



POSTI GROUP CORPORATION INTERIM REPORT, OCTOBER 26, 2017 AT 9:00 A.M. (EET)

Posti Group Corporation Interim Report Q3/2017



Posti's Q3/2017: Parcel and Logistics Services grew to exceed Postal Services in net sales

Posti Group Corporation Interim Report Q3/2017

July–September

Financial highlights

- The Group's net sales increased by 0.7% to EUR 378.6 (376.0) million.
- The Group's adjusted EBITDA declined to EUR 22.4 (32.1) million, 5.9% (8.5%).
- The Group's EBITDA declined to EUR 17.9 (39.2) million, 4.7% (10.4%).
- The adjusted operating result declined to EUR 3.6 (11.7) million, or 1.0% (3.1%) of net sales.
- The operating result declined and amounted to EUR -35 (18.8) million, representing -9.2% (5.0%) of net sales. In conjunction with the restructuring of OpusCapita, the Group recognized impairment of goodwill in the amount of EUR 33.9 million.

Operational highlights

- During the third quarter, Parcel and Logistics Services grew to exceed Postal Services in net sales.
- The combined parcel volume of Finland and the Baltic countries increased by 11%. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 8%. The number of addressed letters decreased by 13% in Finland.
- Mail items covered by the universal service obligation accounted for 4.3% (3.9%) of all of Posti's mail items.
- On September 14, 2017, the Helsinki Court of Appeal issued a positive ruling for Posti in a case concerning the compensation of value added taxes.
- On September 28, 2017, Service Sector Employers Palta and the Finnish Post and Logistics Union PAU concluded negotiations on a new collective agreement for the mail communications and logistics industry that was approved by the Boards of Directors of both parties. The new collective agreement will enter into force on November 1, 2017, and remain valid until October 31, 2019.
- The number of working days was 65 (66). The number of working days affects the Group's net sales and result, having an impact on both year-on-year comparisons and comparisons between consecutive quarters.

January–September

Financial highlights

- The Group's net sales grew by 3.8% to EUR 1,194.7 (1,151.0) million.
- The Group's adjusted EBITDA declined to EUR 77.7 (83.7) million, 6.5% (7.3%).
- The Group's EBITDA declined to EUR 60.8 (77.5) million, 5.1% (6.7%).
- The adjusted operating result declined to EUR 19.4 (24.4) million, or 1.6% (2.1%) of net sales.
- The operating result declined and amounted to EUR -32.5 (16.5) million, or -2.7% (1.4%) of net sales.

Operational highlights

- The combined parcel volume of Finland and the Baltic countries increased by 7%. Measured in waybills and excluding food logistics, Posti's domestic freight grew by 8%. The number of addressed letters decreased by 10% in Finland.
- 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.

- Posti's structural transformation continued:
 - In January, Posti acquired HR Hoiva Oy (now known as Posti Kotipalvelut Oy), a provider of home care and personal assistance services to municipalities, joint municipal authorities and private customers.
 - In April, Posti and Solemo Oy (SOL) established Flexo, a joint venture that provides in-house logistics services.
 - In May, the Group's subsidiary OpusCapita announced that it will sell its Finance and Accounting Outsourcing (FAO) business to Longship AS, a Norwegian private equity investor. The transaction was finalized in September.
 - Posti acquired the personal assistance business of SOL Henkilöstöpalvelut Oy in the summer.
 - Also in the summer, Posti strengthened its early-morning delivery by acquiring the early-morning delivery operations of Kaakon Viestintä and merging Posti's early-morning delivery operations into a newly established subsidiary, Posti Palvelut Oy.
- Mail items covered by the universal service obligation accounted for 4.2% (4.4%) of all of Posti's mail items.
- The number of working days was 189 (190).

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 expected to remain on par with the previous year or decrease slightly. The operating result for 2017 will include significant special items.
- Previously the adjusted operating result was expected to remain on par with previous year.

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

Key figures of Posti Group

	7–9 2017	7–9 2016	1–9 2017	1–9 2016	1–12 2016
Net sales, EUR million	378.6	376.0	1,194.7	1,151.0	1,607.6
Adjusted EBITDA, EUR million	22.4	32.1	77.7	83.7	126.7
Adjusted EBITDA, %	5.9	8.5	6.5	7.3	7.9
EBITDA, EUR million	17.9	39.2	60.8	77.5	116.0
EBITDA, %	4.7	10.4	5.1	6.7	7.2
Adjusted operating result, EUR million	3.6	11.7	19.4	24.4	47.1
Adjusted operating result, %	1.0	3.1	1.6	2.1	2.9
Operating result, EUR million	-35.0	18.8	-32.5	16.5	30.7
Operating result, %	-9.2	5.0	-2.7	1.4	1.9
Result before taxes, EUR million	-36.7	16.8	-39.3	14.8	29.5
Result for the period, EUR million	-35.1	13.6	-42.2	12.8	23.2
Cash flow from operating activities			44.8	9.0	63.1
Return on equity (12 months), %			-5.8	2.7	3.9
Return on invested capital (12 months), %			-2.2	3.7	5.1
Equity ratio, %			48.0	48.4	54.9
Gearing, %			-2.9	-7.9	-13.6
Gross capital expenditure, EUR million	16.6	17.3	52.9	77.0	100.4
Employees on average			20,479	20,759	20,632
Employees on average, FTE			18,280	18,620	18,529
Dividends, EUR million					60.0

Heikki Malinen, President and CEO

“E-Commerce is growing very strongly and Posti, as Finland's largest logistics company, is active in this development.

Posti continues to undergo a multi-year structural transformation as communication shifts from paper to digital and competition increases in traditional postal operations. A clear indication of this transformation is that Parcel and Logistics Services accounted for a higher share of Posti's net sales in the third quarter than traditional postal services. The decline in the volume of addressed letters shows signs of accelerating, but e-commerce trends and the digital transformation also present opportunities for growth.

Posti has developed a new strategy and updated its financial targets for the next three years. The postal sector is in a transformation of historic proportions, and Posti will continue its determined efforts aimed at renewal. The company has a strong focus on improving quality and the customer experience. Posti will pursue growth in e-commerce and related solutions, end-to-end logistics solutions ranging from transport to in-house logistics, new services and OpusCapita.

