Annual Report 2014

posti

Contents

YEAR 2014

Posti Group in brief

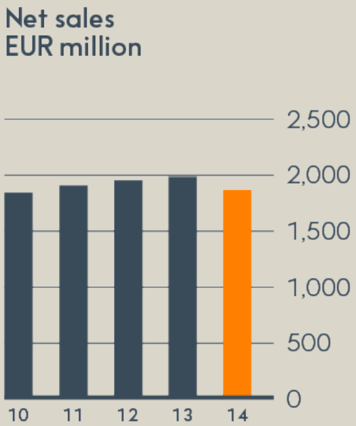
We are your first choice for postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 11 countries.

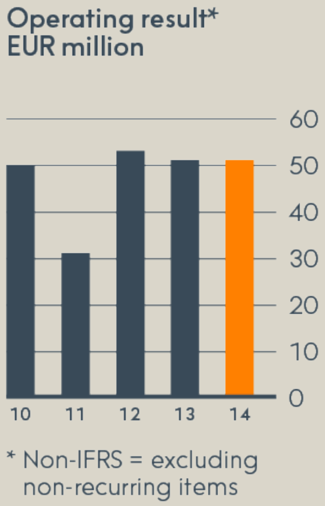
In 2014, our net sales were EUR 1,859 million. Our customers are served by 23,000 professionals (number of personnel at the end of 2014). Our history spans nearly 400 years. The State of Finland is our sole shareholder. Of our net sales, 96% comes from businesses and organizations. Our key customer industries are the media, trade and service industries.

In Finland, we operate under the name Posti Group and in other countries of operation under the name Itella.

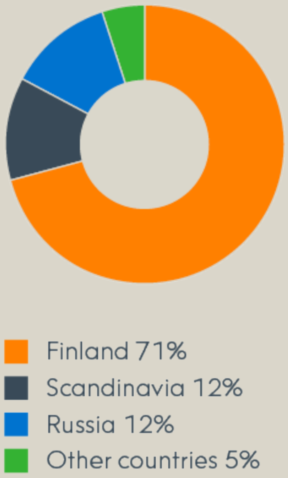
Our operations are divided into four business groups*: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

* When Itella changed its name to Posti at the beginning of 2015, the business group names changed as well. Itella Mail Communications changed its name to Postal Services and Itella Logistics to Parcel and Logistics Services. Our Annual Report is compiled according to the new organization structure. The figures for Postal Services are not comparable with those for Itella Mail Communications, nor are the figures for Parcel and Logistics Services comparable with those for Itella Logistics. The names Itella Russia and OpusCapita remained unchanged.





Net sales by geographical area
2014
%



Development in the number of personnel
1,000 persons

President and CEO’s review

The year 2014 has been a time of major changes for us. We were involved in implementing our new strategy, which aims to adapt our business operations to the profound transformation in the postal and logistics industry, renew the company so that it becomes more agile, ensure the company’s profitability and improve customer experience while seeking new growth areas.

One of the changes most visible to our customers was the change of the company’s name from Itella to Posti. I believe that this will further improve the customer experience and clarify the company’s identity as a Finnish postal, logistics and e-commerce service provider. Posti’s main mission is to make customers’ everyday life smoother.

A respected Finnish brand

Posti is a traditional and respected Finnish brand with which Finns have a very strong emotional and trusting relationship. At the beginning of this year, Posti adopted a new visual outlook that was inspired by logistics services and parcels. With the changes, we want to signal that Posti has the desire to renew its services.

As part of our new strategy, we renewed our organization significantly and streamlined the corporate structure. By merging our subsidiaries Itella Logistics and Itella Posti into one business company, Posti Ltd, we make our services easier for our customers to use. Since the beginning of the year, our customers have been served by four business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

Customer service is also facilitated by the new Operations unit in which we combined the production operations of the entire Postal Services and Parcel and Logistics Services business groups. Operations employs approximately 17,000 professionals and operates 24 hours a day – someone is always on the move in transport, sorting, delivery or early-morning delivery. Thanks to these professionals, Posti reaches 2.8 million homes and companies each weekday.

A challenging economic situation

The business environment continued to be very difficult in 2014. The decline in the volume of mail accelerated as digital communications became more common, and transport volumes in heavy traffic continued to decrease in Finland for third year in a row. Nevertheless, the operating result before non-recurring items improved to EUR 50.8 million. The result was impaired by structural arrangements and non-recurring items related to personnel restructuring.

In Finland, we reformed domestic line haul production and continued the extensive groupage logistics integration which generated significant benefits and flexibility in operations. In Scandinavia, business has been unprofitable and consequently, we had to trim our operations in these countries drastically. In the Baltic countries, the logistics business developed favorably during the year.

The Itella Russia business group achieved a profitable result even though the Russian crisis has influenced business indirectly through the weakening of the ruble and consumer purchasing power. During the year, the Russian ruble weakened by over 59%. It is extremely difficult to forecast the development of the Russian market accurately due to significant exchange rate fluctuations and the duration and scope of sanctions. We are preparing for a very difficult market situation in 2015.

OpusCapita aims at internationalization

The Group's cornerstones include OpusCapita that offers financial accounting outsourcing services and automation solutions and has a strong growth strategy that aims at internationalization. The digitization of services was clearly evident in 2014. OpusCapita delivers nearly 200 million electronic messages per year. The growth of cloud services continued strongly, reaching the level of 150%.

Aiming to improve profitability

Due to the difficult economic situation and the transformation of the industry, we have had to make changes that have, unfortunately, also entailed extensive personnel reductions. Every effort has been made to carry out the reductions in as responsible and controlled manner as possible.

In addition, savings have been sought with a EUR 100 million performance improvement program, the targets of which were achieved on schedule. This year, the improvement of operational efficiency will be continued with a new EUR 75 million program. In order to safeguard employment and services, it is of critical importance to ensure the profitability of business operations and, in line with our strategy, seek growth for the Group in new services, such as e-commerce and local logistics.

During the year, the Finnish Government issued a postal delivery license to three of Posti's competitors. As competition is part of a healthy economy, we welcome any competitors in the field. However, it is important that the regulatory terms and conditions are fair and equal for all players. The new competitors were assigned a one-day delivery obligation, whereas we are subject to a five-day delivery obligation. As a result, the companies are competing on an unequal footing.

The service point network is expanding

As e-commerce grows, our customers expect Posti's service point network to provide an even wider range of alternatives for sending and picking up parcels, substantially longer opening hours and more flexible services. During the year, we opened 152 new parcel points, and the number of service points had increased to nearly 1,450 by the end of the year. We respond to our customers' evolving needs by developing our service network and increasing digital services. More than 200,000 Finns are already using our Posti mobile application.

Stakeholders' demands for transparent and responsible business grow continuously. In terms of financial responsibility, the company should be profitable. In terms of the environment, it should reduce emissions. In terms of society, it should provide high-quality services. We must also see to the personnel's well-being at work and ensure that the sourcing chain is ethically sound. Throughout the year, we increased interaction with our stakeholders significantly and we intend to continue this work this year, too.

Finally, I would like to take this opportunity to thank our personnel, customers and partners for their excellent cooperation during the year.

Heikki Malinen
President and CEO

Key figures

Key figures of Posti Group

	2014	2013
Net sales, MEUR	1,858.7	1,976.8
Operating result (non-IFRS), MEUR*)	50.8	50.5
Operating result (non-IFRS), %*)	2.7	2.6
Operating result (EBIT), MEUR	5.8	9.9
Operating result (EBIT), %	0.3	0.5
Result before taxes, MEUR	-4.6	-2.4
Result for the period, MEUR	-4.4	7.7
Return on equity (12 months), %	-0.7	1.1
Return on invested capital (12 months), %	1.0	1.3
Equity ratio, %	45.9	47.5
Gearing, %	17.2	21.1
Gross capital expenditure, MEUR	57.5	61.1
Employees on average	24,617	27,253
Dividends, MEUR	–**)	–

*) Non-IFRS = excluding non-recurring items

**) Board proposal

Key Figures of Business Groups, MEUR

	2014	2013	Change
Net sales			
Itella Mail Communications	1,133.0	1,155.5	-1.9%
Itella Logistics	586.2	641.8	-8.7%
Itella Russia	172.0	205.6	-16.3%
OpusCapita	259.6	263.4	-1.4%
Other operations	41.6	54.4	-23.4%
Intra-Group sales	-333.8	-343.8	
Itella Group	**1,858.7**	**1,976.8**	**-6.0%**
Operating result (non-IFRS)*)			
Itella Mail Communications	67.4	66.6	1.1%
Itella Logistics	-22.6	-24.5	-
Itella Russia	2.5	5.3	-51.8%
OpusCapita	20.0	22.5	-11.2%

Other operations	-16.4	-19.4	-
Itella Group	**50.8**	**50.5**	**0.7%**
Operating result (EBIT)			
Itella Mail Communications	51.2	64.0	-20.0%
Itella Logistics	-36.5	-50.1	-
Itella Russia	2.4	4.3	-44.1%
OpusCapita	12.7	17.0	-25.3%
Other operations	-24.0	-25.3	-
Itella Group	**5.8**	**9.9**	**-41.8%**
Operating result (non-IFRS), %*)			
Itella Mail Communications	5.9%	5.8%	
Itella Logistics	-3.9%	-3.8%	
Itella Russia	1.5%	2.6%	
OpusCapita	7.7%	8.5%	
Itella Group	**2.7%**	**2.6%**	
Operating result (EBIT), %			
Itella Mail Communications	4.5%	5.5%	
Itella Logistics	-6.2%	-7.8%	
Itella Russia	1.4%	2.1%	
OpusCapita	4.9%	6.4%	
Itella Group	**0.3%**	**0.5%**	

*) Non-IFRS = excluding non-recurring items

Corporate responsibility key figures

	2014	**2013**	**2012**	**2011**
Number of Posti's service outlets	1,448	1,310	1,098	1,027
Result of the customer satisfaction survey	3.05	3.14	3.11	2.81
Carbon dioxide emissions/net sales (tonnes)	0.10	0.09	0.10	0.11
Share of employees in functions covered by the ISO 14001 EMS	88%	77%	72%	70%

Calculation of key figures (IFRS)

Return on equity, %	100 x	$\dfrac{\text{profit before taxes - income taxes}}{\text{total equity (average)}}$
Return on invested capital, %	100 x	$\dfrac{\text{profit before taxes + interests and other financial expenses}}{\text{total equity + interest-bearing liabilities (average)}}$
Equity ratio, %	100 x	$\dfrac{\text{total equity}}{\text{total assets - advances received}}$
Gearing, %	100 x	$\dfrac{\text{interest-bearing liabilities - cash and cash equivalents - interest-bearing receivables}}{\text{total equity}}$

Liquid funds consist of cash and cash equivalents and liquid investments with original maturity of over three months.

Key events 2014

Posti started the home deliveries of purchases made at the online grocery store Kauppahalli24

Kauppahalli24, an online consumer goods store operating in the capital region, and Posti started cooperation early last year. Posti delivers the purchased goods home during the two-hour time frame selected by the customer. In addition to basic products, the store's extensive and high-quality selection includes fresh meat and fish as well as freshly baked bread, for example.

Sanna Ahonen appointed Senior Vice President, Strategy & Development

Sanna Ahonen, M.Sc. (Econ), was appointed Senior Vice President, Strategy & Development and a member of Posti's Executive Board in January. She joined Posti on April 1, 2014. Ahonen is responsible for strategic planning, process development, ICT and M&A. She reports to President and CEO Heikki Malinen.

Before joining Posti, Ahonen worked for Finnair, where she was responsible for Corporate Development. Prior to that she worked at Nokia Siemens Networks holding different positions and heading, among others, the Strategic Change Projects unit and Business Excellence unit on a division level. She has also worked at Basware as Vice President of Global Consulting.

Arto Hiltunen continued as Chairman of the Board of Directors

The Annual General Meeting was held in Helsinki on March 25, 2014. The Annual General Meeting elected Mölnlycke Health Care's Global Supply Chain Planning Director Petri Järvinen, Google Deutschland GmbH's Director, Retail Petri Kokko and Senior Financial Specialist Marja Pokela from the Government Ownership Steering as new members of the Board of Directors. Arto Hiltunen continued as the Chairman of the Board of Directors.

Satu Haapanen, MP (the Greens of Finland) was elected as a new member of the Supervisory Board. Mauri Pekkarinen continued as the Chairman of the Supervisory Board.

Itella Posti and Itella Logistics merged

At the end of April, the Board of Directors approved a plan for the merger of Itella Logistics Oy with Itella Posti Oy. The new company structure came into force on January 1, 2015.

The change is part of Posti's vision and strategy. The simplified corporate structure improves customer focus and generates savings in operations and administration. The merger did not affect Posti Group Corporation (former Itella Corporation), which continues as Group's parent company.

ISO 9001

ISO 14001

OHSAS 18001

All logistics operations in Finland covered by quality and environmental certificates

Posti's logistics business expanded the ISO 9001 and ISO 14001 systems in April. As a result of the audit by Det Norske Veritas (DNV), all logistics operations in Finland are now fully covered by quality and environmental certificates. In addition, the occupational health and safety certificate OHSAS 18001 covers more than 20 freight terminals.

The audit in the spring covered the transport terminals in Espoo, Herttoniemi (Helsinki), Kajaani, Kemi, Oulu and Rovaniemi and the warehouses on Alaniementie in Espoo and Makasiinikatu in Lahti. Management, sales and customer service were audited in Helsinki, Tuusula and Vantaa.

2,000 summer employees at Posti

Posti provided summer jobs for approximately 2,000 people in Finland. Many of the seasonal employees were students. The duration of summer jobs varied from a few weeks to a few months, with most of the work being available between June and August.

Most of the seasonal employees worked in mail delivery, sorting and transport. A total of 7,300 applications were received for the summer jobs.

The company name changed from Itella to Posti

In August, Itella Corporation announced that it will change its company name to Posti Group Corporation as of January 1, 2015. Since the beginning of 2015, Posti has served both consumer and business customers under one service brand. The change will further improve the customer experience and clarify the company's identity as a Finnish postal, logistics and e-commerce service provider.

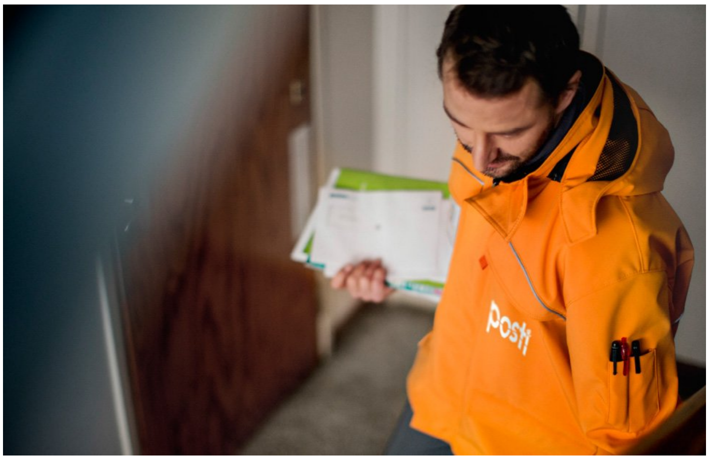
Varusteleka voted the best online store in Finland

In the fall, Varusteleka, an online store specializing in military goods, won the competition for the best online store in Finland. The competition organized by Posti and SBS Discovery Radio Oy continued throughout the summer, and the competition participants included 250 online stores of different sizes and from various fields. All in all, more than 13,000 votes were cast in the competition.

Mediabank to Multiprint

In September, Posti sold its Mediabank business to Multiprint. The personnel employed in the Mediabank business, its accounts and the Mediabank information system were merged with Multiprint. Mediabank EMMi is the market leader in digital asset management services (DAM) in Finland. Its clientele consists of Finland's most prominent companies engaged in the retailing business, media and industry, and the public sector.

Product-specific delivery experiment began



In the fall, Posti carried out a three-month product-specific delivery experiment in Korso (Vantaa), Kivenlahti (Espoo), Porvoo, Riihimäki, Varkaus and Leppävirta. During the experiment, products referred to in the Postal Act as universal service products, as well as newspapers and parcels, were delivered five days a week, whereas letters, advertisements and magazines sent by companies were not delivered in the experiment areas on Tuesdays.

The experiment was based on the increase in digital communications and the steep decline in the volume of mail, as well as on our customers' new needs. The change was very small for mail recipients, as the majority of delivery service remained unchanged.

OpusCapita acquired Norian Group

OpusCapita acquired Norian Group, a Norwegian financial accounting outsourcing company. Norian has eight locations in Norway and employs 175 people in Norway, Sweden and Lithuania. The acquisition made OpusCapita one of the major financial accounting outsourcing service providers in Norway.

Logistics services renewed in Scandinavia

Posti renewed its logistics services in Scandinavia. With regard to the service offering, Posti will in the future concentrate on road transport between its countries of operation. In this field, Posti already has a firm foothold and the possibility of increasing its market share. Another goal is to develop the road transport service offering in selected market areas in Europe.

As part of the renewal, Posti gave up air and sea freight in Scandinavia as well as service warehouses in Denmark and outsourced the distribution logistics within Scandinavia. Service warehouses in Sweden and Norway will be given up in 2015.

The Green Office label awarded to Posti's headquarters

In November, Posti's headquarters in Helsinki was awarded the Green Office label. WWF's Green Office is a practical environmental management system targeted at offices that aims to reduce the ecological footprint and greenhouse gases.

Posti's long-term efforts to reduce its environmental impact will be continued in line with the Green Office criteria. The headquarters of OpusCapita, part of Posti Group, in Keilaranta in Espoo has also been awarded the Green Office label.

3,300 seasonal assistants for the Christmas season

Posti prepared for the Christmas season by hiring 3,300 seasonal assistants in different parts of Finland. The need for additional employees was highest in the sorting of Christmas greetings and parcels as well as mail delivery. Most of the seasonal assistants started their work by mid-December. The busiest weeks were the two weeks before Christmas, as a result of the deadlines for sending Christmas greetings and a peak in mail volumes.

Strategy

Our vision and strategic goals extend up until the year 2020. Customer focus guides our operations. Our vision is: Your first choice in postal, logistics and e-commerce services. Our mission is to manage the flow of commerce and everyday life.

Our primary goal for the coming years is to ensure a sustainable foundation for profitable operations in order to secure funding for our services that fall under the universal service obligation in accordance with the Finnish Postal Act and make sufficient investments in growth areas.

The megatrends shaping our business environment include the dramatic transformation of the postal industry, the sharp increase in e-commerce, the growing power of consumers, the period of slow economic growth in Europe and the growth market in Russia.

The focus areas for the 2015–2016 strategy are growth, a good customer experience, operational excellence as well as company culture and a new way of working.

Vision 2020

Our vision is to be customers' first choice in postal, logistics and e-commerce services. Our customers have varying needs, so a multi-channel approach, that is to say the combinability and good availability of our services, is our asset.

We are the preferred partner of companies and consumers. In addition to superior services and delivery capabilities, we offer the most comprehensive network of services in Finland. As a reliable partner, we ensure logistics efficiency and quality for our customers. In addition, we provide Finnish commerce as well as international online stores and their customers with the most extensive range of services in Finland and a reliable channel for business with Russia.

Mission

Our main mission is to manage the flow of commerce and everyday life. We process and deliver our customers' messages and goods responsibly.

Our customers can choose the services and methods of working that best suit them. We make sure that consumer goods and commodities are available when needed and that doing business with us is flexible and easy.

Strategic goals

We have defined five key strategic goals: we provide our customers with solutions that create added value for them, we reach market leadership in Finland and Russia through profitable growth, we enable e-commerce, we lead the way in the transformation of the postal industry and we are the best workplace.

We offer the best overall management of the customer experience and supply chain, and we develop new service and business models that create added value in the outsourcing of logistics and in other business areas. In e-commerce, key factors include ensuring fast and reliable deliveries and reducing the amount of capital tied to logistics. Consumers appreciate reliable and quick services that are easy to use. In our business, we have strong synergies that transcend national borders.

We are the leading partner for logistics services in Finland. Our service network covers the entire country, and we offer the best route from Finland to Russia. We intend to double our net sales in Russia by 2020. We are the most important logistics partner in retail, and we secure the flow of logistics to Finland and Russia from Central Europe and the Nordic countries. We ensure profitability through performance improvement programs and synergies.

In terms of enabling e-commerce, we are the leading service provider in Finland. In addition, we are the first choice of Finnish and international e-commerce outlets. In Finland, we provide comprehensive transport, warehousing and product delivery services as well as direct marketing solutions and customer data management services. In addition to warehousing services, we provide corporate and consumer delivery services in Russia.

The structural transformation of the postal industry requires us to be flexible and able to predict changes, so that our operations remain profitable. Letter and publication delivery volumes are decreasing steeply, while e-commerce is growing. We listen to our customers and invest in business and service development. We play a significant role in society by offering multi-channel postal services in Finland.

We are the best and most responsible employer. The transformation of the postal industry will change our competence needs, number of personnel and career paths. We need new types of competence in commerce and the transport of goods, for example. We support professional development through training, job rotation and on-the-job training. Our occupational safety vision is: Safely together every day.

Values

Succeeding together with the customer

- We provide added value for the customer in everything we do
- We proactively provide services and solutions based on excellent understanding of the customer's business
- We serve customers as One Posti through our entire service chain
- We work close to the customer

Driving for improvement and innovation

- We are open minded towards change and development
- We build on our strengths and welcome new ideas to enhance our profitability
- We continuously learn and grow both as individuals and as a company
- We execute changes thoroughly; we communicate openly, learn from experiences and adjust when needed

Taking responsibility

- We commit to decisions and make them happen
- We keep our promises to each other to fulfill our commitment to the customer
- We are trustworthy and base our business on reliability
- We care for our people, the environment and society

Winning together

- We work together to reach our common goals
- We share information and best practices
- We are team players and respect each other
- We are proud of Posti and our work

Our customer promise is to be easy, fast, reliable and responsible

In line with our customer promise, we want to be easy, fast, reliable and responsible. This means that our services are easy to purchase and use. Interacting with us is smooth and simple. Our services are available whenever and wherever you need them. We understand different speed of service requirements. Our comprehensive service network ensures the most suitable delivery speed for you. We keep our promises and develop our operations while staying attuned to customer needs. We follow ethical principles in all of our operations.

About this report

This is our fifth combined annual report and corporate responsibility report. Before combining the reports, we published separate personnel and environmental reports in addition to the annual report and also reported corporate responsibility issues on our website. For the first time, the corporate responsibility report has been prepared in accordance with the GRI G4 guidance.

A comprehensive corporate responsibility report as well as a report of key events in 2014 will be included in this online annual report. In addition, a summary of key events will be included in our printed Posti in 2014 brochure. This is the third time that we have published an online version of our corporate responsibility report. The online report and printed report are both available in Finnish and English.

The key target groups of the report are the state, as our owner, as well as customers, personnel, partners and the media.

BUSINESS GROUPS

We now serve our customers throughout Finland under the Posti brand. In our other countries of operation, we serve our customers under the Itella brand. We deliver and store items and shipments of any size from small letters to entire loads. Our main mission is to manage the flow of commerce and everyday life.

We deliver letters, publications, advertisements and parcels everywhere and help our customers target their messages correctly. We can take care of all e-commerce services from start to finish. Mail delivery involves more and more logistics. We offer road, sea and air freight services and warehousing services. At their broadest, Posti's services extend from Far East freight transports to the warehouse and from there on to store shelves and end customers. We have the broadest service network in Finland, covering all postal, logistics and e-commerce services that our customers need, whether messages or goods. Many of our services are also available as web services.

Our operations are divided into four business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

Postal Services

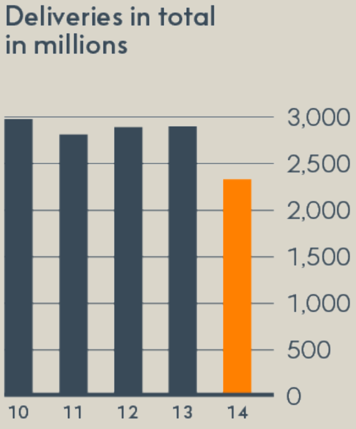
Country of operation

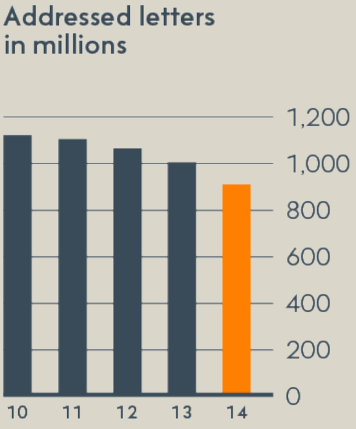
- Finland

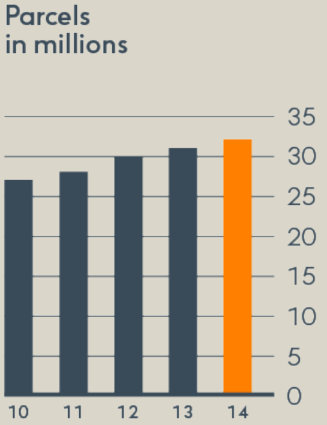
The Postal Services business group is in charge of mail, press and marketing services. The Postal Services professionals focus on product development, product management, and customer relationship care and sales. As part of the brand renewal and organizational restructuring, Itella Mail Communications became Postal Services at the beginning of 2015.

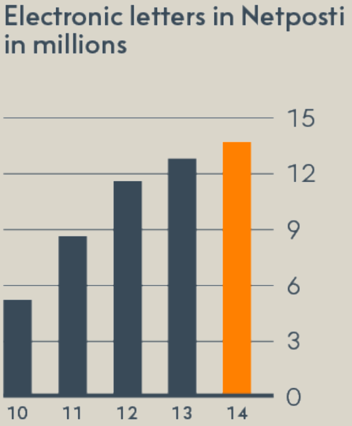
Mail Services is in charge of mail services offered to companies and consumers, stamps, mail redirection services, Netposti and international postal cooperation. The unit produces and develops services that enable Posti to play a strong and important role in personal communications. Press Services produces and develops newspaper, magazine and free distribution paper delivery services for business customers. Marketing Services produces and develops addressed and unaddressed direct marketing services for companies as well as value-added services, such as register services, target groups, the Contact service, and printed products that can be ordered online.

Number of service points

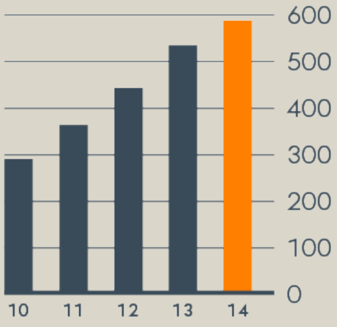

Deliveries in total
in millions
3,000
2,500
2,000
1,500
1,000
500
0
10
11
12
13
14


Addressed letters
in millions
1,200
1,000
800
600
400
200
0
10
11
12
13
14

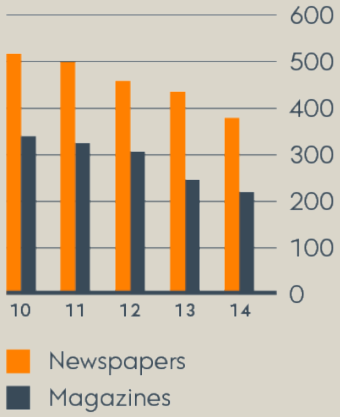

Parcels
in millions
35
30
25
20
15
10
5
0
10
11
12
13
14


Electronic letters in Netposti
in millions
15
12
9
6
3
0
10
11
12
13
14

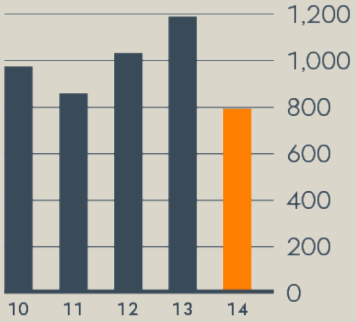
Consumers registered in Netposti in thousands



Subscriptions of magazines and newspapers in millions



Unaddressed direct marketing in millions



The value of goods' online shopping in Finland 2004–2014

Letter and publication volumes will fall to half by 2020

The rate of digitization in postal services is accelerating substantially. We estimate that by 2020, letter and publication volumes will have fallen to half of what they are today. During the year, the volumes of addressed letters decreased by 10%. The decline in the volumes of newspapers and magazines also accelerated. The delivery volumes decreased from the previous year by 13% for newspapers and by 10% for magazines.

The breakthrough for electronic invoicing occurred in Finland in 2013, with half of consumer invoices received electronically. According to the survey we published in February, 34% of consumer invoices were received in an online bank or Netposti. No less than 15% of consumer invoices were received by e-mail. The pace of change has now accelerated so that two thirds of consumers are ready to change over to receiving invoices in an online bank and to other electronic alternatives. According to our forecast, the share of electronic consumer invoices will be 75% in 2020.

Product and service development

As the volumes of traditional mail decrease, we are constantly investing in product and service development. One of our fastest growing services is meal services. We deliver meals to schools, day-care centers and home care meal service customers in some 80 locations. Cooperation with the City of Tampere was expanded so that in addition to home meal deliveries, it covers meal deliveries from industrial kitchens to service kitchens. In August, the City of Oulu also chose Posti to deliver its school, day-care center and home help service customer meals. There are a total of 33 routes and 25,000 meals to be delivered.

Early in the year, we started cooperation with Kauppahalli24, an online consumer goods store, in the capital region. We deliver the purchased goods home during the two-hour time frame selected by the customer. We also expanded express deliveries of online store goods ordered in the evening. With express delivery, the products ordered in the evening are delivered to the recipient the following day.

For the Christmas season, we introduced a new web service with which it is possible, for example, to check in your parcel, in other words, to pay the postage fee and print out an address label for the parcel online. The parcel can be dropped off at any postal outlet without needing to queue. The Posti mobile application now gives not only an estimated date of delivery but also the time of delivery and the weight of the item. In December, the number of users of Posti’s mobile applications exceeded 220,000.

Early in the year, the Russian-language library collection of the Espoo City Library became available to borrowers across Finland, thanks to the Posti's parcel point service. The service is aimed at all Finnish residents based outside the capital region.

