job seeking, retraining or starting a business. The program's third six-month period began on January 1, 2015, and will continue until the end of June. By the end of March, 1,003 employees had applied for the program and 633 had been approved.

Decisions adopted by the Annual General Meeting

Posti Group Corporation's Annual General Meeting was held in Helsinki on March 18, 2015. The meeting adopted the 2014 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

- Arto Hiltunen, M.Sc. (Econ.)
- Petri Järvinen, Global Supply Chain Planning Director, Mölnlycke Health Care, Sweden
- Petri Kokko, Director, Retail, Google Deutschland GmbH
- Jussi Kuutsa, Country Director, SRV, Russia
- Päivi Pesola, CFO, Fortum Power and Heat Oy
- Marja Pokela, Senior Financial Specialist, Government Ownership Steering Department, Prime Minister's Office
- Suvi-Anne Siimes, Managing Director, The Finnish Pension Alliance (TELA)

Kirsi Nuotto, Senior Vice President, Human Resources, Outotec Oyj, was elected to join the Board as a new member.

Arto Hiltunen will continue as the Chairman and Päivi Pesola as the Vice Chairperson.

The Supervisory Board consists of twelve members.

The following will continue as members of the Supervisory Board:

- Ritva Elomaa, MP (True Finns)
- Lars-Erik Gästgivars, MP (Swedish People's Party)
- Maria Guzenina, MP (Social Democratic Party)
- Satu Haapanen, MP (The Greens of Finland)
- Sari Moisanen, BSc Eng (Left Alliance)
- Outi Mäkelä, MP (National Coalition Party)
- Reijo Ojennus, entrepreneur (True Finns)
- Mauri Pekkarinen, MP (Centre Party)
- Raimo Piirainen, MP (Social Democratic Party)
- Tuomo Puumala, MP (Centre Party)
- Teuvo V. Riikonen, Chief Executive Officer (Christian Democrats)
- Kimmo Sasi, MP (National Coalition Party)

Mauri Pekkarinen will continue as the Chairman of the Supervisory Board and Satu Haapanen as Vice Chairman.

The Annual General Meeting approved the Board of Directors' proposal to not distribute a dividend and to transfer the profit for the period to retained earnings.

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

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 corporate structure

Itella Information GmbH merged with Posti Group Corporation on March 2, 2015.

Events after the review period

On April 15, 2015, Posti Group Corporation signed an agreement to sell its road freight operations in Sweden, Norway and Denmark, as well as its international freight business in Finland, to the Danish company NTG Nordic Transport Group. The plan is to realize the transaction during Q2 2015. The transaction will have a non-recurring negative impact on the Group's second-quarter result and cash flow.

On April 22, 2015, Posti Group announced it is selling its postal centers in Tampere, Kuopio and Oulu, as well as its warehouse in Tuusula and the freight terminal that is estimated to be completed in Pirkkala in late 2016. The total transaction price is approximately EUR 120 million.

On April 23, 2015, Posti announced it is planning to expand its retail network by approximately 100 new service points. As a part of the renewal, Posti plans to transfer some services of its outlets to be managed by its partners. Due to the planned renewal, cooperation negotiations were started with the employees of Posti's outlets on April 28, 2015. The cooperation negotiations concern a total of 477 people. According to a preliminary estimate, the reduction need is a maximum of 380 permanent employees. The change would be carried out gradually in 2015–2018.

Business risks

The business risks are described in the Group's 2014 Financial Statements, and there have been no significant changes to the risks since then.

Key strategic risks were related to the decline in postal delivery volumes, which progressed more rapidly than expected, as well as the economic recession and other changes related to markets or the business environment that were unexpected or more extensive than anticipated. Other strategic risks were related to Posti's competitive ability and regulation by the authorities. Operational risks were primarily related to profitability, the renewal of ICT operations, and business interruptions and other disruptions.