At the core of the strategy are four objectives that will allow Posti to achieve renewal and emerge as a winner through this period of transformation: success in e-commerce, maintaining the importance of letters among customers, the renewal of Posti's service culture, and leveraging the digital transformation to improve Posti's services.

The third quarter of the year was challenging for Posti. Net sales grew by nearly one percent, but the result was modest. Among the positives during the period were strong parcel growth and the high volumes of freight operations. The challenge was the steep decline in the volume of letters, which we were not able to fully compensate for in our production in the third quarter.

The restructuring of the OpusCapita segment is moving ahead as planned. The new OpusCapita will focus on B2B customers by providing global solutions for sourcing, invoice processing, cash management and financing.”

APPENDICES

Posti Group's Interim Report in full (PDF)

FURTHER INFORMATION

Heikki Malinen, President and CEO, and Sari Helander, CFO
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FINANCIAL CALENDAR IN 2018

Financial statements for 2017: March 1, 2018, at 10:00 a.m.

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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 11 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–September 2017

According to the Bank of Finland, economic growth in 2017 is stronger than expected. Economic growth for the full year is particularly supported by growth in the first half of the year as well as growth in net exports. According to the Finnish Transport Agency, transport volumes in heavy traffic have continued to increase since April 2016, which was also seen in Posti's higher freight volumes.

The growth of e-commerce picked up speed toward the end of the review period, which was reflected favorably in Posti's parcel volumes.

However, the decline in traditional mail delivery volumes and the accelerating shift from paper to online communications continued. The rate of decline in Posti's volume of addressed letters was higher in the third quarter than previously, at 13%. 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. In addition to Posti, there are currently 13 operators delivering mail in Finland.

The ruble appreciated by 3.2% compared to the previous year. In October, the IMF predicted that the Russian GDP will grow by 1.8% this year and 1.6% next year. The Russian Ministry of Finance, for its part, predicted that Russian GDP growth will be as high as 2.1% in 2017 and 2018.

A collective agreement for the mail communications and logistics industry was approved on September 28, 2017. The new agreement will enter into force on November 1, 2017, and remain valid for two years. Achieving a two-year agreement is very significant for Posti in the current period of major transformation, and it provides an excellent foundation for the company to continue its essential renewal in a controlled manner.

The President of Finland signed the reformed Postal Act on September 8, 2017. The Postal Act reform is a continuation of the amendments to the Postal Act that entered into force last year and introduced free competition in letter delivery. The change took effect on September 15, 2017, and it applies to universal service products, namely stamped letters and cards. For parcels, the universal service concept covers parcels sent to addresses outside Finland and paid for with stamps. The delivery of newspapers and magazines is not covered by the Postal Act.

Following the changes, five-day delivery of universal service letters 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 delivery starting next summer. In urban areas, delivery on at least three days per week is allowed if the area in question has an early-morning delivery network for newspapers.

Posti's strategy 2018–2020

Posti's Board of Directors has approved Posti's strategy and financial targets for the next three years. The postal sector is in a transformation of historic proportions, and Posti will continue its determined efforts aimed at renewal. The Group will have a strong focus on improving quality and the customer experience. Posti will pursue growth in e-commerce and related solutions, end-to-end logistics solutions ranging from transport to in-house logistics, new services and OpusCapita.

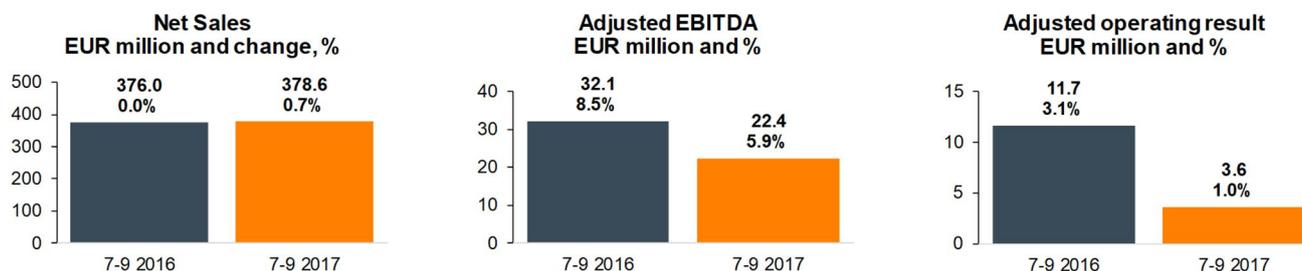
At the core of the strategy are four objectives that will allow Posti to achieve renewal and emerge as a winner through this period of transformation: win e-commerce play, keep mail relevant to customers, renew service culture – Posti Orange, and digitally powered to secure your service delivery.

Updated financial targets:

- Adjusted operating result percentage: 4%
- Return on capital employed: 10%
- Net debt / adjusted EBITDA: less than 2.0x
- Dividends: continuously increasing

Net sales and profit performance in July–September 2017

The number of working days in the third quarter was lower than in the previous year by one day. The number of working days affects the Group's net sales and result.



The Group's net sales increased by 0.7% to EUR 378.6 (376.0) million. Net sales grew by 1.0% in Finland and declined by 0.8% in other countries. International operations accounted for 15.2% (15.4%) of net sales.

The Group's adjusted EBITDA declined to EUR 22.4 (32.1) million, 5.9% (8.5%). EBITDA declined to EUR 17.9 (39.2) million, 4.7% (10.4%).

The adjusted operating result declined to EUR 3.6 (11.7) million, or 1.0% (3.1%) of net sales. The decline in the adjusted operating result was attributable to the weaker result of Mail, Parcel and Logistics Services as well as OpusCapita.

Special items affecting the result negatively amounted to EUR 38.6 (-7.1) million. In conjunction with the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash generating unit have been updated. Based on this assessment, the Group recognized impairment of goodwill in the amount of EUR 33.9 million.