New types of delivery experiment

In the fall, we experimented with product-specific delivery in Korso (Vantaa), Kivenlahti (Espoo), Porvoo, Riihimäki, Varkaus and Leppävirta. During the experiment, products referred to in the Postal Act as universal service products, as well as newspapers and parcels, were delivered five days a week, as usual, whereas letters, advertisements and magazines sent by companies were not delivered in the experiment areas on Tuesdays. All in all, the experiment was successful: nearly 70% of mail recipients were of the opinion that delivery worked well.

In December, we introduced a new product for unaddressed advertising. Since the beginning of March 2015, 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. Direct marketing items are delivered in a bundle of their own, making it possible for senders to use the paper wrapping as a new kind of marketing tool in the advertising and media markets.

Advance voting organized at postal outlets

Our postal outlets again served as polling places in advance voting as the advance voting for the European Parliament elections was organized in May. A total of 41 advance voting places in different parts of Finland made it easy to vote before the actual election day.

The renewed Postal Museum was opened in Tampere

The renewed Postal Museum, owned by the Postal Museum Foundation, was opened at the Vapriikki museum center in Tampere in September 2014. Established in 1926, the Postal Museum studies, records and exhibits phenomena related to postal operations, mail communications and data and goods traffic. It houses extensive collections of artifacts and photographs as well as every stamp released in Finland and various philatelic special collections.

Awards for Finnish stamps

In the fall, three Finnish stamps were recognized with awards in international design competitions. Sanna Mander's "Kantele" stamp was chosen as the second most beautiful stamp of the year in the EUROPA series. In the stamp, there is a hidden code which opens a Sibelius Folk Big Band music video on your smartphone or tablet. Ari Lakaniemi and Susanna Rumpu's "Christmas Hug" was voted youth-theme runner-up in the highly-regarded Grands Prix de l'Art Philatélique Belge et Européen, and the Orchid stamp received the award for the best stamp in the printing technique category at the Spanish NexoFil: The World's Best Stamp 2013 competition.

According to the results of the survey we published in connection with the Stamp Day, stamps are still valued. Altogether 62 per cent of consumers have stamps for sending items and 27% as collectables. Two out of three consumers send personal letters annually and nearly as many hold stamps in store for future use.

Each year, approximately 20 new stamp releases are published. During the year, Tom of Finland, ancient Finnish castles, the Dudesons and the Finnjet ferry, for example, were honored with dedicated stamp designs. The 100th anniversary of Tove Jansson's (1914–2001) birth was also celebrated with dedicated stamps.

The Tom of Finland stamps attracted a great deal of attention, and a record-breaking number of them were pre-ordered at Posti's online shop. Thanks to the stamps, we also received the Apple of Good Information honorable mention from Seta – LGBTI Rights in Finland.

CASE: Lunch to your door

Every weekday morning, the door to **Maija-Liisa Saarneva**'s, aged 88, apartment in Pori opens. The key is turned by Posti's meal deliverer, bringing a hot meal for her. The young man, already a familiar visitor, gives an update on the day's weather while stepping into the hall. He also reads the menu on top of the heat-insulated box as Saarneva's eyesight has impaired slightly.

Everything tastes good, but Saarneva's absolute favorites are delicious steaming soups. Desserts offer sweet nostalgia: whipped berry porridge and chocolate kissel taste just like her mother's.

Posti delivers meals in some 80 cities. Meal deliveries are often local deliveries from industrial kitchens to service kitchens at schools, day-care centers and other facilities.

CASE: Varusteleka voted the best online store in Finland

Varusteleka, an online store specializing in military goods, won the competition for the best online store in Finland in 2014. The competition organized by Posti and SBS Discovery Radio continued throughout the summer, and the competition participants included 250 online stores of different sizes and from various fields. Consumers could vote for their favorites in five categories: the best look, the best selection, the best usability, the best customer service and the best delivery methods. Varusteleka received the highest number of votes in all categories. All in all, more than 13,100 votes were cast in the competition.

- For 11 years, we have developed our operations and aimed to conduct e-commerce as well as possible. We invest in doing everything well and ensuring that all aspects function: there are comprehensive details available about our products, the customers know what they get and can constantly track the progress of their goods, and it is easy to return products. We employ more than fifty professionals and, for us, the brick-and-mortar shop is an extension of the online store, not the other way around, says **Valtteri Lindholm**, the owner of Varusteleka, listing factors leading to the win in a nutshell.

The competition seeks to promote people's awareness of online stores, especially Finnish ones.

CASE: The smart locker makes the customers' everyday life easier in Kalasatama in Helsinki

In early 2015, Posti launched a new mail delivery experiment in the Kalasatama district of Helsinki. The idea is to install a smart locker in at least one residential building in the area, in order to enable residents to receive not only day mail but also groceries and online purchases. The experiment combines existing technologies in a brand-new way for the first time.

Web services and digitization change people's service use and reading habits, and services are expected to offer flexibility, independent of time or place. For this reason, Posti participates in the Smart Kalasatama project coordinated by Forum Virium, the first pilot project of Tekes' Witty City program.

- Kalasatama is a new kind of urban residential area, and one of the starting points in its construction is smoothness of everyday life. That is also our main mission at Posti. We want to be involved in developing smart urban construction and improving services offered by Posti together with residents and other players, says Vice President **Anu Punola**.

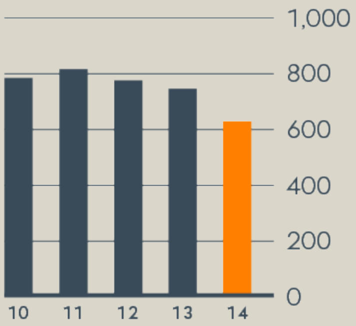
Parcel and Logistics Services

Countries of operation

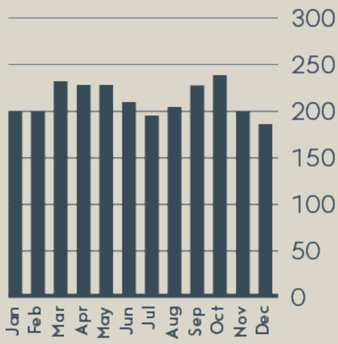
- Finland
- Sweden
- Norway
- Denmark
- Estonia
- Latvia
- Lithuania

The Parcel and Logistics business group is in charge of comprehensive supply chain solutions, parcel and e-commerce services, transport services, international road, air and sea freight services as well as warehousing and supplementary services. As part of the brand renewal and organizational restructuring, Itella Logistics became Parcel and Logistics Services at the beginning of 2015. Our customers benefit from the fact that now all transport of goods is carried out in a single business group.

International freight in thousands



Freight volumes in Finland 2014 in thousands



Tough competitive situation in Scandinavia

The market situation in logistics continued to be challenging throughout the year. In Finland, transport volumes in heavy traffic have decreased for nearly three consecutive years. In Scandinavia, the competitive situation is still very tough.

The uncertain market was reflected in our customers' operations in the form of postponed purchases, slow inventory turnover and smaller shipments in processing.

However, in the Baltic countries, business developed favorably during the year. The market situation has remained stable and business has been profitable.

Improving operational efficiency

We continued the extensive integration of the groupage logistics business operations acquired in 2012. The systems of the two companies were merged, inventories consolidated and the operating model and subcontracting revised. Measures generated significant benefits and flexibility in operations. Terminal network optimization will be continued; for example, the joint use of premises has not been achieved in all locations yet.

In September, we took 10 new double deck trailers into use. The transportation capacity of the trailers is nearly double the capacity of ordinary trailers. In addition, they can be retrofitted with refrigeration equipment, which improves the preparedness to offer food logistics services. We also reformed domestic line haul production in the spring. The aim was to improve the utilization and fill rates of the entire transport fleet in order to ensure the competitiveness and profitability of the service.

In Scandinavia we will focus on road transport between our countries of operation and develop the road transport service offering in selected market areas in Europe. In late 2014, we gave up air and sea freight in Scandinavia as well as service warehouses in Denmark and outsourced the distribution logistics within Scandinavia. Service warehouses in Sweden and Norway will be given up in 2015.

In the spring, Tomas Olsson was appointed Head of Parcel and Logistics Services Scandinavia and Baltics.

Freight moving from paper to the electronic world

The air freight industry is gradually moving towards paperless freight transport, and the electronic air waybill will replace the paper one in the future. In Finnish export freight, the electronic air waybill (eAWB) was taken into use in August. Benefits achieved with digitization improve the efficiency and quality of international freight transport.

At the same time, we started using the direct message exchange of Finnish Customs' ELEX export system. Thanks to this, export declaration message exchange and the export freight process are substantially faster and more secure than before.

Posti's SmartShip freight service makes it possible for our customers to manage the entire supply chain effectively from one location. The easy and fast service is available for our customers around the clock and every day of the week. The service includes transport orders, documents and schedules, item tracking, waybills, a price calculator, supplementary services and a reporting tool.

Repackaging business to Transval Logistics

In the early fall, we sold the repackaging business to Transval Logistics. Personnel working with repackaging at the Voutila and Hyrylä halls as well as equipment used for repackaging in these locations transferred to Transval Logistics in October. The underlying reasons for the business transaction included a desire to improve efficiency and flexibility further.

Growing e-commerce

Growth of e-commerce, one of our key focus areas, continued. In the spring, we started a EUR 10 million automation and building project at the Voutila logistics center in Vantaa. The most integral part of the project is a warehouse building that will be completed this year and feature robots that assist in the handling of online store orders. For us, the change means expanding our operations from the delivery of parcels to a complete service for e-commerce.

In cooperation with Balmuir, we are developing an e-commerce solution in which Finnish companies are offered a new way of selling and delivering their products directly to Russian consumers. Posti has designed the online store and will attend to the marketing of the test products, handling of orders, warehousing of products and the logistics, including customs clearance. E-commerce is growing in Russia at an annual rate of 20–30%.

E-commerce is growing strongly in Estonia, too. Itella's SmartPOST network in Estonia consist of 83 parcel points. During the year, the number of items delivered to the terminals was 30% higher than in the previous year. In October, we introduced the new Express service targeted at online stores in Estonia. Customers who order products from an online store before noon receive them in a parcel point the same evening.

We agreed with Mitäsaisiolla.fi (MSO.fi), owned by Sanoma, on a completely new kind of e-commerce cooperation. The cooperation offers online retailers an opportunity to get MSO.fi's far-reaching and well-functioning market platform and Posti's logistics services as a single solution.

In August, we started extensive cooperation with the media company Hämeen Sanomat on logistics services for the Hämeen Sanomat online store. The Hämeen Sanomat online store is based on a so-called multi-vendor e-commerce model, involving more than 200 vendors. The purpose of the cooperation agreement is to boost online sales and create favorable conditions for international cooperation.

All logistics operations in Finland covered by quality and environmental certificates

We expanded the ISO 9001 and ISO 14001 systems in the spring. As a result of the audit by Det Norske Veritas, all logistics operations in Finland are now fully covered by quality and environmental certificates. In addition, the occupational health and safety certificate OHSAS 18001 covers more than 20 freight terminals.

Recognition for Posti

According to the survey published in April 2014, we are, despite tough competition, overwhelmingly the most popular and most widely recommended parcel delivery company. We deliver some 75% of all parcels received by consumers.

When it comes to choosing a delivery service and receiving parcel deliveries, consumers rated reliability, the location of the collection point, affordability, user-friendliness and speed as the most important factors. According to the findings, Posti saw off competition in all these factors, scoring the highest marks for each.

Of the different parcel delivery services available in Finland, Posti's were by far the best known, most widely used and most attractive to consumers. Of all parcel delivery service users, 46% use Posti services regularly. A third of our customers would be willing to recommend the service to others (net promoter score), while competitors received a score of 7% or lower.

CASE: Disclosing data on the emissions of transports openly to end customers

At Wulff, we sell and market office supplies, facility management products, business and promotional gifts, IT supplies as well as ergonomics and first aid products. We have certified quality and environmental management systems in place, and we have taken active measures already for years to measure and mitigate the environmental impact of operations.

Posti takes care of Wulff's warehousing and transport. The warehousing solution offered by Posti has resulted in cost savings as well as emission reductions – energy efficiency and cost efficiency go hand in hand. Transport from the warehouse to the customer, on the other hand, takes place as carbon neutral Posti Green shipments.

Utilizing the environmental data provided by Posti with Wulff's own customers has been essential to Wulff. With Posti's data, Wulff can offer its own customers solutions that reduce emissions and emission data to meet the requirements of the customers' environmental management systems, for example.

Marko Helin
Service and Production Director
Wulff

CASE: Guaranteed blood deliveries

For example, when Sirkka donates blood in Oulu on Monday, the donation is probably used in a Finnish hospital on Wednesday. Before that, Posti has transported the donated blood from Oulu to the production facilities of the Finnish Red Cross Blood Service in Helsinki. There blood is examined and the different elements of blood – red blood cells, platelets and plasma – in the blood bag are separated for processing.

Each week, Posti transports more than 60 blood product deliveries throughout Finland. Deliveries involve extremely advanced logistics as donated blood must be processed within 24 hours of the donation.

Blood products keep for a slightly longer period of time: red blood cells for 35 days and platelets for five days. Due to the short life of platelets, the Blood Service needs a steady number of donors each weekday.

Posti and the Blood Service have cooperated since the 1990s.

- The most important things are delivery accuracy and exact, scheduled pickup times, says **Markku Ryhänen**, Logistics Coordinator at the Blood Service. Posti's goal is to secure deliveries always, even in exceptional circumstances, in order not to jeopardize patient safety.

CASE: Fragile ceramics

Over the years, Pentik, known for its ceramics, has grown into an international chain of interior decoration shops. At its factory in Posio, the company manufactures ceramics. In addition, Pentik imports and sells interior decoration products designed by the company and manufactured by its partners.

Pentik has trusted Posti with their deliveries. The products for the shops are collected into roll cages at the Posio logistics center. Larger orders are delivered as partial and full loads directly to the shops. Roll cages pass through Posti's Oulu terminal.

Posti also transports products ordered at Pentik's online store to consumer customers.

Tuomas Laatikainen, Logistics Manager at Pentik, says that despite long distances, nearly all domestic customers can be reached within 24 hours: the delivery leaves Posio at 2 p.m. and reaches the customer at 2 p.m. the following day.

- Posti's transport network has even been adjusted according to our needs, says Laatikainen.

In Posio, Pentik has a 6,000 sq.m. warehouse. In addition, Pentik signed a contract on project warehousing with Posti this year: the products for the campaign executed in the fall were delivered in containers from the Port of Helsinki to Posti's warehouse in Espoo and customers ordered the products directly from Posti.

- Outsourcing provides us with more storage space: our own warehouses would not be sufficient for warehousing campaign products. Our customers' schedules are tight so we can also save time when products do not come all the way from Posio, Laatikainen notes.

CASE: A joint delivery contract with breweries

At the beginning of 2015, we started extensive cooperation with Sinebrychoff, Hartwall and Olvi. We deliver the products of these breweries as joint delivery to the agreed locations throughout Lapland. There are altogether 550 delivery points.

The contract covers terminal work, delivery, display and returns. The driver delivers the products to a jointly agreed location and picks up empty cans, bottles and wrapping for returning them.

In terms of net sales, this two-year contract is the largest individual contract signed by Posti in Finland. Cooperation also entails the development of the service together with the partners. Another goal is to collect information about and investigate advantages, disadvantages, opportunities and challenges related to the joint delivery of brewery products in sparsely populated areas.

Delivery has been partly combined with other groupage flows: brewery delivery has been combined with products to be delivered to shops and restaurants, such as bakery products and alcoholic beverages. This offers significant synergy benefits.

Operations and retail network

At the beginning of 2015, we combined production operations into a single unit called Operations which serves both Postal Services and Parcel and Logistics Services. Operations is at work 24 hours a day – something is always on the move in transport, sorting, delivery or early-morning delivery. This is indeed necessary so that we can reach a total of 2.8 million homes and companies in the best possible manner each weekday. We have the best and most comprehensive retail network in Finland.

In addition to postal outlets, our service point network includes parcel points, pickup points, corporate service points, home-delivery services, 3,200 stamp retail locations, 7,000 letterboxes and the Netposti electronic mailbox. Postal services are also available online at posti.fi and with the Posti mobile application. At the end of the year, the number of service points was nearly 1,450. During the year, we opened 152 new parcel points. At the end of the year, the number of Netposti users was 587,000.

We deliver approximately 9 million postal items each day, amounting to approximately 2.3 billion postal items each year. There are a total of 6,200 delivery routes in Finland, and we drive 67 million kilometers annually in mail delivery alone.
We are constantly developing our electronic services. We are currently building a new electronic Warehouse Management System (WMS) in our warehouses. In Postal Services, we launched a new web service just before Christmas with which it is possible, for example, to check in your parcel, in other words, to pay the postage fee and print out an address label for the parcel online. In December, the number of users of Posti's mobile applications exceeded 220,000.

Operations employs altogether approximately 17,000 professionals.

Itella Russia

Country of operation

- Russia

Itella Russia has offered comprehensive logistics services to both Russian and international companies for more than 15 years. We are the market leader in warehousing in Russia. In addition, we offer road, air, sea and rail freight services, customs clearance services and logistics services for online retailers.

Our customers come from many different industries. We have extensive experience in pharmaceutical, electronics and automotive industries and fashion logistics, for example.

A challenging market situation

Throughout the year, the market situation remained challenging in Russia. Due to the weakening of the ruble, growth was negative when measured in euros. The result is affected by decreasing GDP, weakening consumer demand, increasing inflation, and lower volumes of goods in air and sea freight. All things considered, we can be fairly satisfied with our result in Russia.

The volume of international freight declined during the year, and competition has intensified in the warehousing business, too. However, our warehouse fill rates remained at a good level in Russia.

Practical implementation of the strategy

Russia's new Management Team started its work at the beginning of the year. We also arranged more than 20 events throughout the year to implement strategy in practice. The representatives of the new Management Team toured events organized in different parts of Russia and discussed the strategy with the personnel.

During the year, we also significantly increased the efficiency of our ICT operations and established a new CRM unit. The results of the customer satisfaction survey developed favorably in Russia this year. We signed new customer contracts with IKEA, P&G, SONY and the fashion house CentroObuv, for example.

Recognition for Itella

EALA (European Asian Logistics Association) awarded Itella Russia the title of the Best Transport and Logistics Service Provider. All of the largest logistics service providers in Russia were included in the rating.

Nikolay Voinov, President of Itella Russia, was selected to the list of the best directors of logistics companies in Russia. The list was compiled by Finam.ru.

OpusCapita

Countries of operation

- Latvia
- Lithuania
- Norway
- Poland
- Sweden
- Germany
- Slovakia
- Finland
- Estonia
- Nearly all areas in Europe, North America and Asia through a network of partners

We provide our customers with the full range of financial processes, from single processes to comprehensive outsourcing. Our goal is to offer our customers solutions for the development of the entire scope of their business operations with the help of automation and outsourcing. We develop Order-to-Cash and Purchase-to-Pay processes, in which software, subcontracting and services are combined in the market-leading delivery model. We help our customers improve the efficiency and quality of their business operations so that they can focus on their core operations.

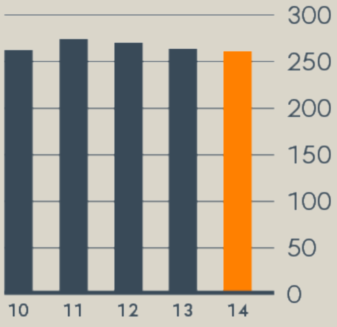
We have more than 11,000 corporate customers and software users in approximately 50 countries. We are the leading operator of electornic invoices in Europe. We deliver nearly 200 million electronic messages, more than 43 million scanned documents and almost 415 million traditional letters per year. In September, we launched a new strategy with which we focus on generating growth and improving our market position in the Nordic countries and elsewhere in Europe.

The digitization of services was clearly evident in 2014. Our electronic transaction volumes continued to increase, representing 33% of all transactions (2011: 20%).

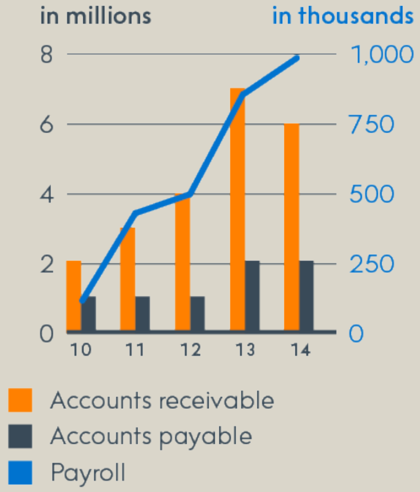
The strong growth of cloud services continued as well. In addition to cloud services, digitization continued to increase, which creates a firm foundation for the actual business benefits that can be gained in financial management through automation. The sales of BPaaS services offered by OpusCapita grew substantially.

The key events of the year included the acquisition of Norian Group, a Norwegian financial accounting outsourcing company, which strengthens our position as a Nordic financial accounting outsourcing company. Along with the acquisition of Norian, we got approximately 175 new colleagues working in Norway, Sweden and Lithuania.

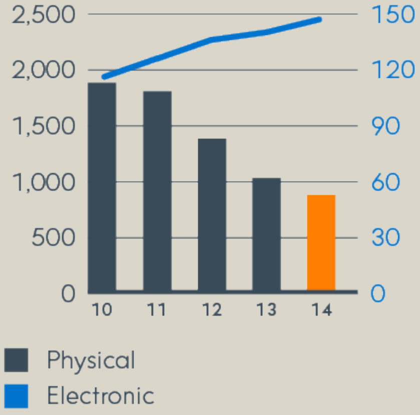
Net sales / OpusCapita
EUR million



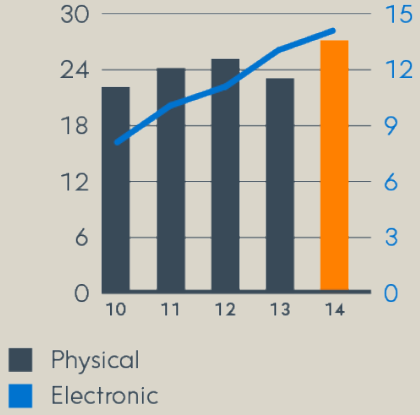
The transactions of financial accounting outsourcing



Sales invoices (outbound documents) in millions



Purchase invoices (inbound documents) in millions



New customers

During the year, we signed more than 3,000 new customer contracts. The shipping company Finnlines extended the scope of its existing contract so that it also covers an automation solution for Purchase-to-Pay processes. The solution is delivered as a cloud service and will be implemented in stages throughout the Finnlines Group. In addition, a contract on an automation solution for Purchase-to-Pay processes was signed with Vaisala, a leading provider of environmental and industrial measurement solutions.

We also signed a significant outsourcing contract with a German company. The customer is a global player with branches and production sites in several countries and the European market leader in its industry. Going forward, we will be in charge of the company's sales invoice process.

We also won the tendering arranged by Helen with regard to its printing and data transmission operator services. The telecommunications group DNA selected OpusCapita as its multi-channel invoice processing operator. Both contracts are of significant value. The multinational service group Empower outsourced the financial management and payroll accounting services of its units in Finland and Sweden to OpusCapita.

Ahlsell signed a five-year contract with OpusCapita in the spring, transferring the processing of its purchase invoices into a next generation workflow system with the aid of OpusCapita's Invoice Manager solution. This is one of the largest purchase invoice processing assignments in the Nordic countries, with an annual volume of more than 1.1 million invoices and 3,000 users.

Financial processes to an entirely new level

At the beginning of the year, OpusCapita started operating as an independent subgroup of Posti Group. The Board of Directors prepared a new strategy for OpusCapita, and we launched development programs to promote financing solutions, artificial intelligence, robotics and internationalization. Of these programs, we published Supply Chain Financing in early 2015 in Finland. The system will help SMEs to receive their payment in a matter of days, if necessary, and to improve their liquidity and competitiveness by taking advantage of their large corporate customers' financial position. Supply Chain Financing is also beneficial to the buying companies as it will allow them to manage their own supply chain and ensure the availability of the products that they need.

Towards the end of the year, we conducted a significant organizational restructuring to centralize production and clarify business operations. In the outsourcing business, a substantial number of production centralization projects were carried out throughout the year in order to find synergies. In addition, the transfer project of the IT infrastructure outsourcing contract signed by the company and related customer work were completed during the year.

In September, we signed a contract with SWIFT (Society for Worldwide Interbank Financial Telecommunication) on cooperation with regard to SWIFT's Alliance Lite2 banking connections. We are the only provider of this new SWIFT service in the Nordic countries. In addition, OpusCapita is the first SaaS application provider that offers its customers the opportunity to utilize SWIFT's 3SKey identification and authentication solution.

As SWIFT's partner, OpusCapita introduces a new global alternative for companies' international payments. Alliance Lite2 is a banking connection solution that is provided by SWIFT as a cloud service and that is pre-integrated into the Payment Factory solution provided by OpusCapita as a SaaS service.

At the leading edge of software providers

According to a corporate image survey of the ICT sector carried out by Taloustutkimus, OpusCapita is one of Finland's most highly regarded and best known software providers.

OpusCapita received an overall score of 7.48 from all respondents in the survey, and 7.67 from its own customers. In this annual survey the company maintained its previous good score for being highly regarded, and in its own sector OpusCapita is still at the leading edge.

CASE: Lassila & Tikanoja outsourced their financial management to OpusCapita

In the fall, Lassila & Tikanoja and OpusCapita concluded an agreement on the outsourcing of financial management services. The agreement, worth several million euros, entered into effect in November for a period of at least five years.

With this arrangement Lassila & Tikanoja are aiming to boost their agility, significantly cut costs and standardize their processes. OpusCapita is now responsible for providing Lassila & Tikanoja's accounts payable, payment transaction and travel and expense invoice services.

- We are aiming to develop our operations and increase the degree of automation. It is also important for us to continue to ensure the reliability, development and flexibility of our accounts payable and travel invoice services, even when there are rapid changes occurring in the operating environment. We chose OpusCapita because during the negotiations process we became convinced that, being a highly professional and international operator, they will be able to support us in implementing these changes, says **Timo Leinonen**, Chief Financial Officer at Lassila & Tikanoja.

CASE: OpusCapita signed a new contract with Ahlsell

Ahlsell signed a five-year contract with OpusCapita in the spring, transferring the processing of its purchase invoices into a next generation workflow system with the aid of OpusCapita's Invoice Manager solution. This is one of the largest purchase invoice processing assignments in the Nordic countries, with an annual volume of more than 1.1 million invoices and 3,000 users.

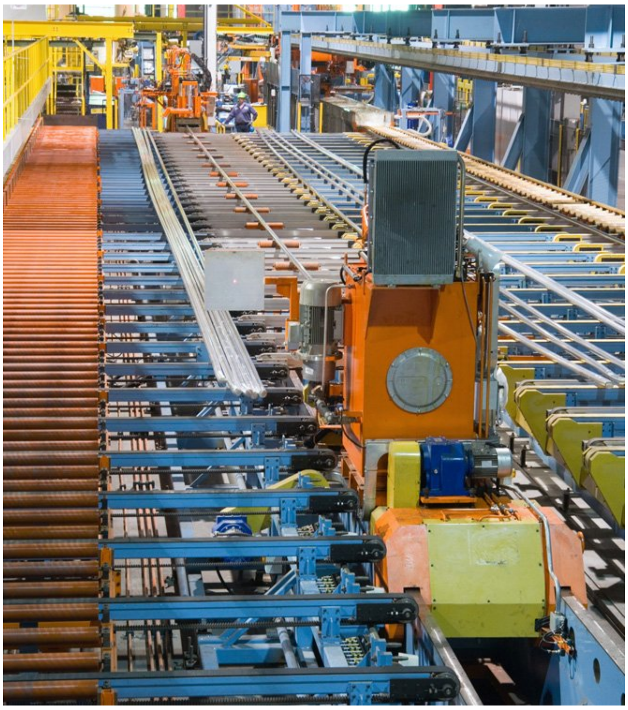
- We have been cooperating with Ahlsell for over ten years now. We have evolved from being a local service provider to a regional partner that can provide Ahlsell with services, products and outsourcing all over Northern Europe. We are very happy and proud that Ahlsell has chosen to take this next step with us, says **Per Åberg**, Country Manager at OpusCapita Sweden.

Many large corporations will be facing the same challenge as Ahlsell – upgrading to the next generation system.

- OpusCapita has been a reliable and trustworthy partner from the beginning of our cooperation. The great thing is that they have been willing to develop together with us. We chose OpusCapita because they have kept their promises and delivered on a daily basis, year after year. Further, we are delighted that they have proven to contribute to our development by proactively approaching us with development suggestions. Our strategy for the future requires us to have a reliable partner who understands our needs and who also has the drive to continue evolving, says **Pär Eriksson**, Manager, Accounts payable department at Ahlsell.

OpusCapita provides services and software to Ahlsell in relation to both accounts payable and receivable processes.

CASE: Successful payment factory project at Sapa



When the joint venture, formed from the extrusion businesses of Orkla ASA and Norsk Hydro ASA, was completed in 2013, and a new global business named Sapa was born, one of the treasury department's first tasks was to create a new cash management process for the company.

The task would not be easy, as there were more differences than similarities in the financial landscape between the two companies' legacy concepts. Another challenge was the extremely tight schedule: the new solution had to be live within one year.

Sapa ended up selecting OpusCapita's cloud-based payment factory solution, with SWIFT Alliance Lite2 bank connections integrated. Sapa was an early adopter of this integrated liquidity and bank communication solution.

- OpusCapita achieved a high score for functional solutions in Sapa's scoring process, and provided a good impression of its competence level. The Software as a Service concept gave the solution a competitive price, and it suits the company strategy. We also appreciated the good dialog that we had with OpusCapita from the very beginning, says **Lars Grimsgård**, Vice President & Corporate Treasurer at Sapa.

The implementation started in December 2013, and the last company had been integrated into the new payment factory solution by September 1, 2014.

All in all, the project was a great success, and the new solution offers many possibilities to develop the financial processes further. According to Grimsgård, the next phase is to implement the in-house banking functionality in the OpusCapita solution.

Photo: Sapa Group

CORPORATE RESPONSIBILITY REPORT 2014

Taking stakeholders' expectations into account constitutes the core of responsibility and the foundation for the continuity of our business operations. Our corporate responsibility principles – such as the UN's Global Compact principles – define our key areas and commitments.