In 2014, the Finnish Government issued a postal delivery license to three of Posti's competitors, but these competitors have not yet started their operations. The issued postal licenses allow for competition in addressed deliveries. In Posti's view, issuing the postal licenses with one-day delivery obligation reduces Posti's opportunities to profitably provide services that fall under the universal service obligation in accordance with the Finnish Postal Act. For this reason, the decision increases the need for efficiency measures.

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

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

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

In logistics, unexpected changes related to domestic transport and to increasing international competition and the ensuing decline in volumes in the Nordic countries are also seen as risks.

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

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

In accordance with the Group's financial policy, equity investments in subsidiaries are not hedged. Ruble hedging costs remain high, and the Group has discontinued the hedging of the parent company's ruble-denominated receivables. Also the hedging of local transaction risk in Russia has been reduced because of the high hedging costs.

Posti's investments in Russia are substantial and continue to grow gradually in accordance with the Group's vision. Our risk management measures include the continuous monitoring of developments and trends, the increasing monitoring of critical processes and solid establishment in the Russian market through our own companies, employees and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment and regular compliance training for employees.

OpusCapita's capacity to develop the outsourcing of financial processes and the related processes during a period of rapid growth involves a strategic risk for OpusCapita. At the same time, it is essential to ensure profitability in outsourcing business operations. Financial management software is being increasingly offered as cloud services. This involves the risk of whether OpusCapita is able to develop its operations and service offering quickly enough. With the volume of paper-based transactions decreasing, and that of electronic transactions increasing rapidly, along with competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

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

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

Outlook for the rest of the year

The Group's business is characterized by seasonality. Net sales and operating profit in the business groups are not accrued evenly over the year. In Postal Services and consumer parcels, the first and fourth quarters are typically strong, while the second and third quarters are weaker. The first quarter of 2015 was stronger than usual with respect to seasonal factors.



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

Comparable net sales in euros for 2015 are expected to decrease significantly compared to 2014. The Group's operating result before non-recurring items is expected to decline. The operating result for 2015 will continue to include significant non-recurring items. There is significant uncertainty related to the development prospects of the result achieved in Russia.

Investments are expected to increase from 2014.

Helsinki, April 29, 2015

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

Financial Statements Review for January-March 2015

Key figures of Posti Group

	1-3 2015	1-3 2014	1-12 2014
Net sales, MEUR	491,7	470,0	1 858,7
Operating result (non-IFRS), MEUR *)	23,5	17,6	50,8
Operating result (non-IFRS), % *)	4,8	3,7	2,7
Operating result (EBIT), MEUR	10,9	4,3	5,8
Operating result (EBIT), %	2,2	0,9	0,3
Result before taxes, MEUR	33,6	2,1	-4,6
Result for the period, MEUR	24,8	4,0	-4,4
Return on equity (12 months), %	1,2	1,0	-0,7
Return on invested capital (12 months), %	3,1	0,7	1,0
Equity ratio, %	46,6	46,6	45,9
Gearing, %	11,7	18,7	17,2
Gross capital expenditure, MEUR	16,5	12,8	57,5
Employees on average	22 579	25 066	24 617

*) Non-IFRS = excluding non-recurring items, see note 2.

Consolidated Income Statement

EUR million	1-3 2015	1-3 2014	1-12 2014
Net sales	435,9	470,0	1 858,7
Other operating income	4,1	2,7	12,6
Materials and services	114,0	128,8	526,7
Employee benefits	192,9	221,1	847,8
Depreciation and amortisation	20,8	21,4	86,0
Impairment losses	1,1	0,0	4,4
Other operating expenses	90,6	97,1	400,5
Operating profit (EBIT)	20,5	4,3	5,8
% of net sales	4,7 %	0,9 %	0,3 %
Financial income and expenses	0,8	-2,3	-10,4
Result before income tax	21,3	2,1	-4,6
% of net sales	4,9 %	0,4 %	-0,2 %
Income tax	-5,5	1,9	0,2
Result for the financial period	15,9	4,0	-4,4
% of net sales	3,6 %	0,8 %	-0,2 %