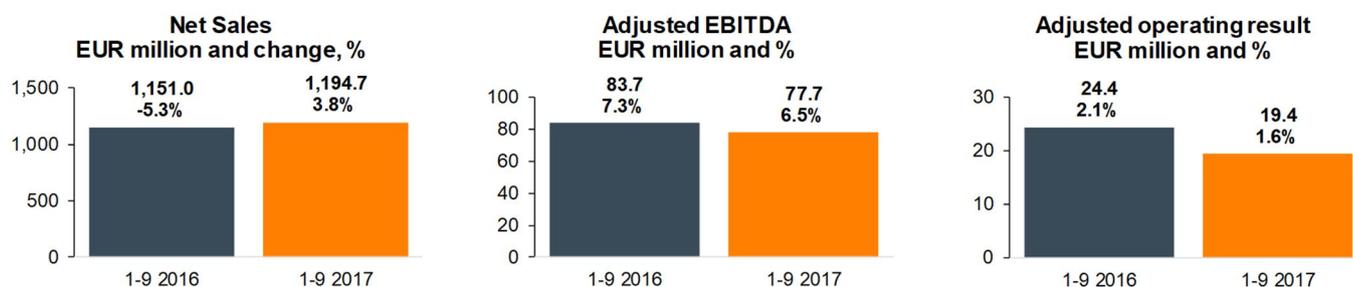
The operating result was EUR -35.0 (18.8) million, or -9.2% (5.0%) of net sales.

The operating result before taxes was EUR -36.7 (16.8) million.

Mail items covered by the universal service obligation accounted for 4.3% (3.9%) of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 26.3 (26.8) million, or 7.0% (7.2%) of the Group's net sales.

Net sales and profit performance in January–September 2017

The number of working days in January–September was lower than in the previous year by one day. The number of working days affects the Group's net sales and result.



The Group's net sales grew by 3.8% to EUR 1,194.7 (1,151.0) million. Net sales increased by 3.4% in Finland and by 6.2% in other countries. International operations accounted for 14.9% (14.6%) of net sales.

The Group's adjusted EBITDA declined to EUR 77.7 (83.7) million, 6.5% (7.3%). The Group's EBITDA declined to EUR 60.8 (77.5) million, 5.1% (6.7%).

The adjusted operating result declined to EUR 19.4 (24.4) million, or 1.6% (2.1%) of net sales.

Special items affecting the result negatively amounted to EUR 51.9 (7.9) million. The special items include gains from the sale of real estate after Posti sold the main post office building in Seinäjoki in May. As part of the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash-generating unit have been updated. Based on this assessment, the Group recognized impairment of goodwill in the amount of EUR 33.9 million.

The operating result was EUR -32.5 (16.5) million, or -2.7% (1.4%) of net sales.

The operating result before taxes was EUR -39.3 (14.8) million.

The Group's net financing costs amounted to EUR 6.7 (1.7) million. The change was attributable to exchange rate differences and special items.

Return on equity was -5.8% (2.7%).

Mail items covered by the universal service obligation accounted for 4.2% (4.4%) of all of Posti's mail items. Operations under the universal service obligation amounted to EUR 82.4 (93.0) million, or 6.9% (8.1%) of the Group's net sales.

Mail, Parcel and Logistics Services

July–September

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

- Addressed letters -13% (-5%)
- Parcels in Finland and the Baltics +11% (+4%), of which B2C parcels +14% (+9%)
- Domestic freight* measured in waybills +8% (+10%)
- Warehouse fill rate in Finland on average in July-September 78% (68%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries was 9.5 (8.6) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 6%.

The net sales of Mail, Parcel and Logistics Services increased to EUR 311.4 (306.0) million. Net sales are itemized below.

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

Net sales, EUR million	7–9 2017	7–9 2016	Change
Mail and Marketing Services	113.6	120.0	-5.3%
Press Services	40.6	40.3	0.8%
Parcel Services	66.5	63.9	4.1%
Logistics Services	92.1	82.9	11.0%

The net sales of Mail and Marketing Services were affected by the decline in domestic delivery product volumes, which was partly compensated for by changes in pricing. The net sales of Parcel Services grew particularly due to growth in consumer parcels, but the increase in net sales was affected by a decline in the volume of letter-like items, a lower average price and a change in VAT charged for consumer parcels last year. 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 8.6%. At the end of September, Posti had a total of 1,429 service points in Finland, of which 501 were parcel points. In Logistics Services, the net sales of domestic freight increased, with acquisitions also playing a part in the growth. In the warehouse business, warehouse fill rates improved.

The adjusted EBITDA of Mail, Parcel and Logistics Services declined to EUR 13.7 (21.7) million, 4.4% (7.1%). The adjusted EBITDA was particularly weighed down by a decline in the net sales of Mail and Marketing Services, which was not fully compensated for by cost savings in production. In addition, the profitability of freight services was weak in the third quarter. The result in the previous year was improved by refunds of international terminal dues. EBITDA declined to EUR 12.7 (20.3) million.

The adjusted operating result decreased to EUR 3.4 (11.0) million, 1.1% (3.6%). The result was weighed down by, among other things, investments in new businesses, such as home services and digital services.

Special items affecting the result negatively recognized during the period amounted to EUR 0.9 (1.4) million. The special items were related to personnel restructuring in both the review period and the comparison period.

The operating result declined to EUR 2.4 (9.6) million.

Posti has signed extensive cooperation agreements on Smartpost parcel lockers to be installed in the lobbies of new apartment buildings with YIT, Bonava, Skanska, SRV, Sato, Heka (the housing company of the City of Helsinki), Espoon Asunnot (the housing company of the City of Espoo) and Kojamo. Posti has also signed an agreement with Securitas on parcel lockers to be installed in office buildings.

January–September

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

- Addressed letters -10% (-6%)
- Parcels in Finland and the Baltics +7% (+4%), of which B2C parcels +9% (+6%)
- Domestic freight* measured in waybills +8% (+7%)
- Warehouse fill rate in Finland on average in January-September 77% (70%)

* The reported figure for domestic freight excludes food logistics

The total amount of parcels delivered by Posti in Finland and the Baltic countries was 28.2 (26.2) million parcels. The figure does not include letter-like e-commerce items. In the Baltic countries, parcel volumes increased by 10%.

The volume of electronic Netposti letters fell by 2%. The number of digital mailbox Netposti users increased by 15% and stood at 774,000 (674,000) at the end of September.

The net sales of Mail, Parcel and Logistics Services increased to EUR 981.2 (942.8) million. Net sales are itemized below.