Corporate responsibility is subject to a wide variety of expectations. In terms of financial responsibility, the company should be profitable. In terms of the environment, it should reduce emissions. In terms of society, it should provide high-quality services. In terms of personnel, it should ensure well-being at work and the sourcing chain needs to be ethically sound.

We divide our corporate responsibility into four areas: financial, social, people and environmental responsibility. Although we view corporate responsibility from a global perspective, we play a significant role in society in Finland and we are subject to the universal service obligation based on the Postal Act. For this reason, we have made social responsibility a separate area of responsibility. We mainly report on social responsibility in Finland.

The four areas of corporate responsibility

SOCIAL RESPONSIBILITY

- Easy, fast, reliable and responsible services
- Nationwide services in Finland
- Ethical principles

→ Functional infrastructure

FINANCIAL RESPONSIBILITY

- Long term view
- Operational efficiency
- Proactiveness

→ Profitable growth

PEOPLE RESPONSIBILITY

- Safety and well-being at work
- Good leadership
- Diversity and equality

→ Best workplace

ENVIRONMENTAL RESPONSIBILITY

- Energy efficiency
- Green products
- Renewable energy

→ Environmental efficiency

Contact information

Noomi Jägerhorn, Head of Sustainability: **noomi.jagerhorn@posti.com**

Hannele Parkkinen, Corporate Responsibility Manager: **hannele.parkkinen@posti.com**

Key achievements and challenges in 2014

We have determined our corporate responsibility targets up until the year 2020. These targets and their achievements are described in the table below.

Indicators and targets of corporate responsibility

Areas of corporate responsibility	Indicator	Description	Realized in 2014	Target in 2020
Financial responsibility	Operating result (non-IFRS), %*	Operating result as a percentage of net sales. The operating result equals the result reported in the income statement after the deduction of all expenses and depreciation and amortization, but before the deduction of financial items and taxes.	2.7%	Over 5%
	Result before taxes, EUR million	Financial items, but not taxes, have been subtracted from (or added to) the operating result. Financial items include items such as interest income and expenses, dividend income, other financial income and expenses and exchange rate differences.	-4.6	-
Social responsibility	Number of Posti's service points	The indicator applies solely to the operations of Posti Ltd. The number of Posti's service points includes the service points maintained by Posti Ltd and partners, parcel points, delivery pickup locations and business service points.	1,448	1,700
	Customer satisfaction	The indicator applies solely to the operations of Posti Ltd. Customer satisfaction refers to the results of the customer satisfaction survey conducted in Finland by Posti, on a scale of one to five.	3.05	-
People responsibility	Personnel satisfaction	Employee Engagement Index	48%	-
Environmental responsibility	Carbon dioxide emissions	The primary goal of Posti's environmental program is to reduce carbon dioxide emissions by 30% percent by 2020 (compared to 2007; emissions in relation to net sales).	-17%	-30%

* Non-IFRS = excluding non-recurring items

For us, 2014 was a year of changes, and operational efficiency was improved through various means. We made major changes to both the organization and the operating model. We also renewed premises, fleet and subcontracting. In order to maintain the profitability of our operations, we must constantly seek new substitute services and consider new efficiency improvement measures. The changes influence all areas of corporate responsibility.

The key challenges were the cooperation negotiations and personnel reductions caused by the decline in mail volumes, the transformation of the business environment and the difficult economic situation as well as handling these negotiations and reductions as responsibly as possible. We also invested a great deal in responsible sourcing and, in line with our strategy, customers and customer relationship management.

In the fall, we revised our sourcing policy that defines how sourcing and supplier cooperation are managed and handled in Posti Group. We also achieved significant savings by improving sourcing efficiency. Increasing the efficiency of sourcing is also an integral part of the new two-year, EUR 75 million performance improvement program launched in August.

We continued the extensive integration of the groupage logistics business operations acquired in 2012 and renewed our fleet. Some of the fleet was given up, and we increased subcontracting. We merged systems, consolidated inventories and revised the operating model. The aim was to improve the utilization and fill rates of the entire transport fleet in order to ensure competitiveness and profitability.

As of the beginning of October, we centralized cleaning, property maintenance, waste management and technical building services in Finland to one partner, which ensures energy and cost efficiency.

Key corporate responsibility achievements also included the awarding of the Green Office label to Posti's headquarters and the expansion of the ISO 9001 and ISO 14001 systems in logistics. As a result of the audit by Det Norske Veritas, all logistics operations in Finland are now fully covered by quality and environmental certificates. In addition, the occupational health and safety certificate OHSAS 18001 covers more than 20 freight terminals.

During the year, the also Group appointed a Chief Compliance Officer whose task is to develop compliance operations throughout the Group.

Business environment

The trends that have a strong impact on us include the dramatic transformation of the postal industry, the increase in e-commerce, the growing power of consumers, the period of slow economic growth in Europe and the challenging situation in Russia.

The overall economic situation remained weak in Finland and the exchange rate of the ruble declined substantially. Furthermore, there was intense competition in Scandinavia. The volumes of addressed letter items continued to decline and newspaper and magazine volumes decreased as well.

The market situation in logistics and retail is weak. Transport volumes in groupage logistics declined and the volume of heavy traffic has continued to decrease in Finland for nearly three consecutive years.

On the other hand, the increase in the overall demand for parcels and in e-commerce as well as the growth of the cloud services offered by OpusCapita offer new opportunities for us.

The Finnish Government issued a postal delivery license to three of Posti's competitors. The postal delivery licenses that have been issued allow for competition in addressed deliveries, but competition did not yet have an impact on us in 2014. In our 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.

Risks

Risk management serves to safeguard and improve business performance and the achievement of strategic goals by reducing the probability and effects of materialized risks and supporting the utilization of business opportunities.

We update our corporate responsibility risks twice a year as part of our comprehensive risk management process, and they are reported as a separate item in the Group's risk report. Starting from the risk reporting conducted towards the end of the year, compliance risks have been separated from other risks related to corporate responsibility, and both are reported as separate items. The risk report is processed by our corporate responsibility steering group, Board of Directors, Audit Committee and Executive Board.

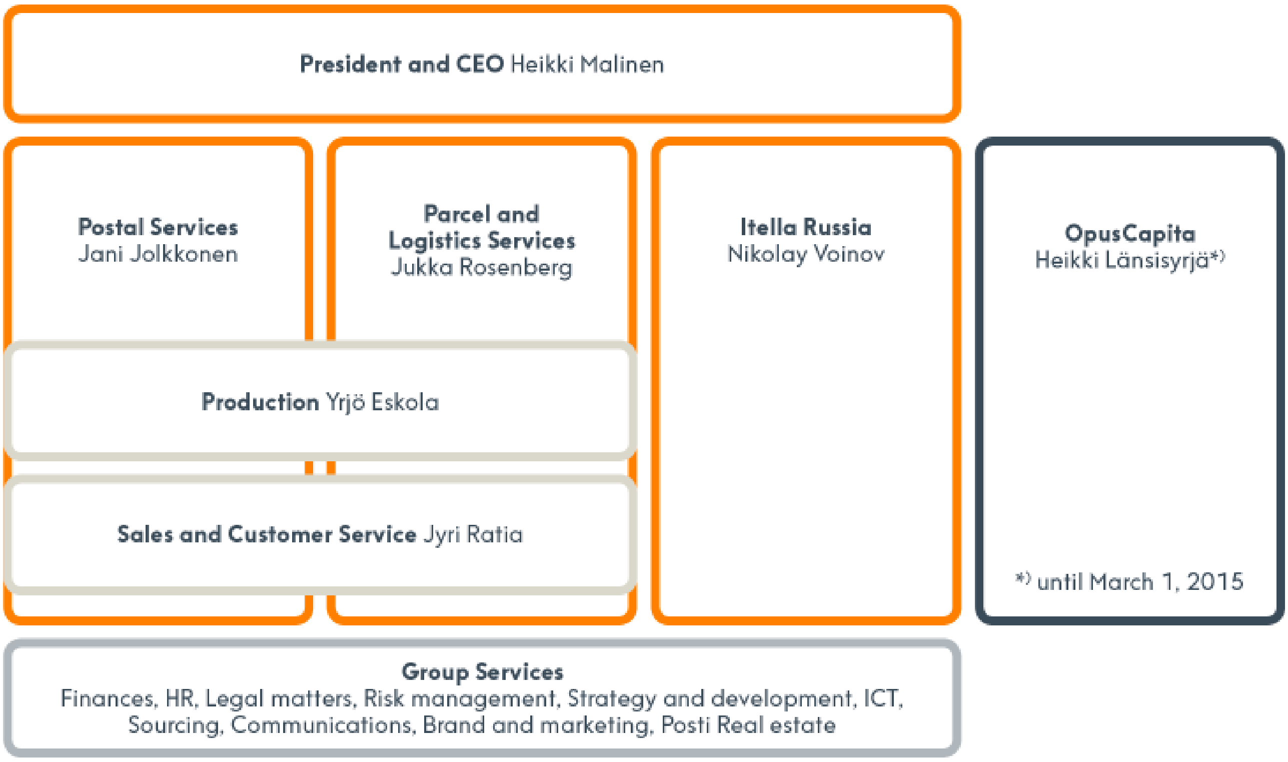
For us, corporate responsibility risks include, for example, outsourcing measures related to financial responsibility. In particular, they can have a negative effect on our reputation and, consequently, cause us to lose customers. Another key risk is the risk of potential information leaks, particularly those related to sensitive personal information.

Compliance risks include, for example, corruption as well as risks related supplier management and the failure of internal control. These are particularly important in Russia, Poland and the Baltic countries. In addition, investments in Russia may be considered to be unethical because of the social and legal development related to the business environment. A key environmental responsibility risk is accidents that cause extensive damage to the environment.

Our cooperation with PostNL, the national postal service of the Netherlands, launched in 2013, attracted negative attention. During the pilot phase, the coding service related to postal items with illegible address markings was purchased from a subsidiary of PostNL in the Philippines. Despite positive experiences, we decided not to continue the cooperation after the pilot project. By keeping work in Finland, we wanted to support Finnish employment and skills in the transformation of the postal industry. In the spring, delivery route changes, mail delivery disruptions and personnel reductions also attracted negative media publicity.

Organization

Our organization is divided into four business groups:



A more detailed description of our organization can be found in the **Corporate governance** section of the annual report.

Management

Corporate responsibility is part of our daily work and management. In our company, management is based on our values: succeeding together with the customer, driving for improvement and innovation, taking responsibility, and winning together. Good management supports the achievement of these targets and fosters a positive work atmosphere.

Corporate responsibility is the responsibility of our Vice President, Stakeholder Relations, who is a member of the Management Board.

Financial responsibility management

We want to grow profitably, as only a financially sound company can implement its responsibilities in terms of society, personnel, the environment and all stakeholder groups. We plan our finances from a long-term perspective, anticipating changes in the market, customer demands and risk scenarios in Finland and abroad. Financial responsibility management is supported by our risk management policy, internal control principles and corporate governance principles.

We process all information in strict confidence, taking information security issues into account. Our corporate security policy determines the minimum level for all of our countries of operation.

Exceeding legal requirements, our policy is based on international standards (SoGP, ISO/IEC 27001 and TAPA), which determine our targets, responsibilities and implementation methods in information security management. Our policy takes into account the information security requirements of our customers, the business environment and risk management. In terms of protection, we see as particularly important customer and personnel information as well as our and our partners' confidential information and the related systems and business processes.

Our risk management unit prepares information security guidelines and supports the management in implementing them. In all of our Group companies, the management is responsible for implementing our corporate security policy as part of their daily work.

Social responsibility management

Our well-functioning and efficient infrastructure enables us to provide reliable services for all of our customer groups in a socially responsible manner. We deal ethically, openly and transparently with all of our stakeholders. We use various channels to provide our stakeholders with information and enable them to interact with us.

We support and respect the United Nations' Universal Declaration of Human Rights. As an employer, we comply with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. In accordance with the principles of the UN Global Compact, we are committed to promoting employees' rights, environmental protection, anticorruption work and human rights in working life.

We comply with an approved equality plan and all laws and regulations related to equality in order to promote and ensure nondiscrimination and equal treatment. We maintain a system that makes it possible to report any deviations from our principles and guidelines and address them.

We also expect partners to comply with equivalent, ethically sustainable principles. We present our environmental and ethical requirements in the tendering phase and ensure that they are addressed when agreements are signed. We expect our suppliers to provide feedback, and we respond to any shortcomings, as necessary. We have not identified any risks related to the use of child, forced or penal labor in our operations.

People responsibility management

Our human resources strategy provides guidelines for personnel development based on the needs of business operations and employees, in line with corporate responsibility. Our principles of people responsibility and ethical guidelines for personnel are in line with the UN Global Compact initiative.

We measure the quality of the management and the state of the workplace community by carrying out annual personnel surveys. We use the results in the development of our organizational culture, processes and operating models. In addition, we use the unit-specific results in the development of the work atmosphere, operating methods and supervisory work. We actively cooperate with our personnel, and managers and employee representatives meet regularly at cooperation meetings.

The leadership cornerstones lay the foundation for consistent management practices in all of our units. They indicate what is expected of a good manager or supervisor at Posti. Our change management concept supports the management of our business operations.

The management of well-being at work is an important part of our human resources strategy. We monitor employee well-being by using various indicators, such as an annual employee satisfaction survey Voice, the number of sick leave days and the reasons for sick leave as well as disability, retirement and occupational accidents.

Intended for all of our employees, our Employee Code of Conduct covers laws and regulations, good business practices, nondiscrimination, equality, conflicts of interest, ethical commercial practices and environmental responsibility. It addresses core issues that help our employees choose the appropriate procedure in situations that require them to use their discretion.

Environmental responsibility management

Environmental management is based on environmental management standards, particularly ISO 14001, as well as legal and authority requirements and the Global Compact principles. Our environmental policy covers all of our countries of operation.

The targets for our environmental work are determined by our corporate responsibility steering group. Our business groups determine more detailed operating programs as part of their management model. Environmental issues are discussed by our Management Board and Board of Directors twice a year as part of more extensive corporate responsibility reporting.

Our environmental program aims to reduce our carbon-dioxide emissions by 30% by 2020, in relation to net sales (compared to 2007). In addition, we are party to a freight traffic energy efficiency agreement in Finland and have made a commitment to improve our energy efficiency in our transport by 20% by 2016 (compared to 2008). We will improve the environmental efficiency of our transport by reducing fuel consumption and increasing the use of alternative vehicles, such as electric, biogas and biodiesel vehicles.

Transport and emissions from vehicles represent over 80% of our carbon-dioxide emissions in Finland. As the largest transport and delivery company in the country, we play an important role in the development of environmentally friendly and energy-efficient transport operations.

As part of our ISO 14001 management system, we increase our employees' environmental awareness through training and employee orientation. In addition, environmental issues are continually discussed in our internal communication channels. We have a system that enables employees to make suggestions related to the development of environmental management.

Environmental balance sheet

INPUT

Fuel usage

- Finland 18.7 million litres
- Group 21.7 million litres

Kilometers driven

- Finland 118 million km

Subcontracted transport

- Finland 98 million km

Energy use in buildings

- Finland 164 GWh
- Group 316 GWh

International and domestic postals flights

Business travel

Carbon dioxide emissions

Vehicles	Buildings	Subcontractred transport	Mail by air and business travel
53,400 tCO_2	59,200 tCO_2	62,900 tCO_2	10,050 tCO_2

Total 185,550 CO_2 tons

Waste (Finland), tons

Recycled	Inceneration	Landfill	Hazardous
9,716 tons	813 tons	463 tons	89 tons

Total 11,081 tons

OUTPUT

Postal Services

- 9 million postal items shipped daily
- 2.3 billion shipments yearly

Parcel and Logistics Services

- 2.5 million freight shipments in Finland
- 44 service storages, 900,000 m²
- 630,000 international freight shipments

OpusCapita

- 200 million electronic messages yearly
- 43 million documents scanned yearly
- 415 million traditional letters yearly

Cooperation with stakeholders

Our industry is undergoing a profound transformation, which is the reason we must interact with our stakeholders even more actively than before. Only through interaction can we understand our stakeholders' needs and expectations and develop our operations accordingly. Our key stakeholders are customers, personnel, the state, as our owner, political decision-makers, authorities and the media, as well as our partners in subcontracting, research and the industry.

Issues considered to be important by our stakeholders are reported under **Stakeholder survey**.

This table presents our key stakeholders and their expectations. The table also includes information on key tools and forms of interaction in 2014.

Stakeholder group	Expectations	Key interaction tools and results in 2014
Customers	• Reliable high-quality postal and logistics services and financial management services for a reasonable price • Information security and protection of privacy in all services • Commitment to ethical principles • Modernization in response to customer needs • Solutions for digitization • Environmental efficiency	• We made effective use of customer satisfaction surveys and feedback. • The number of Posti's service points was increased by 138 during the year. • We operate in an environmentally responsible way by reducing the emissions of our vehicles, for example. The emissions of Posti's delivery vehicles reduced by 6% during the year.
Personnel	• Equal treatment of personnel • Competitive and fair rewards • Responsible management and supervisory work • Development of well-being at work • Engagement and flow of information	• The bonus plan covers the entire Group. • The Group invested in occupational safety and organized safety walkabouts for management, for example. • Posti had to adjust its operations in response to the strong decline in the demand for traditional mail, for example. Cooperation negotiations were carried through during the year to adjust the number of personnel to the prevailing situation. • 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. • Employees have access to an initiative bank, an electronic channel for distributing and processing initiatives within Posti. • Employees have a channel for submitting feedback on issues related to ethical guidelines and topics discussed by the equality committee. Feedback can also be submitted anonymously. • We continued to actively cooperate with our personnel, and managers and employee representatives met regularly at

		cooperation meetings.
Owner, political decision-makers and authorities	• Reliable high-quality postal services for reasonable prices throughout Finland • Profitability and solvency • Good governance and transparency of operations • Employees' status and rights, and environmental responsibility • Increasing ownership value in a sustainable and responsible manner	• We continued to provide online training related to our Employee Code of Conduct. • The number of Posti's service points was increased by 138 during the year. • Active dialog with political decision-makers, interest groups and authorities.
Partners in subcontracting, research and the industry	• Transparent sourcing criteria and equal treatment of suppliers • Pilot and research projects for new technologies and business models • An active role in international industry associations	• Permanent membership of PostEurope, the Universal Postal Union (UPU) and the International Post Corporation (IPC). • Membership of the Finnish service sector employers' association PALTA (a member association of the Confederation of Finnish Industries EK), the Finnish Federation for Communications and Teleinformatics (FiCom) and Finnish Business & Society (FIBS).
The media	• Fast and reliable flow of information • High level of availability and swift services	• We issued approximately 300 media releases in 2014. • We organized meetings with representatives of the media and offered reporters information on news and current events in our industry. • Our MediaDesk serves journalists: we received nearly 600 contact requests from the media. We generally responded to all requests for an interview within 30 minutes.

Stakeholder survey

During the fall 2013, we examined extensively which corporate responsibility issues our stakeholders consider to be important and how they think Posti has performed in terms of corporate responsibility. We received more than 2,000 responses to our survey from all of our stakeholder groups, including consumers, business customers, personnel, subcontractors, the authorities, the Parliament and the media. In 2014 we did not conduct a similar survey.

We asked our stakeholders how significant they considered various aspects of corporate responsibility to be. All of our stakeholder groups agreed on the importance of corporate responsibility issues. Employees considered all aspects to be more important than did the other stakeholder groups.

Our tax footprint was a new aspect included in the survey, and all of the stakeholder groups regarded it as being significant. We began reporting our tax footprint already in the summer of 2013 and developed the reporting further during 2014. Supply chain responsibility was clearly regarded as being more important than it was in our previous survey, which was carried out three years ago. In terms of supply chains, the need to ensure ethically sound operations in subcontracting has increased.

The issues that our stakeholders found to be most important included information security, responsible management and supervision, and transparent operations. Ensuring long-term profitability, providing and developing basic postal services for citizens in Finland and making a commitment to ethical principles were considered to be very significant.

Compared to earlier surveys, stakeholders' expectations had increased in terms of transparent operations and financial responsibility, but their expectations had decreased slightly in terms of environmental issues, for example. However, environmental issues were still considered to be very important.

For the first time, respondents also included our customers in Russia. Their expectations were similar to those of our Finnish customers.

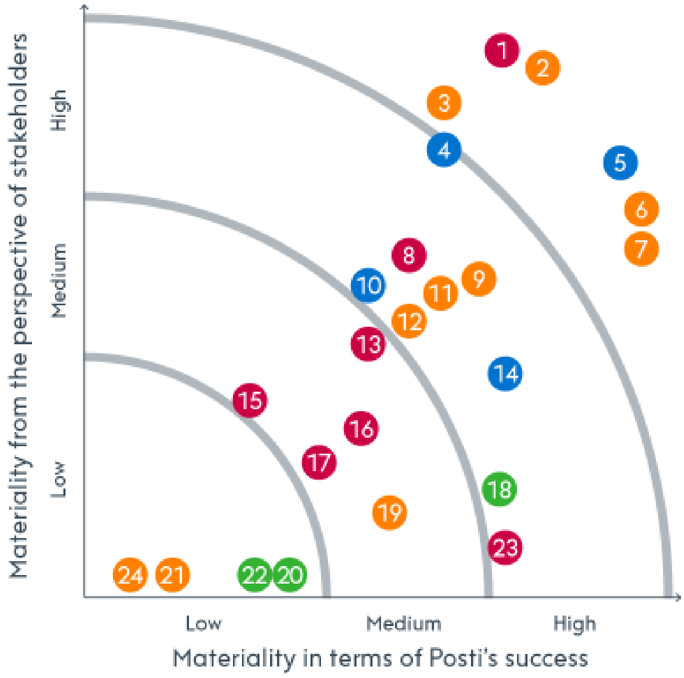
Based on the results of the stakeholder survey, we updated our **materiality assessment** and also determined key measures in terms of corporate responsibility.

Materiality assesment

Based on the materiality assessment, we have determined key measures in terms of corporate responsibility. The focus areas include further improving the customer experience and ensuring safety, which includes both traffic and occupational safety. We also want to be the best employer. This means that we will manage our operations responsibly, develop our employees' competencies and offer career opportunities. Improving our electronic services further is also important to us.

Below is the materiality matrix based on the results of our stakeholder survey.

Materiality matrix



Financial responsibility

- 4 Good corporate governance
- 5 Long-term financial profitability
- 10 Payment of taxes and transparency of information on taxation
- 14 Commitment to preventive and comprehensive risk management

Social responsibility

- 2 Ensuring safety and data security
- 3 Transparency of operations, open and reliable communications
- 6 Providing and developing basic postal services for citizens
- 7 Commitment to ethical principles
- 9 Responsibility throughout the supply chain
- 11 Traffic safety in Posti's transports
- 12 Ensuring the protection of human rights in all countries of operation
- 19 Supporting the competitiveness of customer companies and public administration
- 21 Providing and developing electronic postal services and other user services (e.g. Netposti)
- 24 Charity work (donations, e.g. to the disadvantaged or to nature conservation)

People responsibility

- 1 Responsible management and supervisory work
- 8 Looking after the occupational health and safety of the personnel
- 13 Supporting the ability of employees to manage at work and extending careers
- 15 Stable and permanent employment relationships
- 16 Developing the professional skills of the personnel and providing diverse career opportunities
- 17 Promoting gender equality
- 23 Supporting the multiculturalism and other diversity of the personnel

Environmental responsibility

- 18 Using energy efficiently in transports and properties and using environmentally friendly vehicles
- 20 Offering environmentally friendly postal products (e.g. parcel boxes, envelopes, stamps)
- 22 Providing environmentally friendly services (e.g. carbon neutral delivery services)

MATERIAL RESPONSIBILITY THEMES AND ASPECTS

Customers

Because the customer experience is key, we constantly request feedback, so that we can further improve our operations. We conduct business customer satisfaction studies both on a project and event specific basis and with more comprehensive customer satisfaction surveys that are conducted regularly once or twice a year. In 2014, information was collected and reported twice in Finland and Russia and once in other countries.

Business customers are mainly interviewed over the telephone but also partly with online surveys. The surveys are targeted to those who decide on or participate in the decision-making on the purchase of services offered by Posti. In 2014, our customer satisfaction studies were based on the Taloustutkimus Corporate 360 content model.

Each year, we also measure the satisfaction of consumer customers with Posti and the key operational processes: receiving, sending and customer service. Taloustutkimus collected information in May, receiving more than 1,000 responses.

The consumers' overall rating of Posti as a whole declined from the previous year. The customer service ratings as well as ratings given by consumers for sending and receiving transactions remained at the same level as in the previous year. The ratings for Parcel points continued to be very good.

There were only minor changes in the ratings for sending and receiving transactions so they do not explain the decline in overall ratings. Indeed, declining overall ratings are more closely linked with the negative media publicity attracted by Posti's delivery route changes, mail delivery disruptions and personnel reductions during the first half of the year. It seems that the overall ratings also reflect people's assessment of Posti as a company in society.

According to the business customer satisfaction study, our customers were less satisfied with us than they were in the previous year. In postal services, the results were poorer for all services. In logistics services, the results improved in the spring of 2014 but took a downward turn again in the fall.

The highest customer satisfaction was achieved in parcel services and contract logistics. Of the geographical regions, the most significant year-on-year result improvement was achieved in the Baltic countries. In Russia, customer satisfaction did not change substantially compared to the previous year.

When processing customer details, we comply with the legislation in force and protect our customers' privacy. This includes, among other things, confidentiality, safe storage of customer details and their usage only for the purpose for which they were originally provided.

In customer marketing communications, we adhere to generally accepted ethical and cultural standards, respect the privacy of consumers and protect vulnerable consumer groups, such as children. In addition, we comply with the ICC International Code of Advertising Practice and the OECD Guidelines for Multinational Enterprises.

Financial profitability

We are a state-owned company that operates on market terms, and our operations are entirely based on the revenue received from our customers. We implement our financial responsibility by reforming our business operations and improving our profitability in line with our strategy.

Our financial targets are that the company's operating profit percentage exceeds 5%, return on invested capital is at least 10%, gearing does not exceed 35% and the annual net sales increases at least to an extent which corresponds to the sector's growth. We also intend to double our net sales in Russia by 2020.

The financial impact of our operations is comparable to those of the banking and telecommunications sectors, as our services are used by hundreds of thousands of private and public sector operators every day, in addition to consumers.

Financial impact in accordance with the income statement

EUR million	2014	2013	2012
From customers			
Net sales:	1,858.7	1,976.8	1,946.7

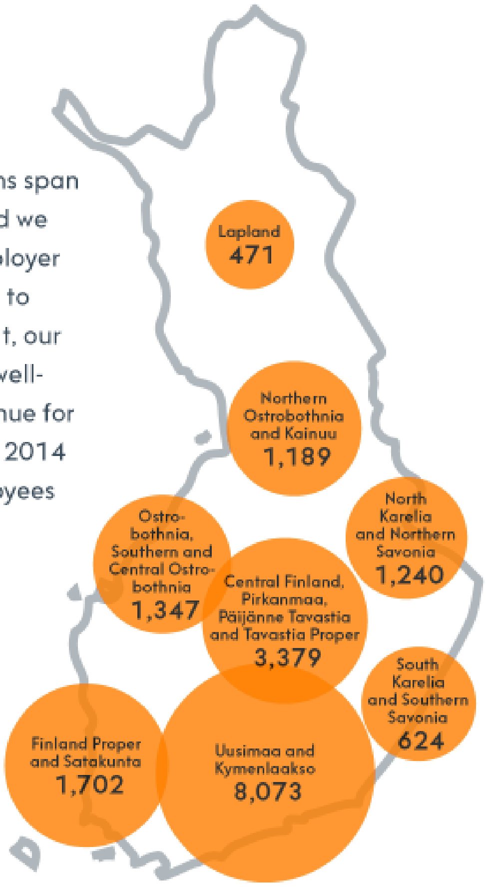
EUR million	2014	2013	2012
To personnel			
Salaries and fees	684.7	713.4	713.8
Social security expenses	59.3	64.1	63.7
Pension expenses	103.9	107.9	107.7
To suppliers			
Materials and services	526.7	572.2	546.9
Other operating expenses	400.5	411.1	411.5
To public sector			
Income tax on profit for the period**	1.6	4.5	19.1
To Financial sector			
Interest expenses	16.3	17.4	17.8
To owner			
Dividends for profit for the period*	0.0	0.0*	6.8

* Board of Directors' proposal

** more information from the section Tax footprint

The geographical distribution of our employees in Finland on December 31, 2014

Our Group's operations span the entire country, and we are an important employer in Finland. In addition to providing employment, our operations generate well-being in and tax revenue for Finland. At the end of 2014 we had 23,289 employees in Finland.



Tax footprint 2014

In its tax footprint reporting, Posti adheres to the country-specific tax reporting guidelines for companies of which the state is the majority shareholder, provided by the Ownership Steering Department on October 1, 2014.

Tax strategy

All companies in the Group have committed to operating responsibly and to meeting all obligations and requirements defined by the valid legislation of each country. All taxes are to be paid on time without delay. The Group's long-term target is to ensure that the Group's effective tax rate is at the same level as the corporate income tax rate valid in Finland at each particular time.

Posti does not practice tax planning that would aim at artificially decreasing the Group's taxable income. In tax-related issues, the Group operates within the framework of legislation and legal practice in planning the taxable profit of Group companies. This can include the utilization of tax losses accrued in a subsidiary or the granting of group contributions, for example. To clarify taxation practices, some situations may involve contacting the tax authorities for either verbal guidance or a written decision on the taxation treatment of the planned action. Tax risk management is part of the Group's risk management process.

Management of tax-related issues

The management of tax-related issues is centralized to the Group Finance unit, which is responsible for managing and monitoring tax-related issues at the Group level. Decisions related to taxation are made at the Group level. Significant matters of principle are presented to the parent company's Board of Directors for decision-making. The Group's CFO reports regularly on taxation-related issues to the Group's Audit Committee. The key task of the management of tax-related issues is to ensure that all Group companies comply with the regulations of tax legislation in all countries of operation.