Consolidated Statement of Comprehensive Income

Result for the financial period	15,9	4,0	-4,4
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial assets	0,0	0,5	0,3
Translation differences	20,1	-14,3	-73,3
Tax effect	0,0	-0,1	-0,1
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains and losses	-0,5	-1,2	-5,4
Tax effect	0,1	0,2	1,1
Comprehensive income for the financial period	35,6	-10,9	-81,9

Consolidated Statement of Financial Position

EUR million	31 March 2015	31 March 2014	31 Dec 2014
Non-current assets			
Goodwill	183,5	179,8	183,1
Other intangible assets	58,7	66,5	59,4
Investment property	10,8	12,3	11,0
Property, plant and equipment	464,8	606,8	516,4
Other non-current investments	5,9	5,7	5,9
Non-current receivables	10,3	11,8	10,5
Deferred tax assets	17,3	24,2	16,0
Total non-current assets	751,3	907,0	802,2
Current assets			
Inventories	4,7	6,8	5,1
Trade and other receivables	282,5	318,3	268,5
Income tax receivables	1,7	5,5	1,7
Financial assets available-for-sale	0,3	0,7	0,3
Financial assets held to maturity	16,0	0,0	12,0
Financial assets at fair value through profit or loss	112,0	102,7	88,0
Cash and cash equivalents	95,2	74,2	98,7
Total current assets	512,4	508,2	474,3
Non-current assets classified as held for sale	78,1	0,0	14,7
Total assets	1 341,7	1 415,3	1 291,3
Equity			
Share capital	70,0	70,0	70,0
Contingency reserve	142,7	142,7	142,7
Fair value reserve	0,2	0,4	0,2
Translation differences	-74,5	-35,5	-94,6
Retained earnings	471,0	467,3	455,6
Total equity	609,4	644,9	573,8
Non-current liabilities			
Deferred tax liabilities	32,6	39,8	31,6
Non-current interest-bearing loans	282,4	283,2	283,5
Other non-current liabilities	8,2	11,8	11,4
Non-current provisions	12,1	13,1	12,6
Defined benefit pension plan obligations	16,7	12,2	16,3
Total non-current liabilities	352,0	360,1	355,4
Current liabilities			
Current interest-bearing loans	11,9	13,9	12,0
Trade payables and other liabilities	356,8	375,2	343,9
Income tax payables	6,4	7,4	0,3
Current provisions	5,2	13,8	6,0
Total current liabilities	380,3	410,3	362,1
Total liabilities	732,4	770,4	717,5
Total equity and liabilities	1 341,7	1 415,3	1 291,3

Consolidated Cash Flow Statement

EUR million	1-3 2015	1-3 2014	1-12 2014
Result for the financial period	15,9	4,0	-4,4
Adjustments to cash flow	23,6	21,5	91,7
Change in net working capital	-3,6	6,6	21,3
Cash flow before financial items and income tax	35,9	32,1	108,6
Financial items (net)	-0,1	-0,7	-10,5
Income tax paid	-0,6	-4,0	-4,9
Cash flow from operating activities	35,2	27,4	93,2
Purchase of intangible assets	-3,2	-2,1	-11,4
Purchase of property, plant and equipment	-11,2	-8,5	-31,5
Proceeds from sale of intangible and tangible assets	3,5	0,0	1,9
Business acquisitions	0,6	-	-3,6
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	-	-	0,7
Financial assets at fair value through profit or loss	-25,9	-16,7	0,2
Financial assets held to maturity	-4,0	-	-12,0
Cash flow from other investments	2,8	4,4	9,5
Cash flow from investing activities	-37,5	-22,8	-46,3
Change in loans (net)	0,3	-7,9	-12,3
Payments of finance lease liabilities	-2,9	-2,3	-10,9
Cash flow from financing activities	-2,6	-10,2	-23,2
Change in cash and cash equivalents	-4,9	-5,6	23,7
Cash and cash equivalents at the beginning of the period	98,7	81,0	81,0
Effect of changes in exchange rates	1,4	-1,3	-5,9
Cash and cash equivalents at the end of the period	95,2	74,2	98,7