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

Net sales, EUR million	1–9 2017	1–9 2016	Change
Mail and Marketing Services	382.5	393.7	-2.8%
Press Services	123.6	126.6	-2.3%
Parcel Services	203.7	197.9	2.9%
Logistics Services	275.8	227.3	21.3%

The net sales of Mail and Marketing Services were affected by the decline in domestic delivery product volumes, which was partly compensated for by changes in pricing. 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 16.0%. The net sales of Parcel Services grew particularly due to growth in consumer parcels, but the increase in net sales was affected by a decline in the volume of letter-like items, a lower average price and a change in VAT charged for consumer parcels last year. In Logistics Services, the net sales of domestic freight increased, with acquisitions also playing a part in the growth. In the warehouse business, warehouse fill rates improved.

The adjusted EBITDA of Mail, Parcel and Logistics Services declined to EUR 56.1 (60.6) million, 5.7% (6.4%). The adjusted EBITDA was weighed down by a decline in the net sales of Mail and Marketing Services, which was not fully compensated for by cost savings in production. The result in the previous year was improved by refunds of international terminal dues. EBITDA improved to EUR 52.1 (46.7) million.

The adjusted operating result decreased to EUR 24.6 (29.5) million, 2.5% (3.1%). The weaker result of traditional postal operations was compensated for by the improved net sales and profitability of freight and parcel services.

Special items affecting the result negatively recognized during the period amounted to EUR 4.0 (13.9) million. The special items were related to personnel restructuring in both the review period and the comparison period.

The operating result improved to EUR 20.6 (15.6) million.

In January, Posti acquired HR Hoiva Oy (now known as Posti Kotipalvelut Oy).

In April, Posti and Solemo Oy established Flexo, a joint venture that provides in-house logistics services.

In the summer, Posti strengthened its early-morning delivery by acquiring the early-morning delivery operations of Kaakon Viestintä and merging Posti's early-morning delivery operations into a newly established subsidiary, Posti Palvelut Oy.

Also in the summer, Posti acquired the personal assistance business of SOL Henkilöstöpalvelut Oy.

Itella Russia

July–September

Itella Russia's net sales turned to growth in the third quarter. Measured in local currency, the rate of growth was 3.8%. Reported euro-denominated net sales increased by 9.2% to EUR 29.4 (26.9) million. The growth in net sales was attributable to the improved economic climate as well as higher volumes among the existing customers in the warehousing business and in air and sea freight.

The adjusted EBITDA was EUR 1.0 (1.1) million, 3.4% (4.0%). EBITDA was EUR 0.9 (1.0) million. Profitability continued to be weighed down by currency-denominated leases. Itella Russia is continuing to implement measures to improve its EBITDA.

The adjusted operating result was EUR -0.7 (-0.6) million. The average fill rate for warehouses in Moscow was 87% (76%), while that of other regions was 72% (86%). The higher fill rate for warehouses in Moscow was mainly due to the closure of warehouses.

The operating result was EUR -0.8 (-0.7) million.

January–September

Measured in local currency, Itella Russia's increased slightly, by 0.2%. Euro-denominated net sales increased by 17.8% to EUR 86.1 (73.1) million. Net sales were favorably affected by the appreciation of the ruble as well as the growth of the transport business, which was compensated for by the decline in the capacity of the warehousing business.

The adjusted EBITDA improved to EUR 2.0 (0.2) million, 2.4% (0.3%). The increase was mainly attributable to the stronger ruble. EBITDA declined to EUR 1.8 (2.3) million.

The adjusted operating result improved to EUR -3.4 (-4.5) 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. The average fill rate for warehouses in Moscow was 82% (78%), while that of other regions was 74% (87%). 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 3.2% compared to the previous year.

The operating result declined to EUR -3.6 (-2.5) million.

OpusCapita

July–September

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

- Electronic transactions (comparable) +23%
- iPost products -5%

The total transaction volume, which consists of printed letters, mailed paper letters and electronic transactions, was 118 million transactions. The electronic transaction volume was 63 million transactions, which represents 54% 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 7.7% to EUR 52.5 (56.8) million. Some 60% of the net sales came from Finland, while the remaining 40% was from other countries. The net sales of the Buyer-Supplier Ecosystem business decreased by 0.7% in the third quarter.

Adjusted EBITDA declined to EUR 3.9 (5.4) million, 7.4% (9.6%). EBITDA declined to EUR 1.2 (4.7) million.

The adjusted operating result decreased to EUR 1.4 (2.8) million, 2.6% (5.0%). The decline was attributable to the lower volumes of iPost products as well as investments in the development of the Buyer-Supplier Ecosystem business.

Special items affecting the result negatively amounting to EUR 36.8 (0.7) were recognized during the review period, related to corporate transactions. In conjunction with the restructuring of OpusCapita and the refocusing of its operations, the future outlook and cash flow forecasts of the cash generating unit have been updated. Based on this assessment, the Group recognized impairment of goodwill in the amount of EUR 33.9 million.

The operating result declined to EUR -35.4 (2.1) million.

OpusCapita is carrying out significant restructuring measures. OpusCapita sold its Finance and Accounting Outsourcing business in September. In addition, the digitizing production in Sweden, Norway and Poland was outsourced to the US-based BancTec on October 2, 2017. OpusCapita's sending of documents and invoices as well as the digitizing operations in Finland were transferred to Posti's Postal Services business group effective from October 1, 2017. The Buyer-Supplier Ecosystem business will be separated into a unit of its own.

On July 13, 2017, OpusCapita acquired Billexco AG, a Switzerland-based e-invoicing operator.

January–September

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

- Electronic transactions (comparable) +20%
- iPost products -4%

The total transaction volume, which consists of printed letters, mailed paper letters and electronic transactions, was 370 million transactions. The electronic transaction volume was 187 million transactions, which represents 50% 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.

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OpusCapita's net sales decreased by 4.2% to EUR 171.5 (179.0) million. Some 59% of the net sales came from Finland, while the remaining 41% was from other countries. The Buyer-Supplier Ecosystem business grew by 7.9%, mainly due to an acquisition.

Adjusted EBITDA declined to EUR 10.2 (13.0) million, 5.9% (7.2%). EBITDA declined to EUR -2.1 (9.9) million.

The adjusted operating result fell to EUR 2.5 (6.2) million, 1.5% (3.5%). The decline was attributable to the lower volumes of iPost products as well as investments in growth.