Principles observed in tax reporting

The information presented in this report is based on information collected from the Group's accounting systems. Taxes refer to taxes or tax-like fees paid to public sector entities, whether they are paid or remitted by the company. The nature and amount of taxes vary significantly from country to country. Taxes paid refer to taxes paid by the Group companies which are, as a rule, expensed in the company's financial statements. Taxes remitted refer to taxes or fees collected by the companies which are remitted to tax collectors, often on behalf of parties other than the company itself.

Group's tax footprint reporting concerns only relevant countries, and based on that, country-specific numbers are only reported for Finland and Russia. More than 82% of the Group's net sales comes from these countries. According to the Group's strategy, these countries are its main markets. Other operating countries are grouped under Scandinavia and Other countries. Posti also uses the same geographical categorization in its consolidated financial statements.

For other countries than Finland and Russia, information is presented on a country group-specific basis as the information reported is not of material importance and on the other hand its presentation by country might jeopardize the non-disclosure of confidential information, such as customer or pricing details. From the Group's perspective, the amount of information reported is not of material importance when the taxes payable for an individual country do not exceed EUR 5 million.

The Group operates in 11 countries. In addition, Posti has several companies in countries where the Group no longer has business operations. When assessing the materiality threshold, net sales of EUR 1 million for each individual subsidiary is considered the threshold for non-materiality. Non-material companies are excluded from the reporting, as the amount of taxes paid by the companies is minor in proportion to the figures disclosed by the Group. These companies are in the categories Scandinavia and Other countries.

Changes in Group structure during the financial period are described in more detail in the Group's financial statements release.

MEUR	Finland	Russia	Scandinavia	Other countries
Net sales	1,359	172	212	117
Result before taxes	77	8	-21	1
Number of personnel	18,033	3,063	656	1,400
Paid taxes	32	11	6	3
Remitted taxes	306	18	13	6
Received public support	0	0	0	0

In 2014, Group's effective tax rate was 3.4% (2013: 418.2%). The effective tax rate was significantly affected by changes in deferred tax assets and liabilities on the balance sheet during the financial period. The Group's parent company received a significant amount of dividends from subsidiaries that are exempt from tax in Finland. These dividends came from subsidiaries in the Other countries category. The amount of income taxes paid in Finland by the Group was significantly reduced from the previous year due to the weaker operating result.

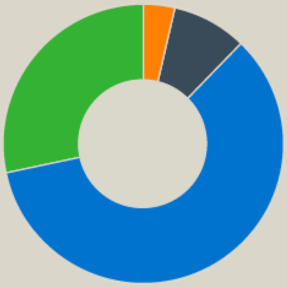
Taxes by category and by geographical area

Paid taxes, MEUR	Total	Finland	Russia	Scandinavia	Other countries
Income taxes	2	1	1	0	0
Real estate taxes	4	3	2	0	0
Employer taxes	30	12	9	6	3
Environmental taxes	14	14	0	0	0

Remitted taxes by category and by geographical area

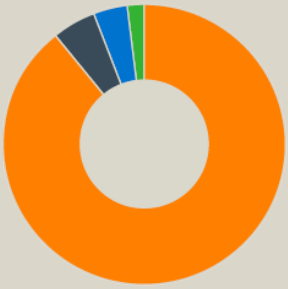
Remitted taxes, MEUR	Total	Finland	Russia	Scandinavia	Other countries
Value added taxes	197	178	13	4	2
Salary taxes	145	127	5	9	4

Paid taxes and fees, total 50.2 MEUR



- Income taxes 1.9 MEUR
- Real estate taxes 4.3 MEUR
- Employer taxes 29.8 MEUR
- Environmental taxes 14.2 MEUR

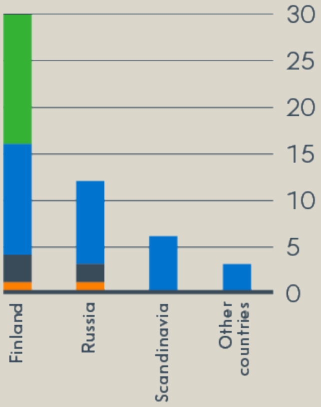
Remitted taxes by geographical area, total 342 MEUR*



- Finland 305.5 MEUR
- Russia 17.4 MEUR
- Scandinavia 13.3 MEUR
- Other countries 5.9 MEUR

* Of which value added taxes 197 MEUR and salary taxes 145 MEUR.

Paid taxes and fees by category and by geographical area, MEUR



- Income taxes
- Real estate taxes
- Employer taxes
- Environmental taxes

Sponsoring

The Board of Directors decides on donations and sponsorship targets annually. We want to offer financial and emotional support for projects and operations that touch many people's lives. Our cooperation is not only about funding, but also about being an active operator. This cooperation is related to sports, culture and social development.

In Finland, we have focused on sponsoring football in recent years. We have systematically provided support at the top and grassroots levels. We are the main cooperation partner of the Football Association of Finland. Our cooperation dates back to 1994.

In addition, we have collaborated with the Sibelius Academy for a long time, supporting the music culture and the training of young talented people to become top performers nationally and internationally. Our cooperation offers students an opportunity to perform at a diverse range of events. During the year, we treated our customers to concerts at the Sibelius Academy and actively developed new event concepts with the Sibelius Academy.

We donated our customer and partner Christmas gift funds to the support of the operations of the Finnish Red Cross in Finland. The Finnish Red Cross provides friend visitor and first aid training to volunteers, maintains disaster preparedness and operates safe houses for young people, among other activities.

Safe, high-quality services that are produced responsibly

Providing premium mail services to everyone across the country is our main mission in Finland. We ensure that the letter and parcel services that fall within the scope of universal service obligation are available to everyone. We are the only operator in Finland to provide five-day delivery services that cover the entire country. The universal service obligation covers the entire country, with the exception of the Åland Islands. The obligation is monitored by the Finnish Communications Regulatory Authority.

According to the decree on postal service points, the nearest service point must be located within three kilometers of the majority (82%) of service users. Reasonable distances are promoted by a policy stating that the distance for a maximum of 3% of people may exceed ten kilometers from their permanent residence.

During 2014, we delivered items that fall within the scope of the universal service obligation on five weekdays to all households in accordance with the Finnish Postal Act. In areas that are difficult to reach, we deviated from the five-weekday obligation for an average of 182 households, with the allowed maximum being 300. In 2014, Posti received 8,138 inquiries related to normal letters. Altogether 6,555 inquiries were unresolved, and 197 items were declared as having been lost, while 1,386 lost items were found. Inquiries related to normal letter items represented 0.001% of the total volume.

Looking after the personnel

At the end of the year, we employed a total of 23,289 people. Our average number of personnel was 24,617. A total of 19,250 people on average were employed in Finland.

Women made up 38% and men 62% of our employees. Our Supervisory Board has 12 members and our Board of Directors has eight members. The Executive Board is composed of seven members, and the Management Board is composed of 12 members. Our Board of Directors has an equal number of men and women as members, while men constitute the majority on the Supervisory Board, Executive Board and Management Board.

Of our total personnel, 81% are covered by collective labor agreements. In Finland, 99% of our employees are covered by collective labor agreements. The Baltic countries, Poland and Russia do not have binding collective labor agreements. The employees represented by the labor protection committee make up 78% of our total personnel. In Finland, the ratio between the basic salaries of women and men was 96%.

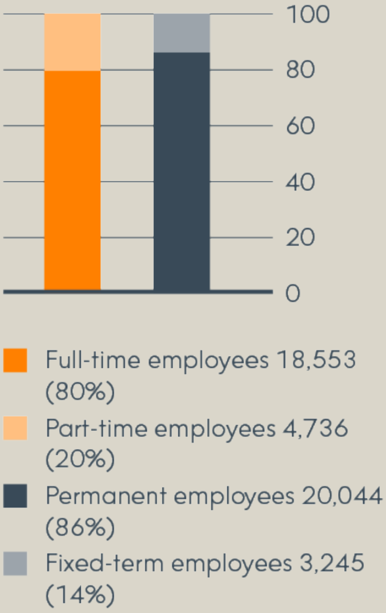
The share of the personnel within the scope of regular personal development discussions and performance reviews is approximately 3,100 people. The discussions are held at least twice a year. With the people working in production in Finland, the accomplishments of the previous year as well as the objectives and targets for the coming year are discussed with the working group once a year. In addition, a personal discussion is held in relation to personal development and well-being at work.

Personnel per country on December 31, 2014

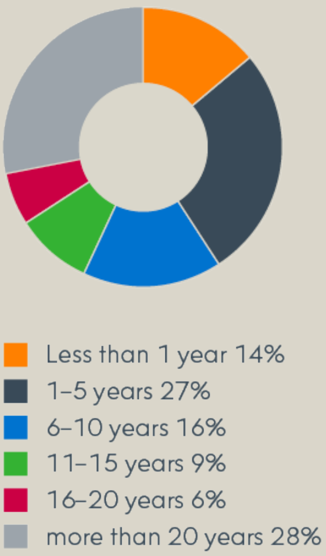
Finland	18,025
Russia	3,063
Poland	575
Sweden	297
Estonia	399
Norway	272
Denmark	87
Latvia	186
Lithuania	250
Germany	106
Others	29
	23,289

Development in the number of personnel
1,000 persons

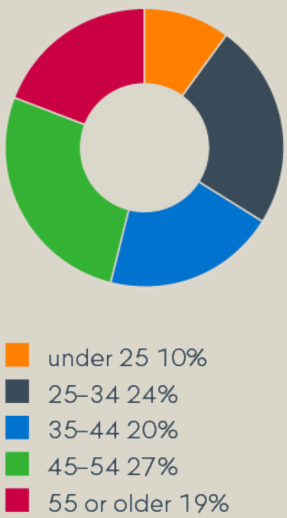
Breakdown of employment contracts in 2014
%



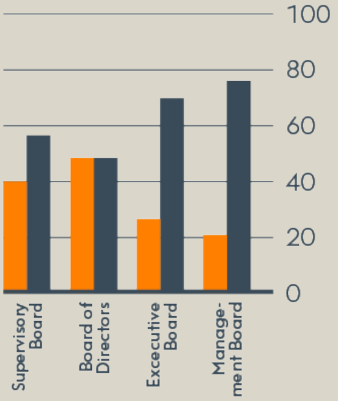
Length of employees' career in 2014
%



Age distribution of personnel
%



Number of women and men in leadership roles
%



5	4	2	3	Women
7	4	5	10	Men

Recruitment

We are a significant employer in Finland. We are an equal, international, multicultural and tolerant workplace community. We want to be the best employer.

During the year, we received approximately 28,000 job applications. In Finland, we entered into 505 new permanent employment contracts. Seasonal changes are significant in our industry, and we hire the highest number of seasonal employees in the summer and around Christmas. We provided summer jobs for approximately 2,000 people in Finland. We prepared for the Christmas season by hiring 3,300 seasonal assistants in different parts of the country. Most of the seasonal assistants worked in mail delivery, sorting and transportation.

We also participated in the national Responsible Summer Job campaign, alongside many other companies, making a commitment to its principles: a meaningful job and reasonable pay, a good applicant experience, employee orientation and guidance, fair and equal treatment and a written employment contract and reference.

Multiculturalism is a significant resource for our company. In Finland alone, our employees represent 85 nationalities.

Since 2012, we have been a member of Diversity Chapter Finland, which is coordinated by the corporate responsibility network FIBS. We were among the first companies in Finland to sign the charter. Diversity Chapter Finland offers its members information on best practices in the management of diversity and support in business development. The dimensions of diversity include age, sex, ethnic origin, sexual orientation, operational capability and religion, among other aspects.

Employee leaving rate in Finland

Leaving rate, Finland*	Permanent employment
of which females	**40%**
under 25 years	8%
25–34 years	21%
35–44 years	19%
45–54 years	15%
55 years or older	37%
of which males	**60%**
under 25 years	12%
25–34 years	31%
35–44 years	18%
45–54 years	13%
55 years or older	27%

*Total leaving rate 12.6% without seasonal employees (excl. OpusCapita Finland)

Well-being and safety at work

The task of Posti Group's Foundation for Well-being at Work, established in 2006, is to promote the physical and mental health of the mail communications and logistics personnel. The Foundation's operations is divided into measures improving well-being at work and into research activities. Events organized by the Foundation include sports festivals and Kuntoremontti fitness overhauls, for example. The activities are intended for all Group employees in Finland.

Improving occupational safety is one of our company's most important areas of development. Altogether 1,971 (2,613) accidents were recorded at Posti in Finland during 2014. Figures include both accidents that happened at the workplace and during way to and from work. The indicator describing the accident frequency at Posti was 39.1. In 2013, the corresponding figure was 47.9. Figures don't include OpusCapita.

Our top management is committed to the improvement of occupational safety management. During the year, they participated in safety tours at different workplaces. During the tour, the management representative learned more about the occupational safety situation in the area and the everyday operations at the workplace. The idea is to listen to the employees' views about both good experiences related to occupational safety and safety challenges.

In order to ensure occupational safety, we started gas measurements in all imported containers arriving at Posti's warehouses before the containers are opened and goods unloaded. If the measuring equipment detects gas in the container, the container will be aired properly before unloading. The fumigation of containers prevents damage to cargo caused by insects, rodents and other unwanted organisms as well as their spreading from one country or continent to another.

Our new logistics center Pennala II in Orimattila, completed in 2013, is one of the largest service warehouses in Europe that fulfils the highest (A) level safety requirements of the TAPA FSR (The Transported Asset Protection Association – Freight Security Requirements) safety certificate.

Accidents and sickness related absences

	2014	2013	2012	2011
Sickness related absences (%)	6.2	5.7	5.9	6.0
Lost time accidents (number)	1,027	1,306	1,329	1,318
Accident frequency	39.1	46.7	48.7	45.1
Disability pensions	78	76	84	89
Part-time disability pensions	62	74	103	76
Total disability pensions	140	150	187	165
Average age for retiring on disability pension	56.3	56.7	56.5	56.1
Average retirement age	62.5	60.9	60.7	60.4
Retired	301	342	315	400

Awards for personnel

In December, Economic Information Office recognized the Oulu Regional Sales efforts to develop students' working life skills with the Kultaiset kiikarit award. For a year now, Area Manager Aila Orabi has cooperated with the Laivakangas school in Oulu, organizing visits to companies, providing material for history and Finnish lessons and telling about her own career.

In November, the Finnish Fair Foundation granted a EUR 3,000 award to Posti's Foundation for Well-being at Work. The grounds for the award was the exemplary promotion of well-being and safety at work with the Safe Workplace training. This training was planned in cooperation among Posti, Posti's Foundation for Well-being at Work and the Finnish Institute of Occupational Health. In 2013–2014, more than 1,000 Posti employees took part in the training.

The employee satisfaction survey

The content of Posti's annual employee satisfaction survey was revised in 2014. At the same time, the name Voice, selected as a result of a name poll, was adopted.

The aim of the revised survey was to find out how dedicated to their work and their employer employees are and how well the employer facilitates good performance. The main themes of the Voice survey were the employees' dedication to work and performance facilitation. Other themes included teamwork and cooperation, future and leadership, performance management, well-being, safety, and cultural transformation.

The survey was conducted in Finland and Russia in September–October. This year, the survey was taken by more than 12,000 Posti employees, or 59% of the personnel.

On the basis of the results, the employee dedication index was 48%. This means that slightly under half of employees expressed a positive attitude towards the four aspects measuring dedication. When compared to the norm in the postal and logistics industry on a global scale, the result can be considered low.

However, the performance facilitation index was higher. This index measures the extent of an organization's commitment to producing excellent customer service and high-quality products or services and to basing its operations on the practices of continuous improvement. Especially cooperation with one's closest colleagues was at a good level.

Personnel reductions

During the year, we had to make difficult decisions related to personnel and launch several cooperation negotiations. In 2014, personnel reductions amounted to a total of 1,646 person-years. Out of this total, 741 person-years were reduced for reasons related to production and finance, and 59 person-years were reduced through voluntary resignations and pension plans. In addition, 846 person-years related to acquisitions were reduced.

Cooperation negotiations were carried out in basic delivery, line haul, OpusCapita's financial accounting outsourcing services, sorting operations, Scandinavian logistics operations as well as with regard to expert and supervisory positions in administration and planning and supervisory positions in production.

Acting in a responsible and controlled manner is important to us. We are seeking solutions to the effects on employment in cooperation with personnel organizations. In Finland, we have made an agreement on change security with the Finnish Post and Logistics Union PAU. Change security will be applied to all of our personnel groups in accordance with the agreement. It will be implemented in conjunction with cooperation negotiations based on production-related and financial reasons.

As a responsible employer, we want to provide stronger support for the personnel in coping with the change situation in which demand for traditional postal work decreases. Early in the year, we launched the Uusi polku (New path) support program for our personnel. In addition to a monetary one-time compensation payment, the program offers training and support for job seeking, retraining, or becoming an entrepreneur. By the end of the year, nearly 1,000 employees had applied for the program and over 600 had been approved.

Employee Code of Conduct

Intended for all of our employees, our Employee Code of Conduct covers laws and regulations, good business practices, nondiscrimination, equality, conflicts of interest, ethical commercial practices and environmental responsibility. It addresses core issues that help our employees choose the appropriate procedure in situations that require them to use their discretion.

It also describes notification, investigation and sanction procedures in cases of noncompliance. If we learn of a case of possible noncompliance, we investigate the case discreetly without delay. We communicate our ethical guidelines through internal channels, such as the intranet and our personnel magazine.

We updated the Code of Conduct towards the end of the year and its implementation in practice will continue in 2015. All employees in all our countries of operation are required to familiarize themselves with the guidelines and comply with them. Online training related to the guidelines is compulsory for all employees. We systematically monitor completion of the training.

Energy-efficient solutions

Our goal is to reduce emissions by 30% by 2020. Between 2007 and 2014, our carbon-dioxide emissions in relation to net sales decreased by 17%. In 2007, the International Post Corporation (IPC) set a common goal for its members to reduce the carbon-dioxide emissions of the postal industry by 20% by 2020.

The amount of energy purchased during the review period decreased by 6% in the overall group and by 7% in Finnish operations, compared to 2013.

However, at the same time, the overall emissions of the group increased by 1% when compared to the overall emissions of 2013, particularly due to the increase of fuel usage in the real estate properties in Russia. In Russia, the growth of fuel consumption was affected by the cold spring and autumn of 2014 and the changes in the heating and refrigeration systems carried out in some storage targets.

We are committed to continually improving our operational quality and environmental responsibility. Through certification, we can prove to our stakeholders that our operations meet specific requirements. At the end of 2014, our certified environmental management systems covered 88% (77%) of the Group's employees. We also have an ISO 14001 compliant environmental management system in our warehouses in Russia.

We identify, evaluate and manage the environmental aspects of our operations and are committed to

- complying with all applicable environmental laws and standards, including ISO 14001
- reducing the fuel consumption of our vehicles
- reducing the energy consumption of our facilities
- improving recycling and reducing landfill waste
- considering environmental aspects in sourcing, subcontracting and investment decisions
- engaging in open discussion with our stakeholders in order to minimize our environmental impact
- ensuring sufficient resources for maintaining and continually improving our environmental operations
- reporting our environmental impact annually and providing our employees with information and opportunities in order to operate in an environmentally efficient manner.

Posti Green

All of the letters, publications, parcels and direct marketing items delivered by us are completely carbon neutral Posti Green services for our customers. By using Posti Green products, our customers can reduce CO_2 emissions in their supply chain processes.

We primarily reduce emissions through projects that are directly related to our operations. The carbon-dioxide emissions generated by our services are calculated as part of our annual environmental calculations. We neutralize the remaining carbon-dioxide emissions related to the transport and delivery of Posti Green products by funding climate projects. In practice, if transporting one letter produces 20 grams of carbon dioxide, we use certified climate projects to ensure that an equal amount of emissions is reduced somewhere else.

We carry out climate projects in countries that have no emission ceilings. We do not implement climate projects in Finland or other Kyoto Protocol countries that have binding targets.

In 2015, we will expand Posti Green so that, in addition to postal items, it covers all operations in Finland.

Driving habit monitoring

Our fleet of 4,000 commercial vehicles in Finland records a total of 118 million kilometers each year. The vehicles represent 80% of the total carbon-dioxide emissions of our company.

We reduce fuel consumption and carbon-dioxide emissions by planning routes efficiently, combining deliveries and driving in an environmentally responsible manner. In addition, our goal is to increase the share of alternative vehicles to 40% of our delivery vehicles by 2020.

In 2013, we began the installation of driving habit monitoring devices in our delivery and transport vehicles in Finland. The installation was completed in May 2014 and devices have now been installed in approximately 4,000 vehicles. The driving habit monitoring devices help to reduce fuel consumption and drive down carbon-dioxide emissions. What's more, it will be possible to set and monitor regional targets for both consumption and emissions. This will also cut down vehicle costs. With the devices, we can also invest in the improvement of occupational safety.

We also deliver mail by foot and by bicycle. A total of 1,200 delivery routes are handled by bicycles every day. In addition to bicycles, we also use environmentally friendly electric carts, mopeds, scooters and cars. Up until now, increasing the number of electric cars in delivery has been challenging, as electric cars suitable for winter conditions in Finland are not available. About half of the mopeds we use are electric.

IPC has organized the international Drivers' Challenge competition twice, in France and in Ireland. In March 2015, we hosted the event in Ivalo. The driving habit index by the driving habit monitoring device played a decisive role in the selection of the Finnish competitors. The index must be at least 95 for a period of several months. The competition involved driving efficiency and safety tests as well as customer service-oriented tasks. In addition to vehicle handling skills, points were awarded on the extent of the postal companies' commitment to environmental objectives and sustainable development.

Property maintenance services

As of the beginning of October, we centralized cleaning, property maintenance, waste management and technical building services in Finland to one partner. The contract covers the production, management and development of these services.

By centralizing the services to one operator, we could adopt a single steering model and reduce administrative workload. The contract ensures energy and cost efficiency. Energy consumption can be kept in control through good property maintenance and constant monitoring of technical building systems.

Number of operating locations

	2014
Finland	662
Russia	21
Other countries	30
Total	**713**

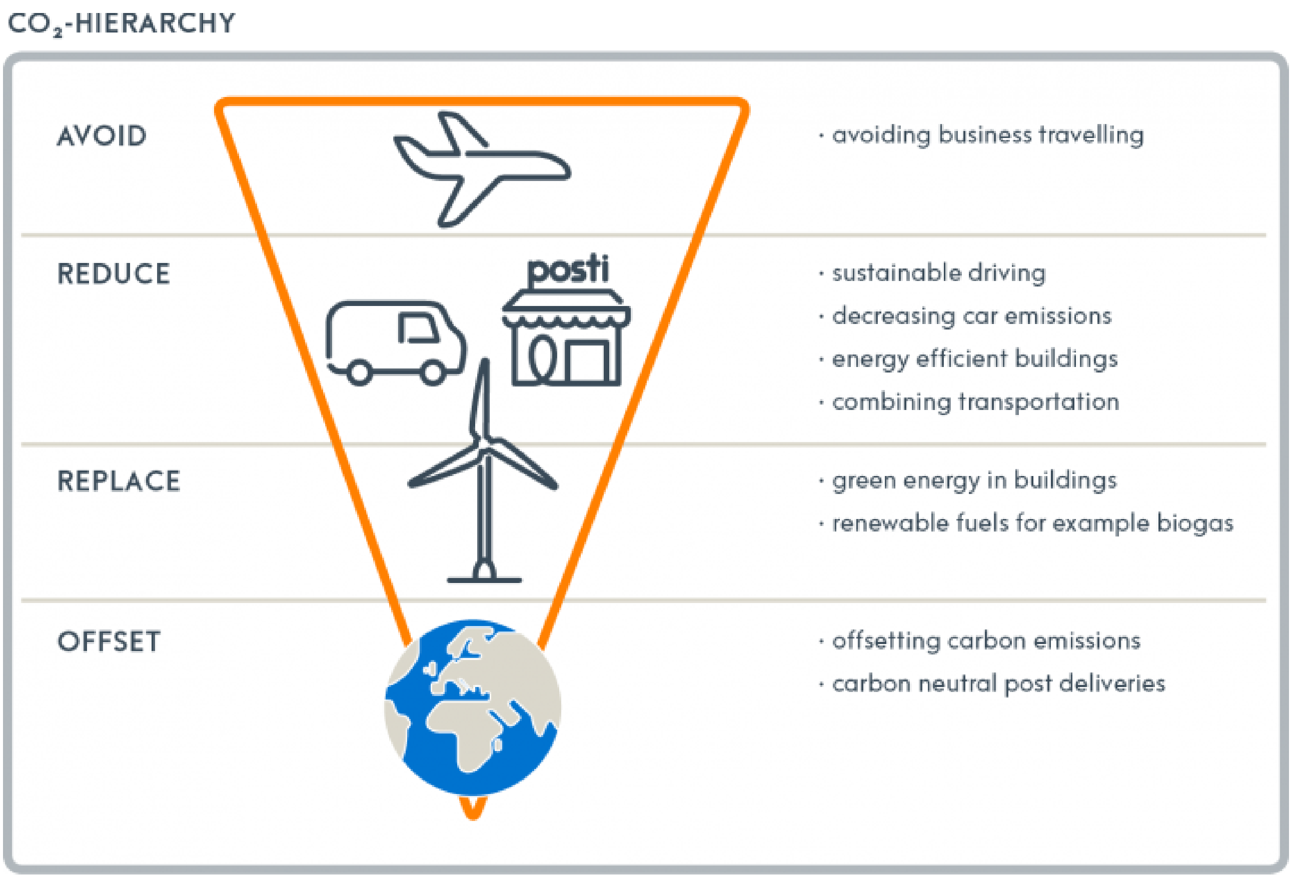
Quality and environmental certifications for logistics

Posti's logistics business expanded the ISO 9001 and ISO 14001 systems in April. As a result of the audit by Det Norske Veritas (DNV), all logistics operations in Finland are now fully covered by quality and environmental certificates. In addition, the occupational health and safety certificate OHSAS 18001 covers more than 20 freight terminals.

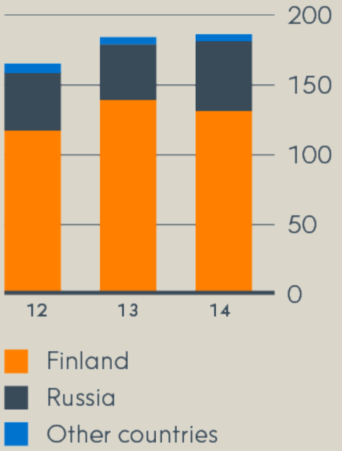
The audit in the spring covered the transport terminals in Espoo, Herttoniemi (Helsinki), Kajaani, Kemi, Oulu and Rovaniemi and the warehouses on Alaniementie in Espoo and Makasiinikatu in Lahti. Management, sales and customer service were audited in Helsinki, Tuusula and Vantaa.

Environmental calculations

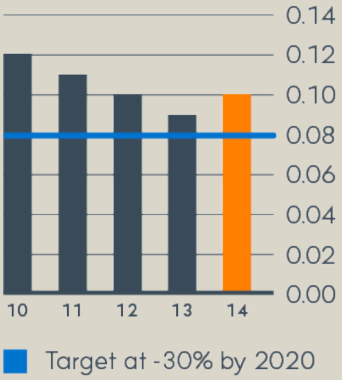
We use environmental calculations to monitor the environmental impacts of our operations, and we seek to continually improve the quality and expand the scope of the calculations. We use a Group-wide tool for the collection of environmental information.



Carbon dioxide emissions 1,000 tn



Carbon dioxide emissions relative to net sales in Finland* kg/EUR



* During the reporting year, the downturn of the group's turnover was steeper than expected, whereupon the carbon dioxide emissions in relation to the turnover also increased when compared to 2013. As a result, we were unable to reach the emissions objective in 2014.

Environmental reporting

These tables present information on environmental impacts in the following areas:

- Our vehicles
- Our premises
- Subcontracted transport

Group's environmental impacts, CO_2 emissions

Tons	2014	2013	2012	2011	2010
Fuel use in buildings – energy generation, Scope 1	15,020	9,268	10,724	11,254	13,019
Fuel use in transport – Posti's vehicles, Scope 1	53,396	60,406	46,169	46,005	48,185
Electricity and heat use in buildings, Scope 2	44,199	38,272	46,496	49,604	56,836
Subcontracted transport by vehicles*, Scope 3	62,888	65,606	50,878	42,376	41,479
Subcontracted transport by air, Scope 3	7,913	7,884	8,409	8,442	9,027
Business travel flights, Scope 3	2,139	2,190	2,260	2,221	493**
Total	**185,555**	**183,625**	**164,936**	**159,902**	**169,040**

**) Includes subcontracted transport in Finland*

Scope 1: Fuel use in buildings and own vehicles

	2014 Group	2013 Group	2012 Group	2011 Group	2010 Group	2014 Finland	2013 Finland	2012 Finland*	2011 Finland	2010 Finland
Fuel use in buildings – energy generation										
TJ	268	165	192	199	220	0	0	0	0	0
Fuel use in transport – own vehicles										
million liters	21.7	24.4	18.7	17.3	18.4	18.7	19.9	14.4	12.7	12.9
TJ	782	882	675	628	659	676	719	520	462	461
Kilometers driven										
million kilometers	n/a	n/a	n/a	n/a	n/a	118	125.0	103.8	99.4	101.3

**) Inc. VR Transpoint starting October 1, 2012*

Emissions to air – own vehicles

Tons/year	2014 Group	2014 Finland	2013 Finland	2012 Finland*	2011 Finland	2010 Finland
CO_2	53,396	46,132	49,229	35,547	33,545	33,743
CO	n/a	59	60	56	54	57
HC	n/a	15	16	14	13	13
NOx	n/a	130	166	97	84	84
Particles	n/a	5.8	5.9	4.7	4.5	4.2
SO_2	n/a	0.3	0.3	0.2	0.2	0.2

**) Inc. VR Transpoint starting October 1, 2012*

Source of information: VTT/LIPASTO emissions of traffic, fuel consumption and kilometers driven of own vehicles.