Consolidated Statement of Changes in Equity

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity 1 January 2014	70,0	142,7	0,0	-21,3	464,4	655,8
Comprehensive income						
Result for the financial period					4,0	4,0
Other items of Comprehensive income:						
Change in fair value reserve			0,4			0,4
Change in translation differences				-14,3		-14,3
Actuarial gains and losses					-1,0	-1,0
Comprehensive income for the financial period			0,4	-14,3	3,0	-10,9
Equity 31 March 2014	70,0	142,7	0,4	-35,5	467,4	644,9
Equity 1 January 2015	70,0	142,7	0,2	-94,6	455,6	573,8
Comprehensive income						
Result for the financial period					15,9	15,9
Other items of Comprehensive income:						
Change in fair value reserve			0,0			0,0
Change in translation differences				20,1		20,1
Actuarial gains and losses					-0,4	-0,4
Comprehensive income for the financial period			0,0	20,1	15,5	35,5
Equity 31 March 2015	70,0	142,7	0,2	-74,5	471,0	609,4

Notes

1. Accounting Principles

The interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in financial statements for 2014 with the exception of the below described changes in segment reporting. The Group has applied the currently valid IFRS standards and interpretations in the preparation of this interim report. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented. The interim report is unaudited. The amendments to IFRS standards effective as of 1 January 2015 had no impact on this interim report.

Changes in segment reporting

From January 1, 2015, Posti Group operates under a new organisational structure. The business groups are Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita. Consequently, Posti Group reports segment information according to the new organisational structure. Previously reported segments Itella Mail Communications and Itella Logistics cease to be reported and are replaced with new segments Postal Services and Parcel and Logistics Services. Comparative financial information of the new segments for the financial year 2014 is presented in note 9.

2. Segment Information

EUR million	1-3 2015	1-3 2014	1-12 2014
Net sales by business segment			
Postal Services	195,8	197,3	769,0
inter-segment sales	-13,7	-13,4	-51,3
Parcel and Logistics Services	161,8	180,9	722,7
inter-segment sales	-0,1	-0,2	-0,9
Itella Russia	27,7	41,5	172,0
inter-segment sales	0,0	-0,1	-0,4
OpusCapita	67,5	67,1	259,6
inter-segment sales	-3,1	-3,3	-12,8
Other operations	2,8	11,6	48,6
inter-segment sales	-2,7	-11,4	-47,9
Total eliminations	-19,7	-28,4	-113,3
Total	435,9	470,0	1 858,7
Operating result by business segment (non-IFRS) *)			
Postal Services	21,0	16,9	66,0
Parcel and Logistics Services	1,0	-1,1	-21,7
Itella Russia	-0,9	-2,2	2,5
OpusCapita	4,7	6,8	20,0
Other operations	-5,3	-2,9	-16,0
Total	20,6	17,6	50,8
Non-recurring items by business segment			
Postal Services	-0,2	0,0	-0,1
Parcel and Logistics Services	1,9	0,2	12,5
Itella Russia	0,1	0,1	0,1
OpusCapita	0,8	0,5	7,3
Other operations	-2,6	12,6	25,2
Total	0,0	13,3	45,0

Operating result (EBIT) by business segment

Postal Services	21,2	16,9	66,1
Parcel and Logistics Services	-1,0	-1,3	-34,2
Itella Russia	-1,0	-2,2	2,4
OpusCapita	3,9	6,4	12,7
Other operations	-2,6	-15,5	-41,2
Total	20,5	4,3	5,8

Financial income and expenses	0,8	-2,3	-10,4
Result for the financial period	15,9	4,0	-4,4