Special items affecting the result negatively amounting to EUR 47.3 (4.7) were recognized during the review period, related to corporate transactions.

The operating result declined to EUR -44.7 (1.5) million.

Key figures for segments

EUR million	7–9 2017	7–9 2016	1–9 2017	1–9 2016	1–12 2016
Net sales					
Mail, Parcel and Logistics Services	311.4	306.0	981.2	942.8	1,321.6
Itella Russia	29.4	26.9	86.1	73.1	104.6
OpusCapita	52.5	56.8	171.5	179.0	240.1
Other operations	1.1	1.0	3.5	3.8	5.1
Intra-Group sales	-15.7	-14.8	-47.6	-47.5	-63.9
Posti Group	378.6	376.0	1,194.7	1,151.0	1,607.6
Change in net sales, %					
Mail, Parcel and Logistics Services	1.8%	1.5%	4.1%	-4.1%	-1.2%
Itella Russia	9.2%	-8.3%	17.8%	-17.1%	-12.0%
OpusCapita	-7.7%	-6.5%	-4.2%	-7.5%	-6.4%
Posti Group	0.7%	0.0%	3.8%	-5.3%	-2.5%
Adjusted EBITDA					
Mail, Parcel and Logistics Services	13.7	21.7	56.1	60.6	91.0
Itella Russia	1.0	1.1	2.0	0.2	2.6
OpusCapita	3.9	5.4	10.2	13.0	19.1
Other operations	3.9	3.9	9.4	9.9	14.1
Posti Group	22.4	32.1	77.7	83.7	126.7
EBITDA					
Mail, Parcel and Logistics Services	12.7	20.3	52.1	46.7	76.9
Itella Russia	0.9	1.0	1.8	2.3	3.9
OpusCapita	1.2	4.7	-2.1	9.9	12.2
Other operations	3.2	13.1	9.0	18.6	23.1
Posti Group	17.9	39.2	60.8	77.5	116.0
Adjusted EBITDA, %					
Mail, Parcel and Logistics Services	4.4%	7.1%	5.7%	6.4%	6.9%
Itella Russia	3.4%	4.0%	2.4%	0.3%	2.5%
OpusCapita	7.4%	9.6%	5.9%	7.2%	7.9%
Posti Group	5.9%	8.5%	6.5%	7.3%	7.9%
EBITDA, %					
Mail, Parcel and Logistics Services	4.1%	6.6%	5.3%	5.0%	5.8%
Itella Russia	3.0%	3.8%	2.1%	3.2%	3.7%
OpusCapita	2.2%	8.4%	-1.2%	5.5%	5.1%
Posti Group	4.7%	10.4%	5.1%	6.7%	7.2%

Key figures for segments

EUR million	7–9 2017	7–9 2016	1–9 2017	1–9 2016	1–12 2016
Adjusted operating result					
Mail, Parcel and Logistics Services	3.4	11.0	24.6	29.5	48.7
Itella Russia	-0.7	-0.6	-3.4	-4.5	-4.0
OpusCapita	1.4	2.8	2.5	6.2	9.7
Other operations	-0.5	-1.6	-4.3	-6.8	-7.3
Posti Group	3.6	11.7	19.4	24.4	47.1
Operating result					
Mail, Parcel and Logistics Services	2.4	9.6	20.6	15.6	34.6
Itella Russia	-0.8	-0.7	-3.6	-2.5	-2.7
OpusCapita	-35.4	2.1	-44.7	1.5	-1.4
Other operations	-1.2	7.7	-4.8	1.9	0.2
Posti Group	-35.0	18.8	-32.5	16.5	30.7
Adjusted operating result, %					
Mail, Parcel and Logistics Services	1.1%	3.6%	2.5%	3.1%	3.7%
Itella Russia	-2.3%	-2.3%	-4.0%	-6.2%	-3.8%
OpusCapita	2.6%	5.0%	1.5%	3.5%	4.0%
Posti Group	1.0%	3.1%	1.6%	2.1%	2.9%
Operating result, %					
Mail, Parcel and Logistics Services	0.8%	3.2%	2.1%	1.6%	2.6%
Itella Russia	-2.7%	-2.4%	-4.2%	-3.4%	-2.6%
OpusCapita	-67.5%	3.8%	-26.1%	0.8%	-0.6%
Posti Group	-9.2%	5.0%	-2.7%	1.4%	1.9%

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 44.8 (9.0) million in January–September.

Investments according to the statement of cash flow amounted to EUR 54.1 (70.0) million. In January–September, 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 September, liquid assets amounted to EUR 132.5 (236.0) million, and undrawn committed credit facilities totaled EUR 210.0 (150.0) million. The Group signed two new long-term loan agreements for EUR 60 million each, one of which was withdrawn in the second quarter. The Group's interest-bearing liabilities were EUR 182.8 (284.3) million. The equity ratio was 48.0% (48.4%) and gearing was -2.9% (-7.9%).

Changes in management

Jussi Kuutsa, M.Sc. (Econ.), was appointed President of Itella Russia and a member of the Executive Board 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 18,280 (18,620) in January–September. On September 30, 2017, the numbers of employees converted into full-time equivalents were:

- The Group: 17,286 (17,979) employees
- Finland: 13,571 (13,622) employees
- Other countries of operation: 3,714 (4,357) employees

The Group's personnel expenses amounted to EUR 514.3 (539.9) million in January–September, down 4.7% from the previous year. The personnel expenses included EUR 4.5 (18.4) million in restructuring costs. Excluding restructuring costs, the personnel expenses declined by 2.2% year-on-year.

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. By the end of September 2017, 2,792 employees had applied for the program and 1,911 had been approved.

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, in the Northern Finland regional delivery organization on June 19, 2017 and in the Lakeland region delivery organization on September 21, 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. The negotiations in the Lakeland region covered 30 delivery supervisors and led to personnel reductions concerning seven people.

Changes in the corporate structure

Veine Oy, 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 Oy and subsequently changed its name to Posti Kotipalvelut Oy on March 31, 2017.

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

A new company, named Posti Palvelut Oy, was established in April for early-morning delivery operations.

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

Posti established a new company, named Itella Services Oü, in June.

OpusCapita acquired the Switzerland-based company Billexco AG on July 13, 2017.

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. The Act entered into force on September 15, 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.