Scope 2: Purchased electricity and heat

Carbon dioxide emissions from the use of electricity and heating in buildings

	2014 Group	2013 Group	2012 Group	2011 Group	2010 Group	2014 Finland	2013 Finland	2012 Finland*	2011 Finland	2010 Finland
Electricity use in buildings										
GWh	151	158	153	151	153	90	97	90	91	97
TJ	545	568	550	544	549	325	348	326	326	346
Heat use in buildings										
GWh	90	98	96	94	118	74	81	72	68	86
TJ	324	352	346	337	424	265	290	258	244	310

**) Inc. VR Transpoint starting October 1, 2012*

Amount of renewable energy in consumed electricity

	2014 Group	2013 Group	2012 Group	2011 Group	2010 Group	2014 Finlnad	2013 Finland	2012 Finland*	2011 Finland	2010 Finland
Electricity	69%	71%	62%	58%	57%	100%	100%	85%	81%	76%
Heat*	n/a	n/a	n/a	n/a	n/a	33%	29%	26%	21%	18%

**) Source of information: Finnish Energy Industries*

Scope 3: Subcontracted transport

Carbon dioxide emissions from subcontracted transport

The subcontracting emission figures represent the Finnish functions

	2014 Suomi	2013 Suomi	2012 Suomi*	2011 Suomi	2010 Suomi
Subcontracted transport by vehicles, Finland					
million kilometers	98.0	106.4	93.9	99.4	101.6
CO_2 t	62,888	65,601	50,878	42,376	41,479
Domestic air transports, Finland					
CO_2 t	3,202	3,074	3,199	3,443	3,288
International air transports, Finland					
CO_2 t	4,710	4,810	5,210	4,999	5,739

**) Inc. VR Transpoint starting October 1, 2012*

Waste management in 2014, Finland

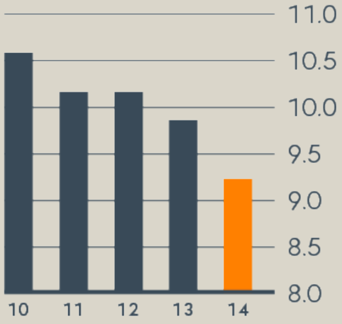
Tons	Recycled	Other recover	Inceneration	Landfill	Hazardous waste	Total
Properties included in agreement*	6.706	3.010	813	462	88	11.081
Recovery rate, %	95%					

**) The figures have been revised since 2014.*

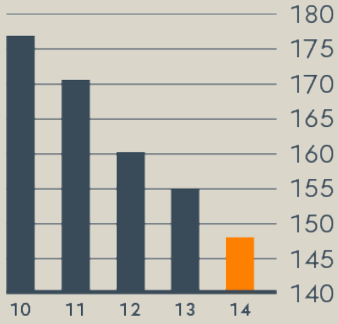
Excluding properties where waste management is included in the rent.

Emissions from waste management, 6,874 tCO_2ekv, are not included in the Posti Group's environmental reporting.

Fuel consumption in postal delivery l/100 km



Electricity consumption in sorting centers kWh/sq.m.



Responsible sourcing

The aim of sourcing is to provide Posti's business operations with the high-quality products and services it needs. We are committed to responsibility in all of our sourcing, too.

Increasing the efficiency of sourcing was an integral part of the two-year, EUR 100 million performance improvement program launched in 2013. The program was completed ahead of schedule in the third quarter of 2014, and a significant portion of the savings were achieved by improving sourcing efficiency. In August 2014, we launched a new performance improvement program for 2015–2016, aiming at EUR 75 million in cost savings. In addition to achieving savings in sourcing, operational efficiency is sought by achieving synergy benefits through the consolidation of production, improving the efficiency of the ICT function and simplifying the product portfolio, for example.

Supplier audits

We have defined a Supplier Code of Conduct and require all of our service providers and suppliers to adhere to it. In addition to legality, the Supplier Code of Conduct includes principles related to corruption, human rights, child labor, discrimination, working conditions and environmental concerns.

During the year, we carried out a self-assessment covering all approved key suppliers. Of our countries of operation, the assessment applied to Finland, Sweden, Estonia, Latvia and Lithuania. Other countries of operation were excluded from the scope of the assessment. We contacted a total of 740 suppliers, and the aim was that at least 75% of the suppliers would complete the assessment. The target was exceeded: by the end of the year, the response rate was 84%.

We also started supplier audits and completed 10 audits during the year. The auditing process was planned in cooperation with sourcing and risk management. All audits were conducted on-site at the supplier's premises and they contained the inspection of the following aspects: the Supplier Code of Conduct, contract compliance, operational compliance, quality management, environmental management and risk management.

The supplier assessment was included in the new supplier criteria to enable us to ensure that all of the Group's suppliers meet Posti's requirements.

Sourcing policy

In the fall, we revised our sourcing policy that defines how sourcing and supplier cooperation are managed and handled in Posti Group. The policy is divided into two parts: the first defines the general sourcing framework and the second describes sourcing-related guidelines and processes in more detail.

During the year, more than 90% of Posti's sourcing in Finland originated from domestic suppliers. In other countries of operation, too, we favored local suppliers.

We acquired 840 vehicles and 211 trailers, dollies and swap bodies during the year. We also started using new double deck trailers which increase the transport capacity on our main routes. One double deck trailer can accommodate one third more goods than an ordinary trailer, and consequently, two trailers can transport the same amount of cargo as three ordinary trailers. In this way, we can save fuel and reduce CO_2 emissions. Nearly all trailers, dollies and swap bodies were acquired from a Finnish supplier after tendering.

Purchases related to the brand reform were sourced from Finnish marketing agencies and material providers.

Of the suppliers approved during the year, 84% were within the scope of self-assessment, corresponding to a nearly EUR 400 million purchase volume.

Involved in Sedex and EcoVadis

We belong to the Supplier Ethical Data Exchange (Sedex) network as a service provider. We hold B membership of the network. With more than 30,000 members, Sedex is the largest collaborative platform for managing and sharing ethical supply chain data.

In addition to Sedex, we have joined in the EcoVadis system in the Supplier role. Through EcoVadis, we can provide our current or potential customers who have joined the system with information about responsibility and ethical issues related to our operations. As for our customers, they can use the EcoVadis system to assess our corporate responsibility and to manage responsibility information.

CASE: New life for work clothing through UFF

Used clothes and shoes are recycled within Posti, and clothes are used for as long as possible. Nevertheless, some clothes become redundant.

Since September 2014, Posti has donated work clothing that is no longer used to UFF, which delivers them to Malawi, Africa, for further use. Re-use is the most ecologically sustainable way of recycling clothes. During the first four months more than 2,460 kilos of clothes were delivered to Malawi.

In Africa, UFF’s partner, a local charitable organization, passes the clothes on for re-use. Clothes are sold to local people who, in turn, resell them on a local marketplace to earn money for their families. In this way, the clothes business provides a new profession and a source of livelihood for the family. In Malawi, more than 12,000 locals have found a new means of earning their living by selling clothes.

CASE: Toys for Tallinn Children's Hospital

The Uuele Ringile! initiative collected toys for the patients at the Tallinn Children's Hospital. Itella was the initiator of the campaign and participated by making SmartPOST parcel points available for the initiative.

- No child dreams of spending a long time in hospital, but sometimes it is necessary. The treatment provided by the doctors is very important, but it is equally important to offer the patient a cozy and attractive environment, says Estonian singer and pop-star **Lenna Kuurmaa** who acted as the campaign's spokesperson.

People could take part in the campaign by sending toys through SmartPOST parcel points to the Aarete Laegas organization, which sorted the toys and delivered them to the Tallinn Children's Hospital. In the campaign, thousands of toys were delivered to equip the hospital's playing rooms.

Parcels sent to the campaign only cost one euro to send with a SmartPOST parcel point. With the collected fees, SmartPOST gave the hospital a toy post office as an additional gift.

- The summer is a quiet season for parcel points, making it possible to organize this kind of campaign. The campaign also made the sending of parcels with a parcel point familiar to the participants. In previous years, we have utilized the SmartPOST parcel point network to collect sports equipment for families with many children, school supplies for a children's home and footwear for the deprived, says **Risto Eelmaa**, Managing Director of Itella SmartPOST Estonia.

CASE: Seta grants Posti the Apple of Good Information honorable mention

Seta – LGBTI Rights in Finland awards annually its Apple of Good Information honorable mention to someone who has contributed positively to the situation of sexual or gender minorities. According to Seta, Posti's stamp collection featuring the art of world famous Tom of Finland, published in the fall, was a "significant cultural achievement and an example of how a company can positively use the ideas of sexual orientation and gender diversity in its business operations".

The Tom of Finland stamps were published in honor of one of Finland's best-known artists. The stamp committee regarded Tom of Finland creator **Touko Laaksonen** as an internationally distinguished artist whose works have significantly contributed to popular culture.

- The Tom of Finland stamps showed that stamps matter. No one passed the topic with a shrug; instead, the publication of the stamps was accompanied by unparalleled media attention, even at the international level. Most of this attention and feedback we have received has been positive. It is important for us that Finnish stamps are diverse. From time to time, the familiar floral motifs and sceneries are complemented by topical–even surprising– motifs, says **Markku Penttinen**, Development Director at Posti.

The Tom of Finland stamps feature the sexual minority portrayed in the art of Touko Laaksonen. For Posti as a company, everyone is equal.

CASE: Carbon neutral transports support the mission

MakroBios is the largest wholesaler of organic and allergy-free products in Finland. The company's mission is to support the well-being of people and the environment. This was also taken into account in the choice of transport services: environmental impacts were important criteria in addition to costs and speed.

Posti's carbon neutral transports and the underlying practical measures convinced the company. The number of pallets has also been successfully decreased by shifting from disposable pallets to Posti's rolltainer transports. The solutions of a major logistics operator can, in fact, significantly improve the eco-efficiency of a small company.

Jouko Riihimäki
Managing Director
MakroBios

CASE: The Green Office label awarded to Posti's headquarters

In November, Posti's headquarters in Helsinki was awarded the Green Office label. WWF's Green Office is a practical environmental management system targeted at offices that aims to reduce the ecological footprint and greenhouse gases.

Posti's long-term efforts to reduce its environmental impact will be continued in line with the Green Office criteria.

- Environmental responsibility work is a joint effort that is carried out both behind the wheel and in the office. Green Office is a system that allows us to reduce our environmental load whilst achieving cost savings, says **Hannele Parkkinen**, Corporate Responsibility Manager.

The headquarters of OpusCapita in Keilaranta in Espoo has also been awarded the Green Office label.

Reporting description and boundary

The data is reported on an annual basis, and the reporting period runs from January 1 to December 31. We report the key indicators of the corporate responsibility areas to the Board of Directors twice a year. We report on corporate responsibility through our website, annual report and corporate responsibility report.

Unless otherwise mentioned, the reporting covers all operations of our parent company and subsidiaries. It also covers all Group functions in all countries of operation. The reporting does not include the operations of subcontractors or affiliated companies. The coverage of the indicators is reported in conjunction with the indicators.

Although we aim for global examination of corporate responsibility, our universal service obligation causes our role in society to be more essential in Finland than in our other countries of operation. For this reason, we have made social responsibility a separate area of responsibility. We mainly report on social responsibility in Finland.

The information on personnel is primarily included in GRI reporting in Finland. With regard to personnel, we have calculated the key indicators in accordance with the Accounting Standards Board's general guidelines on annual reports.

Since 2009, our environmental reporting has covered all of our countries of operation. The indicators for environmental responsibility cover our operations with the greatest environmental impact in all of our countries of operation. In Finland, the environmental calculations also include the environmental impact of subcontracted transport.

Carbon-dioxide emissions cover all of Posti's business operations. The key standards applied in our environmental calculations are:

- The WBCSD (World Business Council for Sustainable Development) Greenhouse Gas Protocol, and
- The GHG Inventory Standard for the Postal Sector, which includes more detailed instructions for the postal industry.

The data and indicators for financial responsibility are obtained from the consolidated financial statements, prepared in accordance with the IFRS standards approved by the European Union. The consolidated financial statements are prepared in compliance with the IAS and IFRS standards valid on December 31, 2014, and the related SIC standards and IFRIC interpretations. The notes to the consolidated financial statements are prepared in compliance with Finnish accounting and corporate legislation.

As an issuer of two publicly listed bonds, we are obliged to disclose periodic information to a limited extent. Our duty of disclosure is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd. A more detailed description of our financial communications policy is available on our website at **www.posti.com/financials**. In connection with our financial statements, we also publish our Corporate Governance Statement, referred to in Recommendation 54 of the Finnish Corporate Governance Code of the Securities Market Association.

GRI G4 reporting

Our corporate responsibility reporting is based on the GRI G4 guidelines (the Global Reporting Initiative). In addition, we comply with the reporting requirements of our owner, the Finnish State. In accordance with the guidelines, we focus on factors that are key to our operations and essential to our stakeholders. This report complies with the GRI G4 guidelines and covers the most essential areas of the financial, social, people and environmental responsibility.

Posti has self-declared its corporate responsibility reporting to be in accordance with the Core level of GRI G4 guidelines. Accordingly, Posti reports material corporate responsibility details and indicators related to its operations so that the report provides a sufficient and balanced view of corporate responsibility and its impacts. The comparison of the report content with the GRI G4 guidelines has been presented in the GRI index.

The report has not been confirmed externally. The accuracy of information presented has been confirmed internally. An external valuer has scrutinized the compliance of the materiality assessment process with the GRI G4 guidelines.

GRI content index

Code	GRI Standard Disclosures (G4)	Reference Page	Remarks
	Strategy and Analysis		
G4-1	CEO's statement	**President and CEO's Review**	
G4-2	Key impacts, risks, and opportunities	**Strategy** **Materiality assessment** **Risks related to corporate responsibility**	
	Organizational Profile		
G4-3	Name of the organization		Posti Group Corporation
G4-4	Primary brands, products, and services	**Posti Group in brief**	
G4-5	Location of the organization's headquarters		Posti Group's headquarters is based in Helsinki
G4-6	Number of countries and names of countries with major operations or that are relevant to sustainability issues	**Posti Group in brief**	
G4-7	Nature of ownership and legal form	**Share capital and shareholding**	
G4-8	Markets served	**Postal Services** **Parcel and Logistics Services** **Itella Russia** **OpusCapita**	
G4-9	Scale of the reporting organization	**Key figures**	
G4-10	Total workforce by employment type, employment contract, region and gender	**Personnel**	

G4-11	Percentage of total employees covered by collective bargaining agreements	**Personnel**	
G4-12	Organization's supply chain	**Responsible sourcing**	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		No significant changes during the reporting period
G4-14	Whether and how the precautionary approach or principle is addressed by the organization		The precautionary approach and principle has been taken into account in accordance with statutory requirements
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	**Managing responsibility**	
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	**Cooperation with stakeholders**	
	Identified Material Aspects and Boundaries		
G4-17	List of stakeholder groups engaged by the organization	**Posti Group in brief** **Group companies**	
G4-18	Process for defining report content and Aspect Boundaries	**Materiality assessment**	
G4-19	Material Aspects	**Identified material aspects**	
G4-20	Aspect Boundary for each material aspect within the organization	**Reporting description and boundary**	
G4-21	Aspect boundary for each material aspect outside the organization	**Reporting description and boundary**	
G4-22	Restatements of information provided in previous reports		No significant changes during the reporting period
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries		No significant changes during the reporting period
	Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organization	**Cooperation with stakeholders**	
G4-25	Basis for identification and selection of stakeholders with whom to engage	**Cooperation with stakeholders**	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	**Cooperation with stakeholders**	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	**Cooperation with stakeholders**	

	Report Profile		
G4-28	Reporting period	Reporting description and boundary	
G4-29	Date of most recent previous report	Reporting description and boundary	
G4-30	Reporting cycle	Reporting description and boundary	
G4-31	Contact point for questions regarding the report or its contents	Reporting description and boundary	
G4-32	GRI content index	GRI G4 reporting	Self-assessment has been made, no external assurance
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	GRI G4 reporting	

	Governance		
G4-34	Governance structure of the organisation and committees	Corporate Governance Statement	
G4-35	Delegating authority	Corporate Governance Statement	
G4-36	Executive-level positions with responsibility for economic, environmental and social topics	Management	
G4-37	Consultation with stakeholders	Cooperation with stakeholders	
G4-42	Board of Directors' role in setting purpose, values and strategy	Corporate Governance Statement	
G4-45	Board of Directors' role in the identification and management of risks	Corporate Governance Statement	
G4-46	Reviewing the effectiveness of risk management	Corporate Governance Statement	
G4-47	Frequency of risk reviews	Corporate Governance Statement	
G4-48	Formal approval of the organisation's sustainability report	Reporting description and boundary	
G4-49	Communicating critical concerns	Corporate Governance Statement	
G4-51	Remuneration policies for the Board and senior executives	Remuneration Statement	
G4-56	Organization's values, principles, standards and codes	Management Employee Code of Conduct Corporate responsibility principles Supplier guidelines	
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity	Employee Code of Conduct	

G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	**Employee Code of Conduct**	

Code	Indicators	Reference Page	Remarks
	Generic Disclosures on Management Approach		
	Category: Economic		
G4-EC1	Direct economic value generated and distributed	**Financial profitability** **Tax footprint**	
G4-EC4	Financial assistance received from government	**Other operating income**	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	**Sourcing policy**	
	Category: Environmental		
G4-EN3	Energy consumption within the organization	**Environmental reporting**	
G4-EN5	Energy intensity	**Environmental reporting**	
G4-EN6	Reduction of energy consumption	**Energy efficiency**	
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	**Environmental reporting**	
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	**Environmental reporting**	
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	**Environmental reporting**	
G4-EN18	Greenhouse gas (ghg) emissions intensity	**Energy efficiency**	
G4-EN19	Reduction of greenhouse gas (ghg) emissions	**Energy efficiency**	
G4-EN21	Nox, sox, and other significant air emissions	**Environmental reporting**	
G4-EN23	Total weight of waste by type and disposal method	**Environmental reporting**	
G4-EN24	Total number and volume of significant spills		No significant spills occurred during the reporting period
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	**Posti Green services**	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No significant fines or sanctions during the reporting period
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	**Environmental balance sheet**	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	**Responsible sourcing**	
	Category: People		
G4-LA1	Total workforce by employment type, employment contract and region	**Looking after the personnel**	Finland only. The aim is to develop reporting

G4-LA4	Minimum notice periods regarding operational changes, including whether it is specified in collective agreements	**Looking after the personnel**	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	**Looking after the personnel**	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	**Looking after the personnel**	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	**Looking after the personnel**	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	**Sourcing policy**	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		There were four grievances about labor practices filed, addressed and resolved through formal grievance mechanisms during the reporting period
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No reported discrimination incidents
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	**Sourcing policy**	
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		There were no grievances about human rights impacts filed through formal grievance mechanisms during the reporting period
	Category: Society		
G4-SO4	Communication and training on anti-corruption policies and procedures	**Employee Code of Conduct**	
G4-SO5	Confirmed incidents of corruption and actions taken		No incidents of corruption during the period under review
G4-SO6	Total value of political contributions by country and recipient/beneficiary		Posti Group does not support any political parties or institutions
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		The Finnish Competition and Consumer Authority's decision on June 25, 2014, on the matter in which Posti was suspected of misusing its dominant market position in the delivery of unaddressed

			direct marketing. It was stated that Posti has not violated the Finnish Competition Act. The hearing of the matter will continue in the Market Court and the District Court of Helsinki
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No significant fines or sanctions during the reporting period
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	**Sourcing policy**	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	**Board of Directors' Report**	None during the period under review
G4-PR5	Results of surveys measuring customer satisfaction	**Customer promises** **Indicators and goals**	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		None during the period under review
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	**Risks** **Customers**	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No significant fines or sanctions during the reporting period

GOVERNANCE

Governance model

The Group consists of the parent company, Posti Group Corporation, and its subsidiaries. The company is domiciled in Helsinki. Its business operations have been divided into four business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

The highest decision-making body of Posti Group Corporation is the Annual General Meeting, which elects the Supervisory Board, Board of Directors and auditor. The Group is managed by the Board of Directors and the President and CEO.

More information on the governing bodies is available at **www.posti.com/corporategovernance**. Please click on the enclosed links for more information on OpusCapita's **Board of Members** and **Management team**.

CORPORATE GOVERNANCE STATEMENT 2014

This is Posti's Corporate Governance Statement referred to in Recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association on June 15, 2010. It was reviewed by the Audit Committee of Posti Group Corporation's Board of Directors on February 11, 2015. The Corporate Governance Statement is published as a separate, unaudited report released in connection with the Financial Statements.

The remuneration statement and other information related to the Corporate Governance Code are available at **www.posti.com/corporategovernance**. The management's résumés are available at **www.posti.com/management**.

1 Compliance with the Corporate Governance Code

The duties and responsibilities of Posti's executive bodies are determined according to Finnish law. Posti's decision-making and administration comply with the Finnish Limited Liability Companies Act (624/2006), Posti Group Corporation's Articles of Association, and the Finnish Corporate Governance Code (**www.cgfinland.fi**) for listed companies issued by the Securities Market Association.

Departures from the Corporate Governance Code recommendations:

- The notice of the General Meeting and the appendices thereto are not published on the company website because a state-owned company has only one shareholder. (recommendation 1).
- Posti has neither a public register of insiders nor any persons subject to the disclosure obligation because the company's shares are not publicly listed. (recommendation 51).

2 Supervisory Board

The Supervisory Board's duties include the following:

- Ensuring that the company is managed according to sound business practices and on a profitable basis.
- Providing guidance to the Board of Directors on issues with broad implications or those deemed important in principle.
- Providing the Annual General Meeting (AGM) with an opinion on the company's financial statements and the auditors' report.
- Monitoring the functionality of postal services and the consideration of proposals for changes in the services.

The Supervisory Board has adopted written rules and procedures, which lay out the Board's key responsibilities and working principles.

Posti Group Corporation's AGM elects the members of the Supervisory Board and appoints the Board's Chairman and Vice Chairman. The Supervisory Board has six to twelve members. Persons aged 68 and above are not eligible for membership of the Board. The term of office for the members is one year and it ends at the close of the AGM that follows their election.

Posti's Supervisory Board 2014

Member	Born	Education	Occupation	Attendance at meetings
Mauri Pekkarinen, Chairman	1947	M.Soc.Sc.	Member of Parliament	3/4
Satu Haapanen, Vice Chairman**)	1969	M.Sc.(Econ.)	Schoolteacher, Member of Parliament	2/4
Ritva Elomaa	1955	Matriculation examination, radiographer	Member of Parliament	3/4
Maria Guzenina	1969		Reporter, Member of Parliament	4/4
Lars-Erik Gästgivars	1946		Member of Parliament	2/4
Johanna Karimäki, Vice Chairman *)	1973	M.Sc.(Tech.)	Member of Parliament	1/4
Sari Moisanen	1980	BEng		4/4
Outi Mäkelä	1974	M.Sc.(Econ.)	Member of Parliament	4/4
Reijo Ojennus	1947	Trade Technician	Entrepreneur, Managing Director	4/4
Raimo Piirainen	1952		Member of Parliament	4/4
Tuomo Puumala	1982	M.Soc.Sc.	Member of Parliament	3/4
Teuvo V. Riikonen	1960	MA (Theology)	Executive Manager	3/4
Kimmo Sasi	1952	Master of Laws, B.Sc.(Econ.)	Member of Parliament	3/4

*) until March 25, 2014
**) as of March 25, 2014

3 Board of Directors

The duties of Posti Group Corporation's Board of Directors are specified in the Limited Liability Companies Act, the Articles of Association, and the Decision-Making Guidelines approved by the Board of Directors. In accordance with these documents, the Board is responsible for controlling and supervising executive management, appointing and, if necessary, dismissing the President and CEO, approving the company's strategic goals and risk management principles, and ensuring the functioning of the company's management system. The Board has adopted written rules and procedures which lay out the Board's key responsibilities and working principles.

Posti Group Corporation's AGM elects the members of Posti Group Corporation's Board of Directors and appoints the Board's Chairman and Vice Chairman. The Board of Directors has between five and nine members. Persons aged 68 and above are not eligible for membership of the Board. The members are elected for a one-year term at a time and their terms of office end at the close of the AGM following their election.

The Board of Directors evaluates its performance and working methods on an annual basis. It also assesses the performance and working methods of the President and CEO.

Posti's Board of Directors 2014

Member	Born	Education	Occupation
Arto Hiltunen, Chairman	1958	M.Sc. (Econ.)	
Päivi Pesola, Vice Chairman	1956	M.Sc. (Econ.)	CFO
Petri Järvinen **)	1964	M.Sc.(Tech.)	Global Supply Chain Planning Director
Petri Kokko **)	1966	M.Sc. (Econ.)	Director
Jussi Kuutsa	1964		Country Director
Timo Löyttyniemi *)	1961	D.Sc.(Econ. & Bus.)	CEO
Ilpo Nuutinen *)	1964	M.Sc.Econ. (Licentiate of Laws)	Senior Government Counsellor
Marja Pokela	1955	BBA, M.Sc. (Adm.)	Government Ownership Steering Department, Senior Financial Specialist
Riitta Savonlahti	1964	M.Sc. (Econ.)	Executive Vice President, HR
Suvi-Anne Siimes	1963	Licentiate of Social Sciences	Managing Director
Maarit Toivanen-Koivisto *)	1954	M.Sc. (Econ.)	CEO

*) until March 25, 2014
**) as of March 25, 2014

All Board members other than Marja Pokela (and Ilpo Nuutinen), who is in an employment relationship with the Ownership Steering Department of the Prime Minister's Office, are independent of the shareholder.

3.1 Audit Committee

The Board of Directors elects a maximum of four of its members to the Audit Committee, the duties of which include:

- preparation, control, review, and assessment of risk management policies, internal control systems and internal audit reports, organizing financial reporting and auditing;
- examining financial statements with the auditors before submitting them for review by the Board of Directors;
- submitting a proposal concerning the appointment of the auditor;
- assessing the independence of the auditor and the additional services offered by the auditor.
- steering and monitoring the activities of the Compliance Officer.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

On March 28, 2014, the Board of Directors decided that the members of the Audit Committee are: Päivi Pesola (Chairman), Jussi Kuutsa, Marja Pokela and Suvi-Anne Siimes.

3.2 Remuneration and Nomination Committee

The Board of Directors elects a maximum of four of its members to the Remuneration and Nomination Committee, the duties of which include:

- preparation of decisions concerning the appointments and remuneration of executive management
- preparation of the outlines for the remuneration, bonus, and incentive schemes and ensuring that they are fair and competitive.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

On March 28, 2014, the Board of Directors decided that the members of the Remuneration and Nomination Committee are: Arto Hiltunen (Chairman), Petri Järvinen, Petri Kokko and Riitta Savonlahti.

The Board of Directors' attendance at meetings

Member	Committee membership	Board of Directors	Committee
Arto Hiltunen, Chairman	Remuneration and Nomination Committee	14/14	7/7
Päivi Pesola, Vice Chairman	Audit Committee	14/14	6/6
Petri Järvinen **)	Remuneration and Nomination Committee	11/14	5/7
Petri Kokko **)	Remuneration and Nomination Committee	11/14	5/7
Jussi Kuutsa	Audit Committee	14/14	6/6
Timo Löyttyniemi *)	Audit Committee	2/14	1/6
Ilpo Nuutinen *)	Remuneration and Nomination Committee	2/14	2/7
Marja Pokela **)	Audit Committee	12/14	5/6
Riitta Savonlahti	Remuneration and Nomination Committee	12/14	7/7
Suvi-Anne Siimes	Audit Committee	14/14	5/6
Maarit Toivanen-Koivisto *)	Remuneration and Nomination Committee	2/14	2/7

*) until March 25, 2014
**) as of March 25, 2014

4 President and CEO

The President and CEO is responsible for the Group's operative management in accordance with the Limited Liability Companies Act and the instructions and directions issued by the Board of Directors. The President and CEO is appointed and, if necessary, dismissed by the Board of Directors, which also determines the terms and conditions of the President and CEO's employment relationship.

Heikki Malinen, M.Sc.(Econ.), MBA, has served as President and CEO of Posti Group Corporation since December 11, 2012.

5 Internal control and risk management systems associated with the financial reporting process

The internal control and risk management processes associated with financial reporting have been planned in such a way that they produce sufficient certainty of the reliability of financial reporting and ensure that the applicable laws and regulations have been complied with.

Posti's Board of Directors has approved the corporate policies on which the control environment is based, as well as the policies concerning risk management and corporate governance. The financial reporting process incorporates internal control principles pursuant to the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission 1992).

5.1 Control environment

Posti's internal control system supports the implementation of the Group's strategy and ensures compliance with regulations as well as the reliability of financial reporting. The Code of Conduct approved by Posti's Board of Directors is based on Posti's values and defines the principles for how business operations are conducted. The internal control framework consists of Group-level operating guidelines and processes, as well as the controls and processes for business operations and support functions. The control environment for financial reporting is described in the document "Posti Group Policy on Control over Financial Reporting".

Management responsibilities are specified in the Group management system, which is described in the guidelines of the Posti Way Handbook. Posti Group follows responsible and ethical procedures that are described in Posti's Corporate Responsibility Principles and Code of Conduct. The Group has a feedback channel for reporting actions that are in conflict with the Code of Conduct.

The Audit Committee appointed by the Board of Directors supervises the Group's financial reporting process and monitors the effectiveness of the Group's internal control and risk management systems. The internal audit function monitors the effectiveness of the internal control system on financial reporting in accordance with the Audit Committee's instructions. Early in the year, the Group appointed a Chief Compliance Officer whose task is to develop compliance operations throughout the Group. The Chief Compliance Officer reports to the Audit Committee, which approves the compliance program and monitors compliance operations and their development.

The Group's risk management function is responsible for the Group's risk reporting and maintaining the risk management system. The Board of Directors approves the operating models concerning risk management and corporate governance.

Group Finance, led by the Chief Financial Officer, is responsible for the top-level control system for the financial reporting process. Control is based on Group-level processes, guidelines and recommendations. The principles and guidelines for financial reporting are collected on the Group intranet.

The Group's business operations are divided into four business groups (Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita) and Group functions, which are also responsible for internal control. OpusCapita is also a subgroup of Posti Group.

5.2 Risk assessment

Operational risks related to the process of financial reporting are assessed as part of Posti's risk management. The twice-yearly systematic process involves identifying and assessing risks associated with financial processes and reporting them to management. The implementation and monitoring of the necessary measures and improvements is integrated into operational management.