EUR million	31 March	31 March	31 Dec
	2015	2014	2014

Assets

Postal Services	307,3	408,9	390,8
Parcel and Logistics Services	344,2	367,8	321,4
Itella Russia	170,9	241,0	149,4
OpusCapita	172,2	169,0	171,5
Non-current assets classified as held for sale	78,1		14,7
Other operations and unallocated	274,0	239,7	248,2
Eliminations	-4,9	-11,1	-4,7
Total	1 341,7	1 415,3	1 291,3

Liabilities

Postal Services	181,3	193,6	165,4
Parcel and Logistics Services	134,8	149,6	143,7
Itella Russia	20,0	37,1	22,2
OpusCapita	43,9	39,7	42,1
Other operations and unallocated	357,3	361,6	348,7
Eliminations	-4,9	-11,1	-4,7
Total	732,4	770,4	717,5

Personnel at end of the period

Postal Services	110	104	106
Parcel and Logistics Services	1 732	2 056	1 902
Itella Russia	2 794	3 303	2 920
OpusCapita	2 239	2 118	2 292
Other operations	15 747	17 208	16 069
Total	22 622	24 789	23 289

*) Non-IFRS = excluding non-recurring items

3. Non-current assets classified as held for sale

On 22 April 2015 Posti Group signed an agreement to sell Tampere, Kuopio and Oulu postal centers and Tuusula warehouse. Also Pirkkala freight terminal which is estimated to be completed in late 2016 was agreed to be sold. The transaction price is approximately EUR 120 million. Following the transaction the existing properties are classified as non-current assets held for sale in the balance sheet. Non-current assets held for sale include also the properties related to logistics service warehouses in Sweden and Norway classified previously as non-current assets held for sale.

4. Net sales by geographical location

EUR million	1-3 2015	1-3 2014	1-12 2014
Finland	335,1	343,0	1 358,8
Scandinavia	44,5	55,8	211,5
Russia	27,7	41,6	171,8
Other countries	28,6	29,7	116,5
Total	435,9	470,0	1 858,7

5. Changes in property, plant and equipment

EUR million	31 March 2015	31 March 2014	31 Dec 2014
Carrying amount on 1 January	516,4	625,5	625,5
Additions	13,3	10,8	46,3
Disposals and transfers between items	-64,8	0,0	-66,9
Depreciation and impairment	-17,0	-16,8	-68,4
Translation differences	17,0	-12,7	-20,1
Carrying amount at the end of the period	464,8	606,8	516,4

6. Fair values of interest-bearing loans

EUR million	Carrying amount 31 March 2015	Fair value 31 March 2015	Carrying amount 31 March 2014	Fair value 31 March 2014	Carrying amount 31 Dec 2014	Fair value 31 Dec 2014
Non-current interest-bearing loans						
Bonds	250,9	262,6	252,0	265,1	251,3	263,6
Finance lease liabilities	31,4	31,4	31,1	31,1	32,1	32,1
Other interest-bearing loans	0,1	0,1	0,1	0,1	0,1	0,1
Total	282,4	294,0	283,2	296,3	283,5	295,9
Current interest-bearing loans						
Loans from financial institutions	0,0	0,0	-	-	0,0	0,0
Finance lease liabilities	11,8	11,8	9,4	9,4	11,8	11,8
Other	0,1	0,1	4,6	4,6	0,2	0,2
Total	11,9	11,9	13,9	13,9	12,0	12,0

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

EUR million	Total	Level 1	Level 2	Level 3
31 March 2015				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate derivatives, hedge accounting	3,5		3,5	
Financial assets at fair value through profit and loss				
Money market investments	130,2		130,2	
Bonds	47,0	37,1	9,9	
Derivative contracts				
Currency derivatives, non-hedge accounting	0,2		0,2	
Electricity derivatives, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,3			0,3
Total	181,1	37,1	143,7	0,3