The claims were rejected in their entirety by a decision of the Helsinki District Court on September 18, 2015, and by a decision of the Helsinki Court of Appeal on September 14, 2017. Six of the plaintiffs had appealed the District Court's decision to the Court of Appeal. The total amount of the compensations claimed in the Court of Appeal was approximately EUR 99 million, and the interest claimed amounted to approximately EUR 59 million on September 30, 2017.

If the plaintiffs lodge further appeals against the decision, it may take several years until all of the final court orders are rendered in the matter. In Posti's view, the allegations made by the plaintiffs are without merit and it has not recognized any receivables or provisions in its financials based on the claims made.

Business risks

The business risks are described in the Group's 2016 Financial Statements, and there have been no significant changes to the risks since then.

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

Operational risks are primarily related to profitability and Posti's ability to implement the necessary efficiency improvement programs, maintaining the quality of delivery operations, the dependence of businesses on functional IT systems and business interruptions and other disruptions. Regulatory environment risks are especially related to potential unanticipated

regulatory changes. The above-mentioned risks as well as financial risks and their management are described in more detail in the 2016 financial statements and its notes.

Events after the review period

Posti Kuljetus Oy's transport production unit in Seinäjoki will commence cooperation negotiations on October 18, 2017. The negotiations concern a total of 32 employees. The estimated preliminary need for personnel reductions is at most 25 people.

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 expected to remain on par with the previous year or decrease slightly. The operating result for 2017 will include significant special items. Previously the adjusted operating result was expected to remain on par with previous year.

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

Helsinki, October 25, 2017

Posti Group Corporation
Board of Directors

APPENDICES

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

Interim Report January-September 2017

Key figures of Posti Group

EUR million	7-9 2017	7-9 2016	1-9 2017	1-9 2016	1-12 2016
Net sales	378.6	376.0	1,194.7	1,151.0	1,607.6
Adjusted EBITDA	22.4	32.1	77.7	83.7	126.7
Adjusted EBITDA	% 5.9	8.5	6.5	7.3	7.9
EBITDA	17.9	39.2	60.8	77.5	116.0
EBITDA	% 4.7	10.4	5.1	6.7	7.2
Adjusted operating result	3.6	11.7	19.4	24.4	47.1
Adjusted operating result	% 1.0	3.1	1.6	2.1	2.9
Operating result	-35.0	18.8	-32.5	16.5	30.7
Operating result	% -9.2	5.0	-2.7	1.4	1.9
Result before taxes	-36.7	16.8	-39.3	14.8	29.5
Result for the period	-35.1	13.6	-42.2	12.8	23.2
Cash flow from operating activities			44.8	9.0	63.1
Return on equity (12 months)	%		-5.8	2.7	3.9
Return on invested capital (12 months)	%		-2.2	3.7	5.1
Equity ratio	%		48.0	48.4	54.9
Gearing	%		-2.9	-7.9	-13.6
Gross capital expenditure	16.6	17.3	52.9	77.0	100.4
Employees on average			20,479	20,759	20,632
Employees on average, FTE			18,280	18,620	18,529
Dividends					60.0

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

EUR million	7-9 2017	7-9 2016	1-9 2017	1-9 2016	1-12 2016
Net sales	378.6	376.0	1,194.7	1,151.0	1,607.6
Other operating income	2.8	12.7	12.3	20.4	26.0
Materials and services	121.7	110.0	369.6	311.6	448.6
Employee benefits	159.4	162.4	514.3	539.9	730.8
Other operating expenses	82.4	77.1	262.4	242.5	338.2
Depreciation and amortisation	18.7	20.2	58.2	59.1	79.2
Impairment losses	34.2	0.2	35.1	1.9	6.1
Operating result	-35.0	18.8	-32.5	16.5	30.7
Finance income	0.6	2.2	3.1	8.0	12.7
Finance expenses	2.3	4.2	9.8	9.8	13.9
Result before income tax	-36.7	16.8	-39.3	14.8	29.5
Income tax	-1.6	3.2	2.9	2.0	6.3
Result for the period	-35.1	13.6	-42.2	12.8	23.2
Result for the period attributable to					
Parent company shareholders	-35.1	13.6	-42.1	12.8	23.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share, basic, EUR	-0.88	0.34	-1.05	0.32	0.58
Earnings per share, diluted, EUR	-0.88	0.34	-1.05	0.32	0.58
Consolidated Statement of Comprehensive Income					
Result for the period	-35.1	13.6	-42.2	12.8	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	0.0	0.1	-0.1	0.0	0.0
Change in fair value of cash flow hedges	-0.1	0.3	-0.9	-0.1	0.0
Translation differences	-0.3	1.2	-5.6	11.2	20.0
Income tax relating to these items	0.0	-0.1	0.2	0.0	0.0
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligations	0.0	0.4	0.4	2.3	0.0
Income tax relating to these items	0.0	-0.1	-0.1	-0.5	0.0
Comprehensive income for the period	-35.5	15.4	-48.3	25.9	43.2
Comprehensive income attributable					
Parent company shareholders	-35.5	15.4	-48.2	25.9	43.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

Consolidated Balance Sheet

EUR million	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Non-current assets			
Goodwill	180.4	212.1	213.7
Other intangible assets	57.3	64.3	60.7
Investment property	9.2	9.9	9.7
Property, plant and equipment	346.3	349.2	360.5
Other non-current investments	4.6	6.1	6.1
Non-current receivables	1.3	3.7	2.6
Deferred tax assets	14.9	25.4	13.6
Total non-current assets	614.1	670.6	667.0
Current assets			
Inventories	3.8	4.2	4.0
Trade and other receivables	303.2	289.3	295.6
Current income tax receivables	8.1	5.0	4.2
Current financial assets	112.9	193.2	132.8
Cash and cash equivalents	84.4	138.4	82.0
Total current assets	512.4	630.2	518.6
Total assets	1,126.5	1,300.8	1,185.6
EUR million	Sep 30, 2017	Sep 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	-0.8	0.0	0.1
Translation differences	-89.1	-92.3	-83.5
Retained earnings	373.7	470.7	479.2
Total shareholders' equity	496.6	591.0	608.4
Non-controlling interests	0.3	0.0	0.0
Total equity	496.8	591.0	608.4
Non-current liabilities			
Deferred tax liabilities	23.7	26.5	26.6
Non-current borrowings	70.9	120.7	19.8
Other non-current liabilities	20.3	13.8	13.9
Advances received	13.9	16.7	16.8
Non-current provisions	12.6	16.4	14.3
Defined benefit pension plan liabilities	11.1	9.4	11.9
Total non-current liabilities	152.4	203.6	103.3
Current liabilities			
Current borrowings	111.9	163.6	112.3
Trade and other payables	281.5	268.7	298.1
Advances received	76.7	62.1	60.0
Current income tax liabilities	5.8	7.0	0.0
Current provisions	1.4	4.7	3.5
Total current liabilities	477.3	506.2	473.9
Total liabilities	629.7	709.8	577.2
Total equity and liabilities	1,126.5	1,300.8	1,185.6