5.3 Control measures

The guidelines and Group-wide principles issued by the Group Finance unit hold a key position in ensuring the accuracy of financial reporting. Financial control and reporting instructions contain the common accounting and reporting principles and practices as well as the roles and responsibilities of the finance functions. Financial statements are subject to Group-wide accounting principles and Group reporting employs a common chart of accounts.

The control measures cover the entire financial reporting process. Responsibilities for the implementation and monitoring of measures have been assigned. The processes include control measures related to the initiation of business transactions as well as their approval, recording and accounting, including the information technology and system solutions associated with financial reporting. The Finance and Accounting Services unit under OpusCapita manages the majority of the Group companies' accounting and other statutory reporting.

Each business group has a financial organization responsible for ensuring that business performance is sufficiently analyzed, including the assessment of operating volume, income, expenses, working capital, assets and investments. These analyses are assessed at different levels in the Group, with the final assessment performed by the Board of Directors.

The Group's profitability is reported in each meeting of the Board of Directors, and the Board reviews all interim and annual reports before they are published. Posti complies with the reporting standards specified for listed companies and publishes stock exchange releases on its interim and annual reports. Posti also reports to the Finnish Communications Regulatory Authority on operations related to its universal service obligation.

Posti's Supervisory Board discusses Posti Group Corporation's Board of Directors' report, financial statements and auditors' report in its meeting and issues a statement on these to the Annual General Meeting.

5.4 Information and communications

The principles and guidelines for financial reporting, as well as the IFRS standards and calculation principles applied in the Group, are available on the intranet to all those participating in financial reporting. The Group also arranges regular training and joint information sessions on financial processes, principles and operating guidelines.

5.5 Monitoring

The Group's Chief Financial Officer is responsible for developing procedures and tools to support the consistent execution and maintenance of internal control systems concerning financial reporting. Business groups regularly prepare financial and management reports for the units' and the Group's management. The reports analyze and discuss matters related to the business units' profitability and risks.

The Group's internal audit assesses and audits the implementation and effectiveness of internal control of financial processes in accordance with a risk-based annual plan approved by the Audit Committee. The results of the audits are discussed with the object of the audit, in the Executive Board and in the Board's Audit Committee. Corrective actions, with responsible persons and schedules, are defined for any observations made in the audits. The internal audit also monitors the implementation of actions. In 2014, the focus of internal audits was on Itella Russia's operations.

The Group's Finance unit monitors the correctness and accuracy of external and internal reporting and ensures that external reporting complies with regulations. The senior management and Finance Directors of Group companies further ensure that external reporting complies with the applicable regulations.

Representatives of the Group and its business groups meet monthly to assess financial reports and analyze any deviations. The Group's result is monitored in monthly reporting, and the Executive Board examines reporting on results at the monthly level.

Remuneration Statement

The Remuneration Statement is available at **www.posti.com/corporategovernance**.

Supervisory Board (December 31, 2014)

Chairman Mauri Pekkarinen, MP, Centre Party
Since 2012

Vice Chairman Satu Haapanen, MP, The Greens of Finland
Since 2014

Ritva Elomaa, MP, True Finns Party
Since 2012

Maria Guzenina, MP, Social Democratic Party
Since 2013

Lars-Erik Gästgivars, MP, Swedish People's Party of Finland
Since 2012

Sari Moisanen, Bachelor of Engineering, Left Alliance
Since 2011

Outi Mäkelä, MP, National Coalition Party
Since 2008

Reijo Ojennus, Business Owner, True Finns Party
Since 2008

Raimo Piirainen, MP, Social Democratic Party
Since 2012

Tuomo Puumala, MP, Centre Party
Since 2012

Teuvo V. Riikonen, Executive Director, Christian Democrats
Since 2012

Kimmo Sasi, MP, National Coalition Party
Since 2012

Board of Directors (Dec 31, 2014)

Arto Hiltunen

Chairman

b. 1958, M.Sc. (Econ.)
Member of the Board since 2010
Chairman of the Remuneration and Nomination Committee

Employment history:

- S Group (1980–2009), most recently as CEO and Chairman of the Board of Directors
- Previously held several positions in the S Group, including Managing Director of HOK-Elanto, Ässä Partners and Alepa

Positions of trust:

- Member of the Board: HSE Foundation, Jenny and Antti Wihuri Foundation, Foundation for Economic Education, Metsäliitto Group, Metsä Tissue Corporation, SRV Group Plc, Talent Partners Ltd, Veho Group Oy Ab

Päivi Pesola

Vice Chairman

Vice President, Business Control, Heat Division
Fortum Power and Heat Ltd
b. 1956, M.Sc. (Econ.)
Member of the Board since 2009
Chairman of the Audit Committee

Employment history:

- Fortum Power and Heat Oy (since 2001): Vice President, Finance, Fortum Service Business Unit
- Vice President, Business Control, Fortum Heat Business Unit; Vice President, Business Control, Fortum Heat Division
- Fortum Corporation (1999–2001): Vice President of Internal Auditing and Risk Management
- Fortum Oil and Gas Oy (1978–1999): Vice President of Internal

Auditing and Financial Management

Petri Järvinen

Global Supply Chain Planning Director
Mölnlycke Health Care
b. 1964, M.Sc. (Tech.)
Member of the Board since 2014
Member of the Remuneration and Nomination Committee

Employment history:

- Mölnlycke Health Care (since 2013): Global Supply Chain Planning Director
- Nokia (2007–2013): Global Supply Chain Development Director roles
- Unilever (1996–2006): several Director roles in European Supply Chain
- Unilever Finland (1993–1995): Logistics Manager
- Kymmene Corporation (1990–1993): Logistics Development Manager

Petri Kokko

Director, Retail
Google Germany GmbH
b. 1966, M.Sc. (Econ.)
Member of the Board since 2014
Member of the Remuneration and Nomination Committee

Employment history:

- Google Germany GmbH (since 2011): Director, Retail
- Google Inc. (2009–2011): Global Director, Sales, Learning and Development
- Google Finland Oy (2006–2009): Country Manager, Finland and Sweden
- Stream Helsinki Oy (2005–2006): Managing Director
- Nike Finland Oy (2003–2005): General Manager, Sales and Finance
- The Finnish Sport Television Oy (Suomen Urheilutelevisio Oy) (2001–2003): Head of Program

Jussi Kuutsa

Country Director, SRV Group Plc
b. 1964
Member of the Board since 2011
Member of the Audit Committee

Employment history:

- SRV Group (since 2010): Country Director of Russia
- Stockmann Group (2000–2010): managerial positions in international operations

Marja Pokela

Government Ownership Steering Department, Senior Financial Specialist
b. 1955, BBA, M.Sc. (Adm.)
Member of the Board since 2014
Member of the Audit Committee

Employment history:

- Prime Minister's Office, Government Ownership Steering Department (since 2007): Senior Financial Specialist
- Ministry of Transport and Communications (2006–2007): Senior Administrative Officer
- Tax Office for Major Corporations (2001–2006): Tax Inspector
- Hackman Oyj / Designor Oy Ab (1999–2001): Financial Manager
- Marimekko Corporation (1997–1999): Chief Financial Officer
- Valtameri Osakeyhtiö (1988–1997): Financial Manager

Positions of trust:

- Vice Chairman of the Board: Meritaito Oy
- Member of the Board: Leijona Catering Oy, VTT Expert Services Oy

Riitta Savonlahti

Executive Vice President, Human Resources, UPM-Kymmene Corporation
b. 1964, M.Sc. (Econ.)
Member of the Board since 2008
Member of the Remuneration and Nomination Committee

Employment history:

- UPM-Kymmene Corporation (since 2004): Executive Vice President, Human Resources
- Elcoteq Network Corporation (2001–2004): Senior Vice President, Human Resources
- Raisio Group Plc (2000–2001): Senior Vice President, Human Resources
- Nokia Corporation (1995–2000): Human Resources Manager
- ABB Oy (1990–1994): Human Resources Specialist

Suvi-Anne Siimes

Managing Director, Finnish Pension Alliance TELA
b. 1963, Licentiate of Political Science
Member of the Board since 2013
Member of the Audit Committee

Employment history:

- Finnish Pension Alliance TELA (since 2011): Managing Director
- Pharma Industry Finland (2007–2011): Managing Director
- Finnish Co-operative for Pharmaceutical Injury Indemnities (2010–2011): Managing Director
- Several positions in European organizations in the pharmaceutical sector (2007–2011)
- Member of Parliament (1998–2007)
- Left Alliance (1998–2006): Chairman

Positions of trust:

- Chairman of the Board: Veikkaus Oy
- Member of the Board: Yrjö Jahnsson Foundation
- Delegation member: Institutum Romanum Finlandiae Foundation

Executive Board and Management Board (Dec 31, 2014)

Heikki Malinen

President and CEO

b. 1962, M.Sc. (Econ.), MBA (Harvard)
Joined Posti in 2012

Employment history:

- Posti Group Corporation (since 2012): President and CEO
- Pöyry Plc (2008–2012): President and CEO
- UPM-Kymmene Corporation, Helsinki, Finland (2006–2008): Executive Vice President, Strategy; Member of the UPM Executive Team
- UPM North America, Chicago, USA (2004–2005): President
- UPM North America, Chicago, USA (2002–2003): President of Sales
- Jaakko Pöyry Consulting, New York, USA (2000–2001): Managing Partner
- McKinsey & Co, Atlanta, USA (1997–1999): Engagement Manager
- UPM Paper Divisions, Helsinki, Finland (1994–1996): Director of Business Development

Positions of trust:

- Chairman of the Board: OpusCapita
- Member of the Board: Outokumpu Plc, Service Sector Employers PALTA, Ilmarinen Mutual Pension Insurance Company, EastOffice
- Member of the Supervisory Board: The Finnish Fair Corporation
- Member of the Audit Committee: Outokumpu Plc

Sanna Ahonen

Senior Vice President, Strategy and Development

b. 1969, M.Sc. (Econ.), BA (International Relations, Politics)
Joined Posti in 2014

Employment history:

- Posti Group Corporation (since 2014): Senior Vice President, Strategy and Development, ICT, M&A, BI and eCommerce
- Finnair (2011–2013): Vice President, Corporate Development
- Nokia Siemens Networks (2010–2011): Head of BSO BE
- Nokia Siemens Networks (2007–2009): Head of Strategic Change Projects
- Basware Inc (2006–2007): Vice President, Global Consulting
- Nokia, Vodafone CBT (2005–2006): Director, Customer Projects & Quality
- Nokia (2001–2005): Business Development Manager, Business Development Unit
- Nokia (1999–2000), Executive Leadership Training

Sari Helander

CFO

b. 1967, M.Sc. (Econ.)
Joined Posti in 2011

Employment history:

- Posti Group Corporation (since 2011): CFO
- Nokia Corporation (2001–2011): Vice President, Business Reporting & Control; various control and financial management positions
- Nokia Networks (1994–2001)
- Helsingin Tilikartta, Interbank, Union Bank of Finland (1986–1992)

Positions of trust:

- Vice Chairman of the Board: OpusCapita
- Chairman of the Audit Committee: OpusCapita

Jaana Jokinen

Senior Vice President, Human Resources

b. 1957, M.Sc. (Econ.)
Joined Posti in 2009

Employment history:

- Posti Group Corporation (since 2009): Senior Vice President, Human Resources
- Nokia Corporation (2004–2009): HR Director for Demand Supply Network Management
- Nokia Networks (2001–2003): global managerial positions in HR
- Nokia Networks (1995–2001): managerial positions in customer training in Finland and China
- Learning Systems Ltd (1990–1995): Consultant for HR Development
- ICL (1986–1989), Training Manager

Jani Jolkkonen

Senior Vice President, Postal Services

b. 1973, M.Sc. (Tech.), EMBA
Joined Posti in 2002

Employment history:

- Posti Group Corporation (since 2015): Senior Vice President, Postal Services
- Itella Corporation (2013–2014): Senior Vice President, Itella Logistics
- Itella Corporation (2004–2013): managerial positions in Delivery and Marketing Services and Operations at Itella Mail Communications
- Itella Corporation (2002–2004): Business Controller
- Telia Mobile (2001–2002): Business Controller
- Digiscope (2000–2001): Business Consultant
- Cap Gemini Ernst & Young (1998–2000): Consultant

Jukka Rosenberg

Senior Vice President, Parcel and Logistics Services

b. 1962, M.Sc. (Econ.)
Joined Posti in 2011

Employment history:

- Posti Group Corporation (since 2015): Senior Vice President, Parcel and Logistics Services
- Itella Corporation (2011–2014): Senior Vice President, Itella Mail Communications
- IBM Global Services (2006–2011): Executive, Strategic Outsourcing
- Tieto Corporation (1997–2006): Senior Vice President, Financial Services Sector
- Fujitsu Services Oy (1985–1997): managerial positions in international sales and marketing

Positions of trust:

- Member of the Board: Finnish Federation for Communications and Teleinformatics (FiCom)

Nikolay Voinov

President, Itella Russia

b. 1973, M.Sc. (Tech.), M.Sc. (Econ.)
Joined Posti in 2013

Employment history:

- Itella (since 2013): President, Itella Russia
- DPD Russia (2008–2013): Country Manager
- DPD Russia (2007–2008): First Deputy of Country General Manager
- TNT Express Worldwide (2006–2007): Country Operations Manager, Russia (Deputy CEO)
- TNT Express Worldwide (2005–2006): St. Petersburg Branch Manager
- TNT Express Worldwide (2002–2005): Moscow Branch

Manager
- TNT Express Worldwide (1999–2002): Sales and Marketing Manager

Timo J. Anttila

Vice President, Stakeholder Relations, Communications and Corporate Responsibility

b. 1962, M.A. (Political History)
Joined Posti in 2013

Employment history:

- Posti Group Corporation (since 2013): Vice President, Stakeholder Relations, Communications and Corporate Responsibility
- Danske Bank (2008–2013): Head of Communications
- Sampo Bank (2007–2008): Communications Manager
- Ilta-Sanomat (2003–2007): Head of Political Desk and Financial Editor
- Iltalehti (2002–2003), Financial Editor
- Iltalehti (1989–2002): Head of Political Desk, Political Editor

Pirjo Kaasinen

Vice President, Brand and Marketing

b. 1963, M.Sc. (Econ.)
Joined Posti in 2012

Employment history:

- Posti Group Corporation (since 2015): Vice President, Brand and Marketing
- Itella Corporation (2012–2014): Vice President, Marketing, Communications, Sales and Business Insight
- Digi TV Plus Ltd (2011–2012): Sales Director
- Eniro (2005–2011): Director, Marketing and Communications; Business Director
- Elisa (2004–2005): Marketing Director
- Radiolinja (2001–2004): Marketing Director and Business Area Director

- Canon (1991–2001): Marketing Manager, Business Manager
- Suorayhtiöt (1988–1991): Product Manager

Markku Gerdt

Vice President, Sourcing

b. 1970, BEng, Master of Business Administration
Joined Posti in 2012

Employment history:

- Posti Group Corporation (since 2014): Vice President, Sourcing
- Itella Corporation (2012–2014): various management roles in Itella Mail Communications' and Itella Group's Sourcing
- Nokia Spain SAU (2010–2012): Senior Sourcing Manager
- Nokia Corporation (2006–2010): Group Manager for Finland and Eurasia Sourcing and various other positions in sourcing organization
- Elisa Networks (1998–2006): various management roles

Antero Palmolahti

Strategic Chief Shop Steward of Posti Group Corporation; Finnish Post and Logistics Union PAU (employee representative)

b. 1952
Joined Posti in 1971

Employment history:

- Posti Group Corporation (since 1971): postal worker, various positions as safety representative and chief shop steward

Positions of trust:

- Chairman of the Board: Posti Personnel Fund, Hotel and Training Center Heimari Ltd

Esa Viitamäki

CIO

b. 1958, B.Sc.
Joined Posti in 2013

Employment history:

- Posti Group Corporation (since 2013): CIO
- Tapiola (2009–2013): CIO
- Tieto Corporation (2004–2009): Vice President, Common Processes; Vice President, Financial Services
- Primasoft Ltd (2002–2004): Senior Vice President
- Tieto Corporation (2001): General Manager
- Pohjolan ATK-palvelu Oy (1998–2001): Managing Director

Risk management

A comprehensive description of risk management at Posti is available at **www.posti.com/corporategovernance**. Corporate responsibility risks are described in the corporate responsibility report under **Risks**.

BOARD OF DIRECTORS' REPORT

Operating environment 2014

The overall economic situation remained weak in Finland, which was reflected as lower mail and freight volumes. The market situation in logistics and retail is still weak. Transport volumes in heavy traffic have continued to decrease in Finland for nearly three consecutive years. GDP growth in Russia ceased as of the second quarter of 2014. By December 31, 2014, the closing rate of the Russian ruble had declined by 59.6% year-on-year. Furthermore, there was intense competition in Scandinavia. The situation was reflected in Posti Group's results as a decrease in both net sales and operating result.

The volumes of addressed letter items declined by -10% (-6%) year-on-year. Newspaper and magazine volumes also continued to decrease substantially. The delivery volumes decreased from the previous year by -13% (-6%) for newspapers and by -10% (-7%) for magazines.

The growth in parcel services slowed down to 2% from the 4% rate recorded a year earlier. Nevertheless, the parcel market picked up before Christmas. During the year, Posti delivered a total of 32.6 million parcels, which is the highest ever number of parcels delivered by Posti. The overall demand for parcels in Finland increased by approximately 3%, driven by B-to-C e-commerce.

In OpusCapita, the strong growth of cloud services continued. In addition to cloud services, digitization continues to increase, which creates a firm foundation for the actual business benefits that can be gained in financial management through automation. It is also forecast that BPaaS (Business Process as a Service) and SaaS (Software as a Service) product sales services offered by OpusCapita will grow much more strongly than traditional software license.

The postal delivery licenses that have been issued allow for competition in addressed deliveries, but competition has not yet had an impact on the Group's result. The Finnish Government issued a postal delivery license to three of Posti's competitors. 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.

Changing the name

On January 1, 2015, Itella Corporation changed its name to Posti Group Corporation. Posti became the only service brand of the company in Finland, serving both consumer and business customers under one name. The change aimed to improve the customer experience. Under one name, the company can offer its customers a more straightforward customer experience and range of services. The company's new slogan is Smoother everyday life.

Organizational restructuring

From January 1, 2015, the names of the business groups will be: 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.

The reporting for 2014 is based on the 2014 business group structure: Itella Mail Communications, Itella Logistics, Itella Russia and OpusCapita.

The organization structure was streamlined at the turn of the year as Posti Group Corporation's subsidiary Itella Logistics Oy merged with Itella Posti Oy on January 1, 2015. At the same time, the name was changed to Posti Ltd.

Performance improvement program

The targets of the two-year EUR 100 million performance improvement program, launched in spring 2013, were achieved ahead of schedule, already in the third quarter of 2014. The targets of the program were exceeded, with total savings amounting to nearly EUR 140 million.

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 the ICT function, achieving savings in sourcing, and simplifying the product portfolio. In September, Posti signed a significant cooperation contract with which Posti centralizes cleaning, property maintenance, waste management and technical building services to an external partner.

In January, Posti started cooperation negotiations concerning basic delivery that led to the dismissal of 407 employees. As the result of the cooperation negotiations in April that concerned line haul production, 55 employees were dismissed and 26 drivers of road trains were offered comparable work in a different location.

The cooperation negotiations carried out in OpusCapita's financial management outsourcing services in Tampere in April led to the dismissal of 29 employees. The cooperation negotiations related to Posti's sorting operations started in August and led to the dismissal of 38 employees in Jyväskylä and Seinäjoki. In September, cooperation negotiations were carried out concerning employees in expert and supervisory positions in administration as well as planning and supervisory duties in production. The negotiations led to the dismissal of 254 employees.

The cooperation negotiations carried out in Scandinavia in the fall led to the dismissal of 72 employees in Sweden, Norway and Denmark. Some of the personnel reductions were implemented through outsourcing and business transfers. All in all, personnel reductions amounted to 1,646.

Net sales and operating result in 2014

The Group's net sales in 2014 were EUR 1,858.7 (1,976.8) million. Net sales decreased by 6.0%. In local currencies, the decline in net sales was 3.5%.

Net sales decreased in all business groups. Net sales declined by 3.1% in Finland and by 15.0% in other countries. The substantial depreciation of the ruble had a negative effect on net sales. By December 31, 2014, the closing rate of the Russian ruble had declined by 59.6% year-on-year. International net sales accounted for 26.9% (28.9%) of net sales.

The operating result before non-recurring items was EUR 50.8 (50.5) million, or 2.7% (2.6%) of net sales. The operating result before non-recurring items improved in Itella Mail Communications and Itella Logistics, and decreased in Itella Russia and OpusCapita.

In 2014, the operating result was affected by EUR 45.0 (40.5) million in non-recurring items, of which EUR 25.8 (17.5) was related to personnel restructuring and EUR 19.2 (23.0) million to other items.

The operating result was EUR 5.8 (9.9) million, or 0.3% (0.5%) of net sales. The operating result improved in Itella Logistics and decreased in Itella Mail Communications, Itella Russia, and OpusCapita.

The Group's net financing costs amounted to EUR 10.4 (12.3) million.

The Group's operating result after financing items was EUR -4.6 (-2.4) million. Income tax after changes in deferred taxes totaled EUR 0.2 (10.1) million. Income tax paid by the Group amounted to EUR -2.6 (-4.2) million. Of the Group's income tax, 76% were related to Finland. The Group's effective tax rate was 3.4% (44%), resulting mainly from changes in deferred tax assets and liabilities on the balance sheet.

The Group's operating result for the period was EUR -4.4 (7.7) million.

Return on equity stood at -0.7% (1.1%).

Key figures of Posti Group

	2014	2013
Net sales, MEUR	1,858.7	1,976.8
Operating result (non-IFRS), MEUR*)	50.8	50.5
Operating result (non-IFRS), %*)	2.7	2.6
Operating result (EBIT), MEUR	5.8	9.9
Operating result (EBIT), %	0.3	0.5
Result before taxes, MEUR	-4.6	-2.4
Result for the period, MEUR	-4.4	7.7
Return on equity (12 months), %	-0.7	1.1
Return on invested capital (12 months), %	1.0	1.3
Equity ratio, %	45.9	47.5
Gearing, %	17.2	21.1
Gross capital expenditure, MEUR	57.5	61.1
Employees on average	24,617	27,253
Dividends, MEUR	–**)	–

*) Non-IFRS = excluding non-recurring items

**) Board proposal

Itella Mail Communications

The net sales of the Itella Mail Communications business group decreased by 1.9% to EUR 1,133.0 (1,155.5) million. The decrease of the delivery product volume continued, but thanks to the price increases taking effect at the beginning of the year, net sales declined only moderately.

Operations under the universal service obligation amounted to EUR 147.1 (150.2) million, or 13.0% (12.9%) of Mail Communications' net sales and 7.9% (7.6%) of the entire Group's net sales.

The operating result before non-recurring items amounted to EUR 67.4 (66.6) million. Non-recurring items related to personnel restructuring recognized during the period totaled EUR 16.1 (2.6) million.

The operating result decreased to EUR 51.2 (64.0) million, or 4.5% (5.5%) of net sales. The operating result declined due to non-recurring items related to personnel restructuring. With the restructuring, operations are adjusted to the prevailing situation in which postal item volumes are declining substantially.

In 2014, mail delivery volumes developed as follows (compared to 2013):

- Newspapers, -13% (-6%)
- Magazines, -10% (-7%)
- Addressed letters, -10% (-6%)
- Unaddressed direct marketing, -33% (+11%)
- Parcel services, +2% (+4%)
- Electronic letters, +7% (+11%)

During the year, Posti delivered a total of 32.6 million parcels, which is the highest ever number of parcels delivered by Posti. The use of Posti's parcel points increased during the year, with the number of parcels growing by 52% from the previous year. The growth in Posti's parcel services slowed down to 2% from the 4% rate recorded a year earlier; however, demand picked up before Christmas. The overall demand for parcels in Finland increased by approximately 3%, driven by B-to-C e-commerce.

Posti had 1,448 service points at the end of the year. Posti brought 152 parcel points into use during the year, bringing their total number to 459. The goal is to increase the number of the various service points to 1,700 by 2020.

The number of the users of Netposti, Posti's electronic mailbox, reached 587,000 at the end of 2014, increasing by 10% from 2013.

Posti has held negotiations with newspaper publishers regarding the renewal of delivery agreements for the early-morning delivery of newspapers, as early-morning delivery has not been profitable under the current implementation and pricing, and with the current development of circulation volumes. During the year, the negotiations resulted in the termination of seven early-morning delivery agreements. During the third quarter, one new cooperation contract and two extension contracts were signed. With some customers, an agreement was reached on additional months. In the case of two newspaper publishers, delivery was transferred to a partner by a business transfer agreement.

On September 1, 2014, Posti sold its Mediabank business to Multiprint Oy. In the business transaction, the personnel employed in the Mediabank business, its accounts and the Mediabank information system were merged with Multiprint.

The business group invested EUR 24.4 (30.3) million in vehicles, production projects and parcel points in 2014.

Itella Logistics

Itella Logistics' net sales declined by 8.7% to EUR 586.2 (641.8) million. The decline was due to the challenging market situation and the intense competition. Net sales decreased particularly strongly in Scandinavia but also in domestic freight services.

Itella Logistics' operating result before non-recurring items improved slightly but still showed a loss, amounting to EUR -22.6 (-24.5) million, despite significant efficiency improvement measures taken. The improvement in the result was supported by the improved profitability of warehousing operations and efficiency improvement measures in transport production and subcontracting in Finland. In the Baltic countries, business developed favorably and the result was positive. The result was weighed down especially by the unprofitability of business in Scandinavia.

With regard to the logistics service offering, the company will focus on road transport between our countries of operation in Scandinavia and develop the road transport service offering in selected market areas in Europe. In late 2014, the company gave up air and sea freight in Scandinavia as well as service warehouses in Denmark and outsourced the distribution logistics within Scandinavia. Service warehouses in Sweden and Norway will be given up in 2015. Due to the changes, EUR 9.7 million of non-recurring items were recorded in the company's operating result for 2014.

The full-year operating result improved and was EUR -36.5 (-50.1) million, or -6.2% (-7.8%) of net sales.

Itella Logistics' investments amounted to EUR 12.6 (11.8) million. The majority of the investments were related to terminal improvement projects and the transport fleet.

Itella Russia

Despite the difficult economic and political situation, the net sales of the Itella Russia business group, measured in local currency, increased by 0.7%.

By December 31, 2014, the closing rate of the Russian ruble had declined by 59.6% year-on-year. Due to the depreciation of the ruble, growth measured in euros was negative at -16.3%, with net sales amounting to EUR 172.0 (205.6) million.

The operating result before non-recurring items amounted to EUR 2.5 (5.3) million. Measured in local currency, the result was approximately a third lower than in the previous year.

The result was impaired by currency impacts, the difficult overall economic situation and the weak situation in retail and consumption. In warehousing services, competition intensified in the Moscow region due to oversupply of warehouse premises. The average fill rate of warehouses in the Moscow region declined slightly and was 88% (91%). The fill rate of warehouses in other regions improved to 76% (69%). In eastern Russia, warehousing business grew well during the year.

The operating result was EUR 2.4 (4.3) million.

The court's ruling in the criminal case with regard to the warehouse accident at the Shushary logistics center in St. Petersburg in July 2012 was given in January 2014. The prosecutor dropped the charges against Itella's management in Russia and the case was closed. The settlement will not impact Itella Russia's result.

Itella Russia's investments amounted to EUR 2.6 (8.2) million.

OpusCapita

OpusCapita's comparable net sales grew by 0.2%, i.e. by EUR 0.5 million. Net sales amounted to EUR 259.6 (263.4) million.

OpusCapita's invoicing of continuous services developed favorably. Continuous service business operations make up 95% of the 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 191 million electronic transactions. The share of electronic transactions of the total volume of transactions is increasing and stood at 33% in 2014. The total volume of transactions includes printed and mailed paper letters.

The operating result before non-recurring items declined to EUR 20.0 (22.5) million. This represents 7.7% (8.5%) of net sales. The operating result decreased due to investments in various development programs related to financing solutions, artificial intelligence, robotics and internationalization. The result was impaired by non-recurring items related to organizational restructuring and declining printing business volumes.

The operating result decreased to EUR 12.7 (17.0) million.

OpusCapita began its operations as an independent subgroup of Posti Group on January 1, 2014.

On October 1, 2014, OpusCapita acquired Norian Group, a Norwegian financial accounting outsourcing company. Norian employs approximately 175 people in its locations in Norway, Sweden and Lithuania. The acquisition strengthens OpusCapita's position as a leading Nordic financial accounting service provider.

OpusCapita's investments amounted to EUR 5.8 (3.7) million. The investments were related to capitalized development projects and maintenance investments in printing business operations.

Key Figures of Business Groups, MEUR

	2014	2013	Change
Net sales			
Itella Mail Communications	1,133.0	1,155.5	-1.9%
Itella Logistics	586.2	641.8	-8.7%
Itella Russia	172.0	205.6	-16.3%
OpusCapita	259.6	263.4	-1.4%
Other operations	41.6	54.4	-23.4%
Intra-Group sales	-333.8	-343.8	
Itella Group	**1,858.7**	**1,976.8**	**-6.0%**
Operating result (non-IFRS)*)			
Itella Mail Communications	67.4	66.6	1.1%
Itella Logistics	-22.6	-24.5	-
Itella Russia	2.5	5.3	-51.8%
OpusCapita	20.0	22.5	-11.2%
Other operations	-16.4	-19.4	-
Itella Group	**50.8**	**50.5**	**0.7%**

Operating result (EBIT)			
Itella Mail Communications	51.2	64.0	-20.0%
Itella Logistics	-36.5	-50.1	-
Itella Russia	2.4	4.3	-44.1%
OpusCapita	12.7	17.0	-25.3%
Other operations	-24.0	-25.3	-
Itella Group	**5.8**	**9.9**	**-41.8%**
Operating result (non-IFRS), %*)			
Itella Mail Communications	5.9%	5.8%	
Itella Logistics	-3.9%	-3.8%	
Itella Russia	1.5%	2.6%	
OpusCapita	7.7%	8.5%	
Itella Group	**2.7%**	**2.6%**	
Operating result (EBIT), %			
Itella Mail Communications	4.5%	5.5%	
Itella Logistics	-6.2%	-7.8%	
Itella Russia	1.4%	2.1%	
OpusCapita	4.9%	6.4%	
Itella Group	**0.3%**	**0.5%**	

*) Non-IFRS = excluding non-recurring items

Capital expenditure

The Group's investments decreased from the previous year. The increase in fixed assets was EUR 57.5 (61.1) million, and EUR 5.0 (0.0) million was spent on acquisitions. Of the Group's investments, 85% were related to Finland. The financial reports of each business group present more detailed information on investments.