Financial liabilities measured at fair value

Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,1		0,1	
Electricity derivatives, non-hedge accounting	0,8	0,8		
Total	0,9	0,8	0,1	-

EUR million	Total	Level 1	Level 2	Level 3
31 Dec 2014				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate derivatives, hedge accounting	3,9		3,9	
Financial assets at fair value through profit and loss				
Money market investments	104,3		104,3	
Bonds	41,7	32,0	9,7	
Derivative contracts				
Currency derivatives, non-hedge accounting	2,2		2,2	
Electricity derivatives, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,3			0,3
Total	152,3	32,0	120,1	0,3

Financial liabilities measured at fair value

Trade payables and other liabilities				
Derivative contracts				
Currency derivatives, non-hedge accounting	0,2		0,2	
Electricity derivatives, non-hedge accounting	0,6	0,6		
Total	0,9	0,6	0,2	-

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

Hierarchy levels:

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

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

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

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

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

EUR million	Available-for-sale equity fund investments
2015	
Carrying amount on 1 January	0,3
Total profits and losses	
In income statement	
Available-for-sale financial assets	-
In other comprehensive income	
Available-for-sale financial assets	-
Acquisitions	-
Exercises	-
Carrying amount on 31 March	0,3

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

In financial income and expenses	-
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8. Contingent liabilities

EUR million	31 March 2015	31 March 2014	31 Dec 2014
Pledges for own behalf	13,2	14,6	12,2
Lease commitments	265,3	275,4	263,8

Posti Group has received claims from its contract customers to refund the value added taxes they have paid amounting to a total of EUR 101 million. The ruling by the Helsinki District Court in summer 2011 was positive to Posti Group. The decision was however nullified by the Helsinki Court of Appeal and returned to the district court where the proceedings began in 2012. Posti Group considers the customers' claims to be unfounded in their entirety.

Derivative contracts

EUR million	31 March 2015	31 March 2014	31 Dec 2014
Currency derivatives			
Non-hedge accounting			
Fair value	0,0	-0,7	1,9
Nominal value	29,5	74,5	47,9
Hedge accounting			
Fair value	-	0,5	-
Nominal value	-	7,6	-
Interest rate derivatives			
Hedge accounting			
Fair value	3,5	4,7	3,9
Nominal value	70,0	70,0	70,0
Electricity derivatives			
Non-hedge accounting			
Fair value	-0,8	-1,4	-0,6
Nominal value	4,3	5,7	4,1