Consolidated Statement of Cash Flows

EUR million	1-9 2017	1-9 2016	1-12 2016
Result for the period	-42.2	12.8	23.2
Adjustments to cash flow	104.8	47.2	69.4
Change in net working capital	-14.0	-32.6	-3.9
Cash flow before financial items and income tax	48.7	27.5	88.7
Financial items (net)	1.1	1.0	-6.9
Income tax paid	-5.0	-19.5	-18.7
Cash flow from operating activities	44.8	9.0	63.1
Purchase of intangible assets	-9.0	-11.1	-14.5
Purchase of property, plant and equipment	-37.2	-24.3	-40.9
Proceeds from sale of intangible and tangible assets	6.5	63.7	69.7
Business acquisitions, net of cash acquired	-7.8	-34.6	-36.8
Proceeds from business disposals less cash and cash equivalents	-7.1	8.4	8.4
Financial assets at fair value through profit or loss	29.0	29.2	48.6
Financial assets held to maturity	-10.0	-0.1	40.3
Cash flow from other investments	1.5	1.3	2.0
Cash flow from investing activities	-34.2	32.5	76.7
Repayment of current loans	-0.1	-5.4	-159.1
Increases in non-current loans	60.3	-	-
Finance lease payments	-9.4	-10.1	-11.6
Dividends paid	-60.0	-18.0	-18.0
Transactions with non-controlling interests	1.5	-	-
Cash flow from financing activities	-7.8	-33.5	-188.6
Change in cash and cash equivalents	2.8	8.0	-48.9
Cash and cash equivalents at the beginning of the period	82.0	130.1	130.1
Effect of exchange rates changes	-0.4	0.4	0.8
Cash and cash equivalents at the end of the period	84.4	138.4	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					-42.1	-42.1	0.0	-42.2
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.8			-0.8		-0.8
Translation differences				-5.6		-5.6		-5.6
Remeasurements of post-employment benefit obligations, net of tax					0.3	0.3		0.3
Comprehensive income for the period			-0.8	-5.6	-41.8	-48.2	0.0	-48.3
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
Sep 30, 2017	70.0	142.7	-0.8	-89.1	373.7	496.6	0.3	496.8
Jan 1, 2016	70.0	142.7	0.1	-103.6	474.0	583.2	-	583.2
Comprehensive income								
Result for the period					12.8	12.8		12.8
Other comprehensive income:								
Changes in the fair value of available-for-sale financial assets and cash flow hedges, net of tax			-0.1			-0.1		-0.1
Translation differences				11.2		11.2		11.2
Remeasurements of post-employment benefit obligations, net of tax					1.9	1.9		1.9
Comprehensive income for the period			-0.1	11.2	14.7	25.9	-	25.9
Transactions with equity holders								
Dividends paid					-18.0	-18.0		-18.0
Sep 30, 2016	70.0	142.7	0.0	-92.3	470.7	591.0	-	591.0

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

	1-9 2017	1-9 2016	1-12 2016
Average rate			
RUB	64.9077	76.3054	74.2224
SEK	9.5826	9.3711	9.4673
NOK	9.2329	9.3784	9.2927
	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Closing rate			
RUB	68.2519	70.5140	64.3000
SEK	9.6490	9.6210	9.5525
NOK	9.4125	8.9865	9.0863

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

Sep 30, 2017

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
Assets	540.5	140.4	157.1	838.0	291.6	-3.1	1,126.5
Liabilities	331.7	17.1	34.9	383.7	249.1	-3.1	629.7
Capital expenditure	21.5	1.4	4.6	27.5	25.4		52.9
Depreciation and amortization	31.5	5.4	7.5	44.4	13.7		58.2
Impairment losses	0.0	0.1	35.1	35.1	0.0		35.1
Personnel at period-end	15,516	2,476	1,285	19,277	671		19,948
Personnel at period-end, FTE	13,060	2,323	1,253	16,636	650		17,286

Sep 30, 2016

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
Assets	525.9	140.5	203.9	870.4	434.8	-4.4	1,300.8
Liabilities	298.1	25.0	39.1	362.2	352.0	-4.4	709.8
Capital expenditure	21.7	3.3	36.8	61.9	15.2		77.0
Depreciation and amortization	31.1	4.8	6.7	42.6	16.5		59.1
Impairment losses	0.0	0.0	1.7	1.7	0.2		1.9
Personnel at period-end	14,850	2,407	2,036	19,293	620		19,913
Personnel at period-end, FTE	12,988	2,389	1,989	17,366	613		17,979

Dec 31, 2016

EUR million	Mail, Parcel and Logistics Services	Itella Russia	Opus- Capita	Segments total	Other operations and unallocated	Elimi- nations	Group total
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	7-9 2017	7-9 2016	1-9 2017	1-9 2016	1-12 2016
Finland	296.2	285.7	928.9	899.2	1,261.9
Scandinavia	29.4	38.1	96.6	103.1	133.2
Russia	29.3	26.9	85.9	73.1	104.6
Other countries	23.7	25.3	83.3	75.6	107.7
Total	378.6	376.0	1,194.7	1,151.0	1,607.6

5. Acquired businesses and business divestments

According to press release 13th September 2017 OpusCapita has finalized the process of transferring Finance and Accounting Outsourcing business (FAO) to Norwegian private equity investor Longship. The net sales of the FAO business in 2016 was EUR 30 million. Earlier press release about the arrangement was given at 4th May 2017. In total 800 employees in 8 countries transferred to Longship. The divestment of FAO is an important strategic step for OpusCapita. It allows OpusCapita to focus on its core business in transaction and software business. The transaction had a nonrecurring negative impact on the Group's result.