The business group invested EUR 24.4 (30.3) million in vehicles, production projects and parcel points in 2014. In April, a EUR 10 million project related to e-commerce warehousing and dispatch operations was launched at the Voutila logistics center in Vantaa.

Research and development

Research and development expenditure in 2014 was EUR 11.2 million, or 0.6% of the Group's total operating expenses. In 2013, the corresponding figures were EUR 11.3 million and 0.6%.

In 2014, Itella Mail Communications focused on long-term forecasts and the analysis of factors affecting the demand for and profitability of postal operations. In addition, Itella Mail Communications studied the progress made in electronic invoicing, the structure and digitization of letter traffic, the significance of e-commerce as a channel for shopping and the development of newspaper and magazine subscriptions in the near future. The development of new electronic services continued.

In the fall, a product-specific delivery experiment was carried out in six locations. During the experiment, products referred to in the Postal Act as universal service products, as well as newspapers and parcels, were delivered five days a week, as usual, whereas letters, advertisements and magazines sent by companies were not delivered in the experiment areas on Tuesdays.

The Group launched a new product for unaddressed advertising: since the beginning of March 2015, households have received advertisements and other unaddressed items in a separate wrapped bundle twice a week.

The delivery of online store goods was accelerated and expanded. Using the new web service, it is possible to check in parcels, in other words, to pay the postage fee and print out an address label for the parcel online.

Itella Russia analyzed available new advanced technology and invested in the development of warehouse management systems. With some customers, a voice-controlled goods picking system was implemented in warehouses, generating cost savings and improving productivity. In addition, the goods picking process in warehouses was developed.

OpusCapita continued the development of the new global multi-channel invoice processing platform and invested in the development of SaaS-based end-to-end solutions that support Purchase-to-Pay and Order-to-Cash processes.

Environmental impacts

The Group's environmental impacts are mainly related to greenhouse gas emissions. Posti has made a commitment to reduce its carbon-dioxide emissions by 30% by 2020, in relation to net sales (compared to 2007). This target and the related reporting system concern all business operations in all countries of operation.

Transport and emissions from vehicles represent over 80% of carbon-dioxide emissions in Finland. Fuel consumption and carbon-dioxide emissions are reduced by planning routes efficiently, combining deliveries and driving in an environmentally responsible manner. In 2013–2014, driving habit monitoring devices were installed in all 4,000 delivery and transport vehicles. The devices help to reduce fuel consumption and drive down carbon-dioxide emissions. What's more, it will be possible to set and monitor regional targets for both consumption and emissions. This will also cut down vehicle costs. With the devices, the Group can also invest in the improvement of occupational safety.

The Group's goal is also to cut electricity consumption by 2% and heat consumption by 3% annually until 2015. During the year, electricity consumption decreased by 6% and heat consumption by 4%.

In March, Posti will publish a corporate responsibility report for 2014 that includes more detailed information on environmental responsibility.

Financial position

The Group's cash flow from operating activities improved, amounting to EUR 93.2 (81.4) million before investments. The Group spent EUR 46.6 (40.8) million on investments and acquisitions. Business divestments had a positive effect of EUR 0.7 million on cash flow.

At the end of the year, the Group's liquid assets totaled EUR 186.7 (166.5) million, and unused credit facilities stood at EUR 150.0 (120.0) million. The Group's interest-bearing liabilities were EUR 295.5 (305.1) million. Equity ratio was 45.9% (47.5%), and gearing was 17.2% (21.1%).

Share capital and shareholding

Posti Group Corporation is wholly owned by the State of Finland. Its share capital consists of 40,000,000 shares of equal value. The company holds no treasury shares and does not have subordinated loans. No loans have been granted to related parties, and no commitments have been given on their behalf. The company has not issued shares, stock options or other rights with entitlement to company shares. The Board of Directors is not authorized to issue shares, stock options, or other rights with entitlement to company shares.

Administration and auditors

Itella Corporation's Annual General Meeting was held in Helsinki on March 25, 2014. The meeting adopted the 2013 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It also decided that the Board of Directors be composed of eight members. The Annual General Meeting re-elected the following members of the Board of Directors: Arto Hiltunen, M.Sc. (Econ.); Jussi Kuutsa, Country Director; Päivi Pesola, CFO; Riitta Savonlahti, Executive Vice President; and Suvi-Anne Siimes, Managing Director. The Annual General Meeting elected Mölnlycke Health Care's Global Supply Chain Planning Director Petri Järvinen, Google Deutschland GmbH's Director, Retail Petri Kokko and Senior Financial Specialist Marja Pokela from the Government Ownership Steering as new members of the Board of Directors.

Arto Hiltunen continued as the Chairman of the Board of Directors and Päivi Pesola as the Vice Chairman.

The Supervisory Board consists of twelve members. The Annual General Meeting re-elected Ritva Elomaa, MP (True Finns); Lars-Erik Gästgivars, MP (Swedish People's Party); Maria Guzenina, MP (Social Democratic Party); student Sari Moisanen (Left Alliance); Outi Mäkelä, MP (National Coalition Party); entrepreneur Reijo Ojennus (True Finns); Mauri Pekkarinen, MP (Centre Party); Raimo Piirainen, MP (Social Democratic Party); Tuomo Puumala, MP (Centre Party); Executive Manager Teuvo V. Riikonen (Christian Democrats); and Kimmo Sasi, MP (National Coalition Party) as members of the Supervisory Board. MP Satu Haapanen (the Greens of Finland) was elected as a new member of the Supervisory Board.

Mauri Pekkarinen continued as the Chairman of the Supervisory Board. Satu Haapanen was elected as the Vice Chairman.

The Annual General Meeting approved the Board of Directors' proposal regarding the dividend distribution. Dividends were not paid and the profit for the period was transferred to deductions from 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.

Employees

At the end of 2014, the Group had a total of 23,289 (25,877) permanent or part-time employees. The Group's average number of personnel was 24,617 (27,253). In full-time equivalents, this corresponds to 21,852 (23,712) person-years, including an average of 5,226 (5,650) person-years outside Finland.

Personnel distribution was as follows:

Itella Mail Communications	14,473 (16,633)
Itella Logistics	3,035 (3,211)
Itella Russia	2,919 (3,341)
OpusCapita	2,292 (2,121)
Group and other functions	570 (571)

At the end of 2014, a total of 5,264 (5,614) employees worked outside Finland. The number of employees working in Finland was 18,025 (20,263). The parent company had 360 (380) employees at the end of 2014. Its average number of employees was 361 (379).

Group personnel	2014	2013	2012
Salaries and wages, EUR million	684.7	713.4	713.8
Employees on December 31	23,289	25,877	27,816
Average number of employees	24,617	27,253	27,460

Salaries and wages paid by the Group decreased by EUR 28.7 million from the previous year. Personnel expenses included EUR 25.8 (17.5) million in restructuring costs. The operating result for the period included a provision of EUR 1.0 million for the cost of bonuses paid to employees. In addition, it included a provision for the annual incentive plan and the management's long-term incentive plan.

The company entered into 505 new permanent employment contracts in Finland in 2014. Personnel reductions amounted to 1,646 person-years. Out of this total, 741 person-years were related to production and finance and 59 person-years were reduced through voluntary resignation and pension plans. In addition, 846 person-years were related to acquisitions.

In January, 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. By the end of the year, 946 employees had applied for the program and 614 had been approved.

Changes in corporate structure

During the period under review, the holdings of Group's Russian real estate companies were transferred from Cyprus to Finland. The transfers regarding operative companies are being prepared. These changes are part of Posti Group's aim to simplify the company structure. Changes did not have an impact on Posti Group's result.

In March 2014, Posti sold its entire share capital in its associated company Porlogis Transitos e Logistica Lda. Posti's share in the company was 35%. The transaction did not have an impact on the Group's result.

On September 1, 2014, Centerfin Ltd merged with Global Mail FP Oy.

On October 1, 2014, Itella Holding GmbH merged with Posti Group Corporation.

On October 1, 2014, OpusCapita Group Ltd acquired Norian Regnskap AS and the group formed by it.

Events after the financial period

On January 26, 2015, cooperation negotiations were launched in OpusCapita's Finance and Accounting Outsourcing unit. The negotiations concern 34 permanent employees, and the estimated reduction need is nine employees at most.

Business risks

In 2014, risk management focused on the further improvement of the quality and extent of the risk management process. The expansion of insurance coverage and the systematic development of insuring was another focus area.

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.

The postal delivery licenses that have been issued allow for competition in addressed deliveries, but competition has not yet had an impact on the Group's result. The Finnish Government issued a postal delivery license to three of Posti's competitors. 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.

Strategic and operational risks

Continued economic recession may have an impact on the activities of companies and consumers and, consequently, on the volumes of products transported by Posti and demand for warehousing services 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.

Posti has held negotiations with newspaper publishers regarding the renewal of delivery agreements for the early-morning delivery of newspapers, as early-morning delivery has not been profitable under the current implementation and pricing, and with the current development of circulation volumes. During the year, the negotiations on seven early-morning delivery agreements ended without result and the agreements were terminated. During the third quarter, one new cooperation contract and two extension contracts were signed. With some customers, an agreement was reached on additional months. In the case of two newspaper publishers, delivery was transferred to a partner by a business transfer agreement. Any decisions by customers to discontinue cooperation with Posti may cause non-recurring costs in the short term if the capacity and general costs must be reduced.

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 2014, Posti continued to integrate the groupage logistics business operations that it had acquired in 2012 into its logistics business.

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 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. The parent company's ruble-denominated receivables are hedged in full and the currency position related to the operational transaction risk are hedged in part, in line with the financial policy. Due to the ruble's high interest level and the illiquidity of the ruble market, ruble hedging costs have increased significantly and the Group has, for the time being, terminated the hedging of the operational transaction risk and is also considering the full or partial termination of hedging related to the parent company's ruble-denominated receivables.

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.

Other risks:

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

In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability. The Safe Workplace project is underway at Posti in Finland to further develop the management of occupational safety risks related to employees. The aim of the project is to halve the number of accidents by 2018.

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

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

Outlook for 2015

Since the beginning of 2015, Posti Group's result is reported on the basis of the new business groups: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

The Group's business is characterized by seasonality. Net sales and operating result in the business groups 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. In Parcel and Logistics Services, the second half of the year is stronger.

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 remain on par with the previous year. However, the operating result for 2015 may continue to be burdened by 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.

Board of Directors' proposal for the distribution of profits

In the financial statements, the parent company's distributable funds total EUR 708,780,737.85, of which the profit for the 2014 financial period is EUR 139,103,492.13.

No material changes have taken place in the Group's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 2 of Chapter 13 of the Limited Liability Companies Act, affect the proposed distributable profit.

The Board of Directors proposes to the Annual General Meeting that no dividend be distributed.

Helsinki, February 12, 2015

Posti Group Corporation
Board of Directors

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated income statement

EUR million	Note	2014	2013
Net sales	1 3	**1,858.7**	**1,976.8**
Other operating income	4	12.6	18.2
Materials and services	5	526.7	572.2
Employee benefits	7	847.8	885.4
Depreciation and amortization	9	86.0	92.1
Impairment losses	9	4.4	24.3
Other operating expenses	10	400.5	411.1
Operating profit (EBIT)		**5.8**	**9.9**
Financial income	11	26.6	25.2
Financial expenses	11	-36.9	-37.6
Result before income tax		**-4.6**	**-2.4**
Income tax	12	0.2	10.1
Result for the financial period		**-4.4**	**7.7**

Consolidated statement of comprehensive income

Result for the financial period	-4.4	7.7
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets	0.3	0.2
Translation differences	-73.3	-28.0
Tax effect	-0.1	0.0
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains and losses	-5.4	-5.0
Tax effect	1.1	1.0
Comprehensive income for the financial period	**-81.9**	**-24.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	31 Dec 2014	31 Dec 2013
Non-current assets			
Goodwill	13	183.1	180.0
Other intangible assets	13	59.4	70.1
Investment property	14	11.0	12.4
Property, plant and equipment	15	516.4	625.5
Investments in associated companies	16	0.0	0.4
Other non-current investments	19	5.9	6.0
Non-current receivables	20	10.5	12.5
Deferred tax assets	21	16.0	20.6
Total non-current assets		**802.2**	**927.4**
Current assets			
Inventories	22	5.1	7.8
Trade and other receivables	23	268.5	311.0
Income tax receivables		1.7	1.8
Financial assets available-for-sale	24	0.3	0.7
Financial assets held to maturity	24	12.0	0.0
Financial assets at fair value through profit or loss	25	88.0	85.8
Cash and cash equivalents	26	98.7	81.0
Total current assets		**474.3**	**488.2**
Non-current assets classified as held for sale	27	**14.7**	**-**
Total assets		**1,291.3**	**1,415.6**

EUR million	Note	31 Dec 2014	31 Dec 2013
Equity			
Share capital	28	70.0	70.0
Contingency reserve	28	142.7	142.7
Fair value reserve	28	0.2	0.0
Translation differences	28	-94.6	-21.3
Retained earnings		455.6	464.4
Total equity		**573.8**	**655.8**
Non-current liabilities			
Deferred tax liabilities	21	31.6	43.7
Non-current interest-bearing loans	31	283.5	283.6
Other non-current liabilities	32	11.4	11.5
Non-current provisions	30	12.6	12.8
Defined benefit pension plan obligations	29	16.3	11.3
Total non-current liabilities		**355.4**	**362.8**
Current liabilities			
Current interest-bearing loans	31	12.0	21.5
Trade payables and other liabilities	32	343.9	357.8
Income tax payables		0.3	2.6
Current provisions	30	6.0	15.0
Total current liabilities		**362.1**	**397.0**
Total liabilities		**717.5**	**759.8**
Total equity and liabilities		**1,291.3**	**1,415.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	2014	2013
Result for the financial period		**-4.4**	**7.7**
Adjustments:			
Depreciation and amortization	9	86.0	92.1
Impairment losses	9	4.4	24.3
Gains on sale of intangible and tangible assets	4	-1.9	-6.6
Losses on sale of intangible and tangible assets	10	1.0	1.3
Financial income	11	-26.6	-25.2
Financial expense	11	33.1	35.6
Income tax	12	-0.2	-10.1
Other adjustments		3.6	-19.4
Cash flow before change in net working capital		**95.0**	**99.6**
Change in trade and other receivables		24.5	9.0
Change in inventories		2.3	-1.4
Change in trade payables and other liabilities		-13.1	-11.3
Change in net working capital		**13.7**	**-3.6**
Cash flow before financial items and income tax		**108.6**	**95.9**
Interests paid		-21.2	-20.6
Interests received		7.6	7.1
Other financial items		3.1	1.4
Income tax paid		-4.9	-2.4
Cash flow from financial items and income tax		**-15.4**	**-14.6**

Cash flow from operating activities		**93.2**	**81.3**
Purchase of intangible assets		-11.4	-6.2
Purchase of property, plant and equipment		-31.5	-34.6
Proceeds from sale of intangible and tangible assets		1.9	6.9
Business acquisitions	2	-3.6	0.0
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	2	0.7	12.5
Financial assets at fair value through profit or loss		0.2	-29.8
Financial assets held to maturity		-12.0	-
Cash flow from other investments		9.5	2.0
Cash flow from investing activities		**-46.3**	**-49.2**
Repayment of current loans	31	-12.5	0.0
Increases in non-current loans	31	0.2	-
Repayment of non-current loans		-	-25.1
Repayment of finance lease liabilities		-10.9	-7.4
Financial assets held to maturity	24	-	0.3
Dividends paid		-	-6.8
Cash flow from financing activities		**-23.2**	**-39.0**
Change in cash and cash equivalents		**23.7**	**-6.8**
Cash and cash equivalents at the beginning of the period	26	**81.0**	**90.3**
Effect of changes in exchange rates		-5.9	-2.5
Cash and cash equivalents at the end of the period	26	**98.7**	**81.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Contin-gency reserve	Fair value reserve	Trans-lation diffe-rences	Retained earnings	Total equity
Equity 1 Jan 2013	**70.0**	**142.7**	**-0.2**	**6.7**	**467.5**	**686.7**
Result for the financial period					7.7	7.7
Other items of comprehensive income:						
Change in fair value reserve			0.1			0.1
Change in translation differences				-28.0		-28.0
Actuarial gains and losses					-4.0	-4.0
Comprehensive income for the financial period			**0.1**	**-28.0**	**3.7**	**-24.1**
Transactions with equity holders						
Dividend distribution					-6.8	-6.8
Equity 31 Dec 2013	**70.0**	**142.7**	**0.0**	**-21.3**	**464.4**	**655.8**

EUR million	Share capital	Contin-gency reserve	Fair value reserve	Trans-lation diffe-rences	Retained earnings	Total equity
Equity 1 Jan 2014	**70.0**	**142.7**	**0.0**	**-21.3**	**464.4**	**655.8**
Result for the financial period					-4.4	-4.4
Other items of comprehensive income:						
Change in fair value reserve			0.2			0.2
Change in translation differences				-73.3		-73.3
Actuarial gains and losses					-4.3	-4.3
Comprehensive income for the financial period			**0.2**	**-73.3**	**-8.8**	**-81.9**
Equity 31 Dec 2014	**70.0**	**142.7**	**0.2**	**-94.6**	**455.6**	**573.8**

Notes to the Consolidated Financial Statements

Company information

Posti Group provides mail communications, logistics and financial accounting outsourcing services and operates in 11 countries. The Group's parent company, Posti Group Corporation, is domiciled in Helsinki, and its registered address is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

Posti Group Corporation has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, while adhering to the related IFRS/IAS standards, effective on December 31, 2014, and their SIC and IFRIC interpretations. The notes to the consolidated financial statements are also in compliance with Finnish accounting and company legislation.

The consolidated financial statements are prepared at historical cost, with the exception of financial assets and liabilities measured at fair value through profit or loss and non-current assets held for sale and available-for-sale financial assets. The consolidated financial statements are presented in millions of euros. The figures are rounded and thus the sum total of individual figures may be different than the total presented.

Consolidation Principles

Subsidiaries

The consolidated financial statements include the accounts of the parent company, Posti Group Corporation, and those of all of its subsidiaries. Subsidiaries refer to companies over which the Parent company exercises control, directly or indirectly, arising from the Group being exposed to or having right to variable returns from the subsidiary and having the ability to affect those returns through its power over the subsidiary.

Subsidiaries are consolidated from the date on which control is obtained until the control ceases. Intra-group shareholdings are eliminated using the purchase method and the resulting residual is allocated to the acquiree's assets and liabilities measured at fair value. Any excess of the cost of acquisition over the Group's interest in the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities are recognized as goodwill.

Intra-group transactions, receivables, liabilities and distribution of profits are eliminated in the consolidated financial statements. Comprehensive income attributable to the parent company's shareholder and non-controlling interests is presented in the consolidated statement of comprehensive income. Non-controlling interest is presented as a separate item within equity in the consolidated statement of financial position.

Associated companies

An associated company refers to an entity in which the Group holds more than 20 per cent of its shares and votes or, in other respects, over which the Group exercises significant influence, but not control. Holdings in associated companies are consolidated using the equity method. Investments in associated companies are recognized at cost as adjusted by post-acquisition changes in the Group's share of the associated company's net assets. The Group's share of associates company's results, based on the Group's interest in the associated company, is shown as a separate item before operating profit in the statement of comprehensive income.

Mutual property companies

Posti Group has holdings in property companies which are presented in accordance with the nature of the asset and included in buildings and land areas in the statement of financial position. Liabilities of the property companies are included in Group's liabilities.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional currency of the Group's parent company.

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date. While monetary items in the balance sheet are translated into euros using the exchange rate quoted on the balance sheet date, non-monetary items are translated using the exchange rate quoted on the transaction date, excluding items carried at fair value translated using the exchange rate quoted on the date when the fair value was determined. Any exchange gains or losses arising from business operations are recorded in the statement of comprehensive income under the respective items above operating profit and those arising from financial instruments are included in financial income and expenses.

If the subsidiaries' functional currency differs from the Group's presentation currency, their income statements and cash flows are be converted into euros using the average exchange rate quoted for the financial year, and their statements of financial position into the exchange rate on the balance sheet date. The translation difference arising from this is recognized in other items of comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognized in other comprehensive income. When the subsidiary is disposed of, any accumulated translation differences are recognized through profit or loss as part of gain or loss on disposal.

Goodwill resulting from the acquisition of foreign entities and the fair value adjustments of the carrying amounts of these entities' assets and liabilities made at the acquisition have been treated as the entity's assets and liabilities and translated into euros quoted on the balance sheet date. The goodwill resulting from acquisitions carried out before January 1, 2006, and fair value adjustments are recognized in euros.

In accordance with IAS 21, translation differences from net investments in foreign units are recorded under other items of comprehensive income. Net investments include also long-term loans granted by the Group to foreign units with unscheduled repayment and with unlikely repayment in the foreseeable future. As of October 1, 2009, intra-Group loan receivables from the Russian companies have been classified as long-term investments in compliance with IAS 21.

Revenue recognition

A significant portion of the Group's revenue is generated by the production of short-term services. Various delivery solutions form a significant portion of the Group's range of services. Revenue from services is recognized when the service in question has been performed in accordance with the agreement. Revenue from the sale of goods is recognized when the goods have been delivered to the customer, and the significant risks and benefits associated with the ownership of the goods have transferred to the buyer.

Net sales comprise the revenue generated by the sale of goods and services less the indirect taxes related to sales, discounts and foreign exchange differences.

Itella Mail Communications

Itella Mail Communications has its own shops which sell both letter and parcel services as well as goods. Itella Mail Communications offers customers daily postal services by providing delivery services for letters, advertisements, parcels and newspapers as well as by maintaining Post Offices across Finland. Revenue on sale of goods is recognized when goods are sold. Revenue on stamps (includes transport and delivery service) is recognized when they are sold. Net sales derived from the delivery of letters, publications, and direct marketing are recognized monthly on accrual basis. Services charged on an annual basis, such as post office boxes, net sales are recognized monthly in accordance with use.

The net sales of online shopping and parcel services are recognized per calendar month, based on the date of observation. The date of observation reflects the moment at which the first registration concerning a parcel was entered into the production system.

Itella Logistics

Itella Logistics offers freight and warehousing services. Net sales are based on agreements with customers. Revenue on freight services is recognized when the transportation service has been performed.

Revenue on warehousing services includes two components: processing and the rent for premises. Processing means collection done on behalf of a customer that is recognized on the basis of the number of occurrences. The rent for premises is recognized as income according to the space a customer's goods require (pallet meters per day) on accrual basis.

OpusCapita

The business group's net sales consist primarily of the volume-based invoicing of outbound services, electronic solutions, and financial management services. Sales are recognized on accrual basis during the month of production. Annual licenses related to electronic services are recognized during the period of license validity.

Government grants

Government grants mainly refer to product and business development grants and low-wage support, which are recognized in other operating income.

Other operating income

Other operating income includes capital gains on sale of assets and income other than that based on the sale of goods and services, such as rental income.

Employee benefits

Pensions

The majority of the Group's pension plans are classified as defined contribution plans. Contributions under defined contribution pension plans are recognized through profit or loss for the period during which the contributions are made. After the contributions have been paid, no pension obligations remain for the Group.

For defined benefit plans, the pension liability recognized in the balance sheet equals the present value of the defined benefit obligation, as adjusted for unrecognized past service costs, and reduced by the fair value of plan assets on the balance sheet date.

Expenses under both the defined contribution and defined benefit plans are included in employee benefit expenses in the statement of comprehensive income. Actuarial gains and losses on defined benefit pension plans are included in other items of comprehensive income.

Other operating expenses

Other operating expenses include lease expenses, voluntary personnel expenses, maintenance expenses related to premises and vehicles, expenses related to fuels and lubricants, as well as other production expenses. In addition, sales commissions paid to non-employees and other sales costs and marketing, entertainment, office and IT expenses are included in other operating expenses.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group applies the following definition: an operating profit is a net amount derived from net sales plus other operating income, less purchase expenses from which change in finished goods inventory and work in progress is subtracted, adjusted for expenses from production for own use, less employee benefit expenses, depreciation, amortization and any impairment losses, other operating expenses and the share of associated company's results. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations. Otherwise they are recognized in financial items.

Borrowing costs

Borrowing costs are expensed as incurred. Direct borrowing costs incurred by the acquisition, construction or manufacture of an asset that meets the conditions of IAS 23 are capitalized as part of the asset's acquisition cost. Loan-related transaction expenses clearly associated with a specific loan are included in the loan's original amortized cost and recognized as interest expenses using the effective interest method.

Income taxes

Income tax expense shown in the consolidated statement of comprehensive income includes Group companies' current income tax calculated on their profit for the financial year using the tax rate effective on the balance sheet date based on local tax regulations, as well as any tax adjustments for previous financial years and changes in deferred tax.

Deferred taxes are calculated on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases. The largest temporary differences arise from depreciation of property, plant and equipment, defined benefit pension plans, unused tax losses and fair value adjustments related to acquisitions.

The tax rate enacted by the balance sheet date or, in practice, confirmed by the closing date of the reporting period, is used to determine deferred tax. A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilized.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree on the date of acquisition.

Instead of amortization, goodwill is annually tested for impairment. For this purpose, goodwill is allocated to cash generating units (CGUs). After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved products and enterprise resource planning systems are capitalized as intangible assets. Asset is capitalized only if it is technically and commercially feasible and the Group has sufficient resources to complete the intangible asset and it is probable that the created asset will generate future economic benefits. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives.

Other intangible assets

A purchased intangible asset is initially recognized at cost. Intangible assets acquired through business combinations, such as intangible assets related to customers, marketing and technology, are carried at fair value on the date of acquisition. Intangible rights mainly comprise software licenses and customer portfolios, trademarks and leases acquired through business combinations. The Group's other intangible assets have definite economic lives, over which period they are amortized. The expected useful lives are as follows:

Software licenses 3-5 years
Customer portfolios 5-10 years
Trademarks 5 years
Leases 4 years

Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less any accumulated depreciation and impairment losses. PPE are depreciated on a straight-line basis over their expected useful lives. Land and water are not subject to depreciation.

The expected useful lives of PPE are as follows:

Production buildings 8-25 years
Office buildings 25-40 years
Structures 15 years
Machinery and equipment 3-13 years
Other tangible assets 3-10 years

If an asset under PPE constitutes several items with differing useful lives, each of them is accounted for as a separate asset. In such a case, the cost of replacing the item is recognized as an asset. Otherwise, subsequent costs, such as modernization and renovation project costs, are capitalized if it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Regular repair, maintenance and service costs are expensed as incurred. Assets' useful lives are reassessed on the balance sheet date and, if necessary, adjusted to meet the requirements of changed circumstances.

When an asset's carrying amount is expected to be recovered principally through a sale rather than through continuing use, it is classified as held for sale. An asset is classified as held for sale if its sale is highly probable and it is available and ready for immediate sale. Furthermore, the company's management must be committed to a plan to sell the asset within 12 months of classification as held for sale. Assets classified as held for sale are not subject to depreciation.

Investment property

Investment property refers to land or buildings, or part thereof, held for rental income or capital appreciation. It is measured at cost less accumulated depreciation and impairment losses. Buildings under investment property are depreciated on a straight-line basis over their expected useful lives, 30–40 years. Land included in investment property is not depreciated.

Leases

Leases on property, plant and equipment, in which substantially all risks and rewards of ownership transfer to the lessee, are classified as finance leases. Leases in which risks and rewards remain with the lessor are classified as operating leases.

The Group as lessee

Assets under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Lease obligations are included in interest-bearing liabilities. Leased assets are depreciated over their useful lives or shorter lease term. Finance lease payments are apportioned between interest expenses and reduction of the lease liability.

Operating lease payments are expensed in the statement of comprehensive income on a straight-line basis over the lease term.

The Group as lessor

Leases, for which the Group acts as a lessor and substantially all risks and rewards of ownership have transferred to the lessee, are accounted for as finance leases and recognized as receivables at the present value of investment. Finance lease income is recognized in such a way that the residual net investment generates the same return over the lease term.

Assets leased under operating leases are included in property, plant and equipment and depreciated over their useful lives in the same way as for similar assets in own use. Lease income is recorded on a straight-line basis through profit or loss over the lease term.

Inventories

After initial recognition, inventories are measured at the lower of cost or net realizable value. The cost is measured applying the average price method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Financial assets and liabilities

Financial assets are initially recognized at fair value. Their subsequent measurement depends on their classification. The Group's financial assets are classified according to IAS 39: financial assets recognized at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets available-for-sale. Classification of a financial asset is determined by the purpose for which the asset is purchased at the time of its original purchase. Transaction costs are included in the financial asset's original carrying amount, in the case of the financial asset is not carried at fair value through profit of loss. Purchases and sales of financial assets are recognized or derecognized at transaction settlement date.

The Group derecognizes a financial asset when its contractual right to the cash flows from the asset has expired or is forfeited, or it has transferred substantially all risks and rewards outside the Group.

Financial assets recognized through profit or loss include financial assets held-for-trading. Also derivative instruments which are not classified as hedging instruments qualified for hedge accounting are classified as held-for-trading. Investments in bonds and money-market instruments are measured at fair value on the balance sheet date, based on price quotes on the market on the balance sheet date, or valuation models based on observable market information. Financial assets held-for-trading are included in current assets. Any unrealized and realized gains or losses resulting from fair value changes are recognized through profit or loss during the period in which they occur.

Investments held-to-maturity are financial assets with fixed payments and fixed maturity, which the Group intends to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest-rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading. Loans and receivables are included in current and non-current assets and measured at amortized cost applying the effective interest-rate method. Trade and other receivables are recognized at cost, corresponding to their fair value and recorded under current assets.