8. Comparative information in accordance with the revised segment structure for 2014

Key Figures of Business Groups

EUR million	1-3/2014	1-6/2014	1-9/2014	1-12/2014	Q2/2014	Q3/2014	Q4/2014
Net sales							
Postal Services	197,3	384,9	553,5	769,0	187,6	168,6	215,5
Parcel and Logistics Services	180,9	363,5	538,4	722,7	182,6	174,9	184,3
Itella Russia	41,5	84,2	131,3	172,0	42,7	47,2	40,7
OpusCapita	67,1	132,1	192,5	259,6	64,9	60,4	67,2
Other operations	11,6	23,0	33,1	48,6	11,4	10,1	15,5
Intra-Group sales	-28,4	-55,6	-81,8	-113,3	-27,3	-26,1	-31,5
Group total	470,0	931,9	1367,0	1858,7	461,9	435,1	491,7
Operating result (non-IFRS) *)							
Postal Services	16,9	21,5	29,0	66,0	4,7	7,5	36,9
Parcel and Logistics Services	-1,1	-2,3	-9,1	-21,7	-1,2	-6,8	-12,6
Itella Russia	-2,2	-2,3	0,4	2,5	-0,1	2,7	2,1
OpusCapita	6,8	11,5	16,6	20,0	4,7	5,1	3,4
Other operations	-2,9	-8,0	-9,6	-16,0	-5,1	-1,7	-6,3
Group total	17,6	20,5	27,3	50,8	2,9	6,8	23,5
Operating result (EBIT)							
Postal Services	16,9	21,5	29,0	66,1	4,7	7,5	37,0
Parcel and Logistics Services	-1,3	-3,3	-14,0	-34,2	-2,1	-10,7	-20,2
Itella Russia	-2,2	-2,4	0,3	2,4	-0,2	2,7	2,1
OpusCapita	6,4	9,7	12,7	12,7	3,4	3,0	-0,1
Other operations	-15,5	-23,3	-33,2	-41,2	-7,8	-9,9	-8,0
Group total	4,3	2,2	-5,1	5,8	-2,1	-7,4	10,9
Operating result (non-IFRS), % *)							
Postal Services	8,6 %	5,6 %	5,2 %	8,6 %	2,5 %	4,4 %	17,1 %
Parcel and Logistics Services	-0,6 %	-0,6 %	-1,7 %	-3,0 %	-0,7 %	-3,9 %	-6,8 %
Itella Russia	-5,2 %	-2,7 %	0,3 %	1,5 %	-0,2 %	5,7 %	5,2 %
OpusCapita	10,2 %	8,7 %	8,6 %	7,7 %	7,2 %	8,4 %	5,1 %
Group total	3,7 %	2,2 %	2,0 %	2,7 %	0,6 %	1,6 %	4,8 %
Operating result (EBIT), %							
Postal Services	8,6 %	5,6 %	5,2 %	8,6 %	2,5 %	4,4 %	17,2 %
Parcel and Logistics Services	-0,7 %	-0,9 %	-2,6 %	-4,7 %	-1,1 %	-6,1 %	-11,0 %
Itella Russia	-5,3 %	-2,8 %	0,2 %	1,4 %	-0,4 %	5,7 %	5,2 %
OpusCapita	9,5 %	7,4 %	6,6 %	4,9 %	5,2 %	5,0 %	-0,1 %
Group total	0,9 %	0,2 %	-0,4 %	0,3 %	-0,5 %	-1,7 %	2,2 %

*) Non-IFRS = excluding non-recurring items

Segments' assets and liabilities

MEUR	31 Mar 2014	30 Jun 2014	30 Sept 2014	31 Dec 2014
Assets				
Postal Services	408,9	398,9	403,1	390,8
Parcel and Logistics Services	367,8	358,6	339,5	321,4
Itella Russia	241,0	243,7	212,2	149,4
OpusCapita	169,0	169,2	166,0	171,5
Non-current assets classified as held for sale	-	-	16,3	14,7
Other operations and unallocated	239,7	246,3	248,6	248,2
Eliminations	-11,1	-10,1	-11,1	-4,7
Group total	1 415,3	1 406,7	1 374,6	1 291,3
Liabilities				
Postal Services	193,6	172,6	180,4	165,4
Parcel and Logistics Services	149,6	151,0	144,6	143,7
Itella Russia	37,1	41,4	32,4	22,2
OpusCapita	39,7	37,7	36,9	42,1
Other operations and unallocated	361,6	365,3	362,9	348,7
Eliminations	-11,1	-10,1	-11,1	-4,7
Group total	770,4	758,0	746,2	717,5
Personnel at end of the period				
Postal Services	104	102	101	106
Parcel and Logistics Services	2 056	2 082	1 951	1 902
Itella Russia	3 303	3 135	2 921	2 920
OpusCapita	2 118	2 141	2 112	2 292
Other operations and unallocated	17 208	19 128	16 374	16 069
Group total	24 789	26 588	23 459	23 289

9. Foreign exchange rates

	1-3 2015	1-3 2014	1-12 2014
Average rate			
RUB	71,0867	48,0778	51,0154
SEK	9,3839	8,8575	9,0966
NOK	8,7314	8,3465	8,3553
	31 March 2015	31 March 2014	31 Dec 2014
Closing rate			
RUB	62,4400	48,7800	72,3370
SEK	9,2901	8,9483	9,3930
NOK	8,7035	8,2550	9,0420