OpusCapita acquired 13th July 2017 Swiss Billexco AG which operates in e-invoicing markets. The acquisition strengthens the buyer-supplier network and expands geographical reach. Billexco is a portal for electronic invoice exchange in both business-to-business and business-to-government markets. Acquisition did not have a material effect on Group's income statement or balance sheet.

6. Property, plant and equipment

EUR million	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Carrying amount on Jan 1	360.5	406.0	406.0
Additions	39.2	29.7	52.1
Disposals and transfers between items	-3.1	-53.3	-58.6
Depreciation and impairment	-43.1	-46.1	-62.1
Translation differences	-7.2	12.9	22.9
Carrying amount at the end of the period	346.3	349.2	360.5

7. Intangible assets

EUR million	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Carrying amount on Jan 1	274.4	236.7	236.7
Additions	14.0	55.5	63.3
Disposals and transfers between items	-0.1	-0.2	0.0
Depreciation and impairment	-49.4	-14.9	-22.6
Translation differences	-1.2	-0.7	-3.0
Carrying amount at the end of the period	237.7	276.4	274.4

Impairment loss of EUR 33,9 million was recognized on the goodwill of the OpusCapita CGU based on the annual impairment test.

8. Net debt and liquid funds

EUR million	Borrowings			Debt		Net debt total
	Borrowings	on finance leases	Borrowings total	Liquid funds	certificates	
Carrying amount on Jan 1, 2017	100.4	31.6	132.1	159.9	54.7	-82.5
Cash flows	60.2	-9.4	50.7	-26.9	10.0	67.6
Business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rates changes	0.0	0.0	0.0	-0.4	0.0	0.1
Other non-cash items	-0.3	0.2	0.0	0.0	0.0	0.2
Carrying amount on Sep 30, 2017	160.3	22.4	182.8	132.5	64.7	-14.5
Fair value on Sep 30, 2017	160.7	22.4	183.2			

EUR million	Borrowings			Debt		Net debt total
	Borrowings	on finance leases	Borrowings total	Liquid funds	certificates	
Carrying amount on Jan 1, 2016	250.8	39.5	290.3	258.8	95.0	-63.5
Cash flows	-5.8	-10.1	-16.0	-23.3	0.1	7.2
Business acquisitions	5.6	2.2	7.8	0.0	0.0	7.8
Effect of exchange rates changes	-0.2	0.0	-0.2	0.4	0.0	-0.7
Other non-cash items	0.0	2.4	2.4	0.0	0.0	2.4
Carrying amount on Sep 30, 2016	250.2	34.1	284.3	236.0	95.1	-46.7
Fair value on Sep 30, 2016	255.4	34.1	289.5			

EUR million	Borrowings			Debt		Net debt total
	Borrowings	on finance leases	Borrowings total	Liquid funds	certificates	
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	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Cash and cash equivalents	84.4	138.4	82.0
Money market investments and investments in bonds	48.1	97.6	77.9
Liquid funds	132.5	236.0	159.9

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

EUR million	Total	Level 1	Level 2	Level 3
Sep 30, 2017				
Financial assets measured at fair value				
Current financial assets				
Money market investments	60.4		60.4	
Bonds	21.6	17.3	4.3	
Derivative contracts				
Currency derivatives, non-hedge accounting	0.0		0.0	
Equity fund investments	0.1			0.1
Total	82.2	17.3	64.8	0.1
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	0.0		0.0	
Currency derivatives, hedge accounting	0.0		0.0	
Total	5.8	-	1.0	4.8

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

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

10. Contingent liabilities

EUR million	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Pledges for own behalf	8.3	7.6	8.3
Lease commitments	294.0	324.7	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 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.

The claims were rejected in their entirety by a decision of the Helsinki District Court on September 18, 2015, and by a decision of the Helsinki Court of Appeal on September 14, 2017. Six of the plaintiffs had appealed the District Court's decision to the Court of Appeal. The total amount of the compensations claimed in the Court of Appeal was approximately EUR 99 million, and the interest claimed amounted to approximately EUR 59 million on September 30, 2017.

If the plaintiffs lodge further appeals against the decision, it may take several years until all of the final court orders are rendered in the matter. In Posti's view, the allegations made by the plaintiffs are without merit and it has not recognized any receivables or provisions in its financials based on the claims made.

Derivative contracts

EUR million	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Currency derivatives			
Non-hedge accounting			
Fair value	0.0	0.1	0.0
Nominal value	10.2	7.2	4.6
Hedge accounting			
Fair value	0.0	-0.1	0.0
Nominal value	3.1	6.1	3.4
Interest rate derivatives			
Non-hedge accounting			
Fair value	-	0.3	-
Nominal value	-	70.0	-
Hedge accounting			
Fair value	-0.9	-	-
Nominal value	60.0	-	-

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	$\frac{\text{result before income tax (12m rolling)} + \text{interest and other financial expenses (12m rolling) *)}{\text{total equity} + \text{interest-bearing debt (average of opening and closing balance of prev. 12m)}}$
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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	$\frac{\text{total equity}}{\text{total assets} - \text{advances received (current and non-current)}}$
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Gearing, %	100 x	$\frac{\text{net debt}}{\text{total equity}}$
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Net debt interest bearing borrowings - liquid funds - debt certificates

Interest-bearing debt Non-current and current borrowings

EBITDA EBITDA is operating result excluding depreciation, amortization and impairment losses.

Adjusted EBITDA Adjusted EBITDA is EBITDA excluding special items.

Adjusted operating result Adjusted operating result is operating result excluding special items.

Special items The Group reports separately special items which include reorganization costs, significant impairment losses on assets, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, real estates or business operations, changes in purchase consideration for business combinations after the date of acquisition recognized in income statement, and other material items outside of ordinary course of business are defined as special items.

Liquid funds Liquid funds consist of cash and cash equivalents, money market investments and investments in bonds.

Gross capital expenditure Investments in intangible and tangible assets, finance lease assets, and business acquisitions.

Earnings per share, EUR	100 x	$\frac{\text{result for the period for the parent company shareholders}}{\text{Average number of shares during the period}}$
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