Financial assets available-for-sale are non-derivatives designated in this asset category or not classified in any of the other asset categories. They are measured at fair value on the balance sheet date. Changes in fair value of the available-for-sale financial assets are recognized in other items of the comprehensive income, taking the related tax effect into account, and presented in the fair value reserve in equity. Changes in the fair value are recorded through profit or loss if the investment is sold or its value has decreased in such a way that an impairment loss must be recognized. Financial assets available-for-sale assets include equity fund investments measured at fair value on the balance sheet date as notified by the fund manager or at the latest available fair value.

Non-derivative financial liabilities are initially recognized based on the consideration received. Transaction costs are included in the initial carrying amount of financial liabilities. Subsequently, financial liabilities are measured at amortized cost applying the effective interest-rate method. The initial carrying amount of trade and other current liabilities equal their fair value, since the effect of discounting is not substantial considering the maturity of liabilities. Financial liabilities are included in both non-current and current liabilities.

Derivative contracts and hedge accounting

Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, their value is measured at their fair value on the balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract’s purpose of use. The income effect of the value changes of derivative contracts, which constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The Group recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet, or hedges of highly probable future business transactions (cash flow hedge) or as derivative contracts, which do not meet the conditions for applying hedge accounting.

When commencing hedge accounting, the Group documents the relationship between the hedged item and the hedge instruments as well as the objectives of the Group’s risk management and the strategy for carrying out hedging measures. When commencing hedging, and at least in connection with each closing of the books, the Group documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument’s ability to offset the fair value of the hedged item.

Changes in the fair value of derivatives that meet the conditions for and determined as fair-value hedges as well as changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognized in the income statement. The Group applies fair-value hedge accounting for hedging against fixed-rate loans. Changes in the fair value of a derivatives contract hedging against a fixed-rate loan and changes in fair value attributable to the interest rate risk of a hedged fixed-rate loan are presented in financial items.

Changes in the fair value of derivatives that meet the conditions for and determined as cash-flow hedges are recognized in other items of comprehensive income. The fair value changes of the hedging instruments are reclassified into profit or loss when the hedged item is recognized through profit or loss. The Group applies cash flow hedging for hedging against foreign exchange risk on commitments in foreign currencies. The gains or losses on hedging instruments are netted against the cost as the hedged item realizes. If a derivative contract classified as a cash flow hedging instrument expires or it is sold, or it no longer meets the conditions for hedge accounting, the accrued fair value gain or loss is carried in the equity until the projected business transaction occurs. However, if the projected business transaction is no longer expected to occur, the accrued fair value gain or loss is recognized trough profit or loss immediately.

The Group has for hedging purposes entered into certain derivative contracts for which hedge accounting is not applied. The Group does not apply hedge accounting as defined in IAS 39 for currency derivatives hedging against foreign exchange risk of currency denominated receivables and liabilities, or for electricity derivatives which are used for hedging against electricity price risk of future electricity purchases. These contracts have been classified as held for trading and changes in their fair value are recognized through profit or loss, and presented in financial items or other operating income or expenses, depending on the purpose of hedging.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is the market quotation on the balance sheet date and the fair value of interest-rate swaps is the present value of future interest cash flows. The fair values of electricity derivatives are based on the quoted market price on the reporting date.

Cash and cash equivalents

Cash and cash equivalents consist of cash, callable bank deposits and other short-term, highly liquid investments that can be easily exchanged for a pre-determined amount of cash and that involve a very small risk of changes in value. The money-market investments classified as the Group's cash and cash equivalents have a maximum maturity of three months.

Provisions and contingent liabilities

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for restructuring are recognized when the related, detailed and official plan has been approved and disclosed.

A contingent liability is a potential liability based on previous events. It depends on the realization of an uncertain future event beyond the Group's control. Contingent liabilities also include obligations that will most likely not require the fulfillment of a payment obligation or the amount of which cannot be reliably determined. Contingent liabilities are disclosed in the Notes to the Consolidated Financial Statements.

Fair Value Measurement

The Group measures financial assets and liabilities held for trading purposes, financial assets available-for-sale, derivatives, as well as assets and liabilities acquired through a business combination at fair value. Also assets held-for-sale are carried at fair value if the fair value is lower than book value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy as follows:

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 observable market data.

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment testing

An impairment test is performed on non-current asset which is depreciated during its economic lifetime if there is any indication that its carrying value exceeds the recoverable amount. However, goodwill is subject to an annual impairment test and factors having an impact on testing are reviewed during the financial period. For this purpose, goodwill is allocated to cash generating units, i.e. to the lowest level for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets. Posti Group's cash generating units are presented in the Notes.

The recoverable amount is the fair value of the asset less costs to be incurred in selling or a higher cash flow-based value in use. Value in use refers to estimated future net cash flows from an asset or a cash generating unit, discounted to their present value. If the asset's carrying amount exceeds its estimated recoverable amount, an impairment loss is recognized through profit or loss. The impairment loss on a cash generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then reduce the carrying amounts of the unit's other assets on a pro rata basis.

Impairment losses of tangible assets previously charged to expenses are reversed only if circumstances have changed and the asset's recoverable amount has changed from the date of impairment loss recognition. An impairment loss is reversed only to the extent that the reversal does not increase the asset's carrying amount above the asset's carrying amount if no impairment loss had been recognized. Impairment losses on goodwill are not reversed.

Critical accounting estimates and judgments in applying accounting policies

Preparing the consolidated financial statements in compliance with IFRS requires that Group management make certain estimates and judgments in applying the accounting policies. These estimates and assumptions are based on the management's best knowledge of current events and actions, but the actuals may differ from the estimates and assumptions stated in the financial statements. The most significant matter, in which the management uses estimates described above, is impairment testing of goodwill.

Goodwill is annually tested for any impairment in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units (CGUs) are based on calculations of value in use, whose preparation requires estimates and assumptions regarding aspects such as discount rate, long-term market growth and business profitability. Sensitivity analysis is prepared in order to assess the changing component's impact to the results. During the year, the management also assesses whether there is an indication of an impaired asset.

In connection with business combinations, the acquired entity's assets are measured at fair value. In significant business combinations, the Group has consulted external specialists in evaluating the fair values of the tangible and intangible assets. Allocating the total purchase consideration to intangible assets and goodwill is partly based on an estimate. Determining assets' depreciation/amortization periods is based on the estimated useful lives of the assets. Any contingent purchase consideration for a business combination is recognized as part of acquisition cost based on management's estimate.

The carrying amounts of property, plant and equipment are based on the cost of acquisition and the related asset depreciation according to the asset's useful life. The assets' useful lives and their adjustment to meet the requirements of changed circumstances are based on estimates and assumptions. The carrying amounts of the tangible and intangible assets will be annually evaluated in the connection of fixed assets physical inventory.

Posti Group's revenue recognition is not considered to involve material discretionary items.

Application of new or amended IFRS-standards

In these financial statements the Group has applied the following new or amended standards and interpretations:

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (revised). The new IFRS 10 replaced the portion of IAS 27 that addressed the accounting for consolidated financial statements. The revised IAS 27 is limited to separate financial statements. IFRS 10 has changed whether an entity is consolidated by revising the definition of control. The new standard requires more comprehensive assessment of control than the previous standard, and disclosures on the assessment and the conclusions which have been made. The new standard has not had an impact on the Group's financial statements.

IFRS 11 Joint arrangements, IAS 28 Investments in Associates and Joint Ventures (revised). The new standard replaced the standard IAS 31 and the SIC-13 interpretation. IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. The new standard has not had an impact on the Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities. The new standard defines the disclosure requirements relating to subsidiaries, joint arrangements, associates and structured entities. In accordance with the new standard, the disclosures on these entities in consolidated financial statements have increased.

IAS 19 Employee Benefits, Defined Benefit Plans: Employee Contributions (amendment). The amendment clarifies the requirements that relate to how contributions from employees are accounted for. The amendment has not had an impact on the Group's financial statements.

IAS 32 Offsetting Financial Assets and Liabilities (amendment). The amendments to IAS 32 clarify the offsetting criteria and related definitions. The amendments have not had a material impact on Group's financial statements.

IAS 36 Recoverable amount Disclosures for Non-Financial Assets (amendment). The amendments have clarified the disclosure requirement in respect of fair value less cost of disposal. In addition, the amendment has increased disclosure requirements about certain assets carried at fair value. The amendments have not had a material impact on Group's financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (amendment). The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument. The amendments have not had a material impact on Group's financial statements.

The Group will apply the following new or amended standards as they become effective:

IFRS 9 Financial Instruments. The new standard will change the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. The Group estimates that the new standard will have an impact of classification and measurement of financial instruments and hedge accounting. The new standard will be applicable to financial periods beginning on or after 1 January 2018. The standard has not yet been endorsed to be applied within the EU.

IFRS 15 Revenue from contracts with customers. The new standard defines how and when revenue from contracts with customers is recognized. The standard also entails increased disclosures on revenue from customer contracts. The Group estimates that the new standard may change the revenue recognition principles of certain services. The new standard will be applicable to financial periods beginning on or after 1 January 2017. The standard has not yet been endorsed to be applied within the EU.

IFRS 11 Joint arrangements (amendment). The amendment specifies the treatment of acquisitions of an interest in a joint operation in which the activity constitutes a business. The amendment will be applicable to financial periods beginning on or after 1 January 2016. The amendment has not yet endorsed to be applied within the EU.

IAS 16 Property, Plant and Equipment (amendment) and **IAS 38 Intangible assets** (amendment). The amendments entail clarification of acceptable methods of depreciation and amortization. The amendment will be applicable to financial periods beginning on or after 1 January 2016. The amendment has not yet endorsed to be applied within the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1. OPERATING SEGMENTS

Group reporting segments consist of four operating segments: Itella Mail Communications, Itella Logistics, Itella Russia and OpusCapita. The Group's operating segments are based on the various services and products they offer, which is why they are managed as separate entities. The President and CEO is the chief operating decision maker, responsible for allocating resources to operating segments and the evaluation of the segments' results. The operating segments are also reporting segments.

Other operations and unallocated items consist of centralized Group functions supporting the business, and of investment properties. Unallocated items include tax and financial items, as well as corporate items.

In internal management reporting, the segments' performance assessment is based on the operating result and return on invested capital. Items allocated to the segments include non-current and current operating assets and liabilities, including non-interest bearing liabilities and provisions. Operating items are items the segment uses in its operations or that may be reasonably allocated to the segments. Capital expenditure consists of additions of tangible and intangible assets.

The valuation and accrual principles used in the internal management reporting are IFRS-compliant. Inter-segment sales are conducted at market prices.

Itella Mail Communications

Itella Mail Communications' main mission is to offer multi-channel postal services related to sending and receiving mail, staying in touch with friends and family, managing contact information and doing business. For businesses, Itella Mail Communications provides and develops new services for marketing. Itella Mail Communications has operations in Finland and Estonia.

Itella Logistics

Itella Logistics supports and develops the business of its customers by providing them with service logistics solutions for road, sea and air freight, warehousing and other contract logistics. Customers may outsource an individual element of their logistics process, or even their entire supply chain, to Itella Logistics. Itella Logistics has operations in eight countries and it provides global services through its partners.

Itella Russia

Itella Russia has provided comprehensive logistics services for biggest Russian and international companies for over 15 years in Russia - and is a market leader in warehousing. Services cover also road, air, sea and rail transport, as well as custom clearance and logistics for eCommerce.

OpusCapita

OpusCapita provides streamlining financial processes through automation solutions and business process outsourcing solutions. The aim is to help clients create even more efficient and high-quality business operations. OpusCapita has over

11,000 customers in Europe, and the solutions are used in over 50 countries. OpusCapita has operations in nine countries.

2014

EUR million	Itella Mail Commu-nications	Itella Logis-tics	Itella Russia	Opus-Capita	Seg-ments total	Other opera-tions and un-allocated	Elimi-nations	Group total
External sales	1,067.9	372.3	171.7	246.8	1,858.6	0.1		1,858.7
Inter-segment sales	65.1	214.0	0.4	12.8	292.3	41.6	-333.8	-
Net sales	1,133.0	586.2	172.0	259.6	2,150.9	41.6	-333.8	1,858.7
Share of associated companies' results	-	-	-	0.0	0.0	-	-	0.0
Operating result	51.2	-36.5	2.4	12.7	29.8	-24.0	-	5.8
Financial income and expense	-	-	-	-	-	-10.4	-	-10.4
Profit/loss for the period before taxes								-4.6
Investments in associated companies	-	-	-	0.0	0.0	-	-	0.0
Assets	457.9	299.9	149.3	171.7	1,078.8	231.7	-33.9	1,276.6
Non-current assets classified as held for sale	-	-	-	-	-	14.7	-	14.7
Liabilities	277.1	77.3	18.4	42.1	414.8	336.5	-33.9	717.5
Capital expenditure	24.4	12.6	2.6	5.8	45.5	12.1	-	57.5
Depreciation and amortization	34.1	17.5	13.8	6.6	72.0	14.0	-	86.0
Impairment losses	-	3.7	-	0.7	4.4	-	-	4.4
Personnel at period-end	14,473	3,035	2,919	2,292	22,719	570	-	23,289

2013

EUR million	Itella Mail Commu-nications	Itella Logis-tics	Itella Russia	Opus-Capita	Seg-ments total	Other opera-tions and un-allocated	Elimi-nations	Group total
External sales	1,096.1	426.0	205.4	249.2	1,976.7	0.1		1,976.8
Inter-segment sales	59.4	215.7	0.2	14.2	289.5	54.3	-343.8	0.0
Net sales	1,155.5	641.8	205.6	263.4	2,266.3	54.4	-343.8	1,976.8
Share of associated companies' results	-	0.0	-	0.0	0.0	-	-	0.0
Operating result	64.0	-50.1	4.3	17.0	35.2	-25.3	-	9.9
Financial income and expense						-12.3		-12.3
Profit/loss for the period before taxes								-2.4
Investments in associated companies	-	0.3	-	0.0	0.4	-	-	0.4
Assets	478.4	333.5	258.8	172.6	1,243.4	209.5	-37.3	1,415.6
Liabilities	264.9	83.8	37.2	42.7	428.6	368.5	-37.3	759.8
Capital expenditure	30.3	11.3	8.2	3.7	53.4	7.7	-	61.1
Depreciation and amortization	36.2	22.4	18.3	7.2	84.1	8.0		92.1
Impairment losses	3.3	21.0	-	-	24.3	-	-	24.3
Personnel at period-end	16,633	3,211	3,341	2,121	25,306	571	-	25,877

Geographical areas

Group operates in four geographical areas: Finland, Scandinavia, Russia and Other countries. Geographical area's net sales are determined by the geographical location of the Group's customer. Assets are presented according to their geographical location, and they include non-current assets except Group goodwill, deferred tax assets and financial instruments. Finland is the only individual country that generates a material part of the Group's net sales. Group’s customer base consists of a large number of customers over several market areas, therefore sales to any single customer does not make up a significant part of the Group’s net sales.

2014

EUR million	Finland	Scan-dinavia	Russia	Other count-ries	Total
Net sales	1,358.8	211.5	171.8	116.5	1,858.7
Non-current assets	456.8	19.3	114.9	16.4	607.4

2013

EUR million	Finland	Scan-dinavia	Russia	Other count-ries	Total
Net sales	1,406.5	236.1	205.5	128.8	1,976.8
Non-current assets	476.8	23.8	196.0	17.5	714.3

2. ACQUIRED BUSINESSES AND BUSINESS DIVESTMENTS

Acquired businesses 2014

Posti Group's subsidiary, OpusCapita Group Oy, acquired the Norwegian based financial accounting outsourcing company Norian Group on 1 October 2014. The acquisition strengthened OpusCapita's position as the leading service provider in the Nordic countries.

The acquisition cost was EUR 5.0 million, of which the contingent earn-out component reconized in long-term liabilities is EUR 1.9 million. The expenses of the consultation and valuation services related to the preparatory phases of the transaction are recognized under other operating expenses. In the acquisition, 175 employees were transferred to OpusCapita.

Goodwill arising from the acquisition, totaling EUR 4.2 million, is generated by the substantial synergies in products, services and clientele. Had the acquired business been combined in the consolidated financial statements as of the beginning of the 2014, the Group's net sales in 2014 would have been EUR 8,0 million higher and its results would have decreased by EUR 0.5 million.

Analysis of net assets acquired

Effect on assets

EUR million	Fair value
Intangible assets	1.2
Property, plant and equipment	0.2
Deferred tax assets	0.1
Receivables	1.8
Cash and cash equivalents	0.0
Effect on assets	**3.3**

Effect on liabilities

EUR million	
Deferred tax liability	0.4
Non-current liabilities	0.4
Trade payables and other liabilities	1.9
Effect on liabilities	**2.6**
Net assets acquired	**0.7**

Components of acquisition cost

EUR million	
Purchase price	3.1
Earn-out consideration (estimated)	1.9
Total cost of acquisition	**5.0**
Fair value of net assets acquired	0.7
Goodwill	**4.2**

Cash flow effect of the acquisition

EUR million	
Purchase price paid in cash	3.7
Cash and cash equivalents of the acquired subsidiary	0.0
Cash flow	**-3.6**

Business divestments in 2014

The Group sold its Mediapankki-business to Multiprint Oy on 1 September 2014. The transaction did not have a material effect on Group's financial statements.

Acquired businesses 2013

No business acquisitions were carried out during the year 2013.

Business divestments in 2013

Posti Group Corporation sold the entire share capital of Itella Bank Ltd to the Finnish Savings Bank Group in April 2013. Itella Bank Ltd's 29 employees transferred from Posti Group to Bank of Savings Banks Ltd. Gain on disposal EUR 1.6 million was recognized in other operating income.

Net assets sold

EUR million	30.4.2013
Deposit certificates and other receivables	18.3
Cash and cash equivalents	1.9
Liabilities to the public and public sector entities and other liabilities	-7.7
Net assets	**12.5**
Consideration for the divestment	14.1
Gain on disposal	**1.6**

Effect on cash flow

EUR million	
Consideration paid in cash	14.1
Cash and cash equivalents of the divested company	-1.9
Effect on cash flow	**12.2**

OpusCapita sold its printing business in Poland to PostNord in August 2013. As a result of the transaction, 50 employees were transferred from Posti Group to PostNord. The Group recognized a loss on disposal totaling EUR 0.2 million in other operating expenses.

Posti Group Corporation sold its entire shareholding in Logia Software Oy to the management of the company in September 2013. The gain on disposal totaling EUR 0.3 million was recognized in other operating income.

3. NET SALES

EUR million	2014	2013
Sales of services	1,831.9	1,944.4
Sales of goods	16.4	21.7
Sales of licenses	10.5	10.7
Total	**1,858.7**	**1,976.8**

4. OTHER OPERATING INCOME

EUR million	2014	2013
Gains on sale of property, plant and equipment	1.1	4.5
Rental income	6.4	8.3
Rents from investment property	1.8	0.8
Gains on sale of subsidiaries and businesses	1.3	2.0
Other operating income	2.0	2.6
Total	**12.6**	**18.2**

Gains on disposal of property, plant and equipment consists of the sale of real estate shares as well as the sale of buildings, land and other items of property, plant and equipment. Rental income consists mainly of rents for the Group's buildings and flats.

5. MATERIALS AND SERVICES

EUR million	2014	2013
Purchases	34.3	37.4
External services	492.4	534.8
Total	**526.7**	**572.2**

External services consists mainly of purchased subcontracting services for production such as freight, forward and transport services.

6. NON-RECURRING ITEMS

EUR million	2014	2013
Personnel restructuring	25.8	17.5
Impairment of goodwill	0.0	5.3
Impairment of purchase price allocations	0.0	12.5
Logistics - restructuring and asset impairments	8.6	0.0
OpusCapita - restructuring and asset impairments	4.8	0.5
Gains on disposals of subsidiaries and businesses	-1.3	-2.0
Other	7.0	6.7
Total	**45.0**	**40.5**

Extraordinary events outside regular operations are regarded as non-recurring items which are allocated to segments. The Group's non-recurring items include reorganization costs, impairment on goodwill and impairment on purchase price allocations generated in business combinations. Also significant sales gains or losses on sale of shares, properties or business operations, and changes in purchase consideration for business combinations after the date of acquisition are defined as non-recurring items. Non-recurring items related to personnel restructuring are included in employee benefits expense.

7. EMPLOYEE BENEFITS

EUR million	2014	2013
Wages and salaries	684.7	713.4
Pensions (defined contribution plans)	103.3	107.4
Pensions (defined benefit plans)	0.6	0.5
Other social expenses	59.3	64.1
Total	**847.8**	**885.4**

Employee benefits

More detailed information on defined benefit pension plans can be found in Note 29.
Employee benefit expense includes EUR 25.8 (17.5) million of personnel restructuring costs.

Group’s employees are involved in the Group’s profit sharing scheme. In Finland, the annual profit bonuses are transferred to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group’s financial success. The profit share is determined on the basis of Group’s result. The proposed profit share to be distributed for 2014 is EUR 1.0 (1.2) million.

The Group’s experts and managers are involved in the performance-based bonus scheme. The bonus is based on the Group's, the unit's and the team's financial indicators and on personal or team-specific performance indicators. Posti confirms annually the threshold values for these indicators.

Decisions concerning long-term incentive schemes are made by the Board of Directors on the recommendation of the Remuneration and Nomination Committee. Long-term incentive schemes are rolling 3-year programs. The schemes include the Executive Board as well as key employees per scheme named by the Board of Directors. The schemes have been implemented in accordance with the guidelines by the state-owner concerning the remuneration of executive management, issued on 13 August 2012.

8. RESEARCH AND DEVELOPMENT COSTS

EUR million	2014	2013
R&D costs charged to expenses	7.6	8.4
Amortization on development costs	3.6	2.9
Total	**11.2**	**11.3**

9. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

EUR million	2014	2013
Amortization on intangible assets		
Development costs	0.5	0.2
Intangible rights	17.1	21.9
Total	**17.7**	**22.2**
Impairment losses on intangible assets		
Impairment losses on goodwill	-	5.3
Impairment losses on intangible rights	2.1	10.7
Total	**2.1**	**16.0**
Depreciation on tangible assets		
Buildings and structures	22.4	24.7
Investment properties	0.7	0.3
Machinery and equipment	33.7	35.9
Assets leased under finance lease	10.6	8.2
Other tangible assets	1.0	0.8
Total	**68.4**	**69.9**
Impairment losses on tangible assets		
Impairment losses on land and water	-	0.2
Impairment losses on buildings	2.4	8.0
Impairment losses on machinery and equipment	-	0.1
Total	**2.4**	**8.3**
Total depreciation, amortization and impairment losses	**90.4**	**116.4**

Goodwill is not amortized on regular basis. Instead, goodwill is tested for impairment annually and whenever there are indications for impairment. More information about impairment testing of goodwill is presented in Note 13.

10. OTHER OPERATING EXPENSES

EUR million	2014	2013
Rental expenses	119.3	125.3
Voluntary employee expenses	20.2	20.0
Losses on disposal of property, plant and equipment	1.0	1.3
IT operating costs	85.4	85.7
Facility maintenance expenses	45.4	49.6
Other operating expenses	129.3	129.3
Total	**400.5**	**411.1**

Other operating expenses contain costs of administration, traveling, fuel, marketing as well as other production costs.

Auditors' remuneration		
Audit	0.5	0.6
Tax advisory	0.0	0.1
Other services	0.1	0.2
Total	**0.6**	**0.9**

11. FINANCIAL INCOME AND EXPENSES

Financial income

EUR million	2014	2013
Dividends	0.1	0.1
Interest income		
Financial assets at fair value through profit or loss	5.7	5.1
Loans and receivables	1.7	1.3
Assets held to maturity	0.0	-
Financial assets available-for-sale	0.0	0.1
Gains on disposal of financial assets at fair value through profit or loss	0.0	0.0
Gains on disposal of available-for-sale assets	0.0	-
Changes in fair value of financial assets at fair value through profit or loss		
Investments	0.5	-
Exchange rate gains		
Interest-bearing receivables and liabilities	2.0	-
Currency derivatives, non-hedge accounting	15.5	16.6
Change in fair value of the hedged loan	1.0	2.1
Total	**26.6**	**25.2**

Financial expense

EUR million	2014	2013
Interest expense		
Financial liabilities at amortized cost	12.9	13.1
Financial liabilities at fair value through profit or loss	3.4	4.4
Other financial expenses on financial liabilities at amortized cost	0.8	0.9
Losses on disposal of financial assets at fair value through profit or loss	0.2	-
Losses on disposal of available-for-sale assets	0.2	-
Changes in fair value of financial assets at fair value through profit or loss		
Investments	-	0.5
Interest rate derivatives, hedge accounting	0.9	2.1
Exchange rate losses		
Interest-bearing receivables and liabilities	13.3	8.9
Currency derivatives, non-hedge accounting	5.2	7.8
Total	**36.9**	**37.6**

12. INCOME TAX EXPENSE

EUR million	2014	2013
Current tax	1.6	4.5
Tax for previous years	1.0	-0.3
Deferred tax	-2.8	-14.3
Total	**-0.2**	**-10.1**
Reconciliation of tax charge at Finnish tax rate (20 %)		
Profit or loss before tax and associates' results	-4.6	-2.4
Income tax at parent company's tax rate	-0.9	-0.6
Effect of foreign subsidiaries' tax rates	-1.8	-0.2
Non-deductible expenses and other differences	0.9	1.7
Tax-exempt income	-2.4	-3.6
Tax from previous years	1.0	-0.3
Effect of changes of tax rates on deferred tax	-2.6	1.5
Unrecognized deferred tax asset on losses for the financial period	5.6	2.4
Changes in deferred tax assets for previous years' losses	0.0	-11.1
Tax charge in the consolidated income statement	**-0.2**	**-10.1**
Effective tax rate	3.4%	418.2%

13. INTANGIBLE ASSETS

2014

EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total
Cost on 1 Jan	238.3	238.1	26.1	9.1	511.6
Translation differences and other adjustments	3.7	-16.8	-	-	-13.1
Acquired businesses	4.2	1.1	-	-	5.3
Additions	-	4.2	-	8.3	12.4
Disposals	-	-12.7	-	-	-12.7
Transfers between items	-	5.1	3.0	-8.1	0.0
Cost on 31 Dec	**246.2**	**218.9**	**29.1**	**9.2**	**503.5**
Accumulated amortization and impairment losses 1 Jan	-58.3	-174.7	-25.1	-3.4	-261.5
Translation differences and other adjustments	-4.8	10.6	-	-	5.8
Amortization for the financial period	-	-16.0	-0.5	-	-16.6
Impairments	-	-1.4	-	-	-1.4
Accumulated amortization on disposals and transfers	-	12.7	-	-	12.7
Accumulated amortization and impairment losses 31 Dec	**-63.1**	**-168.9**	**-25.6**	**-3.4**	**-261.0**
Carrying amount on 1 Jan	**180.0**	**63.4**	**1.0**	**5.8**	**250.1**
Carrying amount on 31 Dec	**183.1**	**50.0**	**3.5**	**5.9**	**242.4**

2013

EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total
Cost on 1 Jan	242.7	239.9	25.8	8.6	517.0
Translation differences and other adjustments	-4.7	-6.7	0.1	0.3	-11.0
Acquired businesses	0.0	-	-	-	0.0
Sale of businesses	-0.4	-0.4	-	-	-0.8
Additions	0.7	0.9	-	4.6	6.1
Disposals	-	-	-	-	-
Transfers between items	-	4.4	0.3	-4.4	0.3
Cost on 31 Dec	**238.3**	**238.1**	**26.1**	**9.1**	**511.6**
Accumulated amortization and impairment losses 1 Jan	-55.8	-149.2	-24.9	-	-229.8
Translation differences and other adjustments	2.8	2.9	-	-	5.7
Sale of businesses	-	0.3	-	-	0.3
Amortization for the financial period	-	-21.9	-0.2	-	-22.1
Impairments	-5.3	-10.5	-	-3.4	-19.1
Accumulated amortization on disposals and transfers	-	3.6	-	-	3.6
Accumulated amortization and impairment losses 31 Dec	**-58.3**	**-174.7**	**-25.1**	**-3.4**	**-261.5**
Carrying amount on 1 Jan	**186.9**	**90.8**	**0.9**	**8.6**	**287.1**
Carrying amount on 31 Dec	**180.0**	**63.4**	**1.0**	**5.8**	**250.1**

Intangible rights include customer relationships acquired in business combinations as well as brands, licenses, and applications.

Goodwill allocation

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

EUR million	2014	2013
Itella Mail Communications	8.4	8.4
OpusCapita	104.1	100.9
Itella Logistics: Road and Air & Sea, Finland	57.7	57.8
Itella Logistics: Contract Logistics, Finland	12.9	12.9
Total	**183.1**	**180.0**

The result of the goodwill impairment testing in 2014

In the third quarter of 2014, the Group performed an impairment test on each cash-generating unit containing goodwill. Posti Group does not have other intangible assets with unlimited useful life. The impairment test did not result in recognition of impairment.

Impairment testing and sensitivity analysis

The recoverable amount of the CGU's is based on the value-in-use method. The value-in-use is based on forecasted discounted cash flows. Cash flow forecasts are prepared for a three-year period and they are based on strategic plans. The forecasts and the assumptions about the development of the business environment are in line with the current business structure and approved by the management. The key assumptions influencing the cash flow forecasts are the long-term market growth, market positions and the profitability level. Investments are expected to be ordinary replacement investments. The tests were performed applying the euro-exchange rates of the foreign currencies on the testing date.

The terminal value beyond three years of cash-generating units is based on a moderate growth rate expectation of +0% – +2.0% (0% – +2.0%). The specific features of each cash-generating unit have been taken into account in the expectations.

Weighted average cost of capital (WACC) before taxes determined for each CGU has been used as discount rate. The calculation components are risk-free interest rate, market risk premium, beta for business area, target capital structure, the cost of debt and the country-specific risks. The basis for the risk-free discount rate was derived from the State bond rate. The discount rates decreased in comparison with previous year which is mainly attributable to decrease in risk-free interest rates.

The table below shows the key outcomes and the parameters used in testing. The corresponding figures for the previous period are given in parentheses.

	Value-in-use exceeds carrying amount, MEUR	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Itella Mail Communications	377 (541)	3.9 (5.6)	0.0 (0.0)	6.8 (8.5)	4.0 (5.9)
OpusCapita	359 (209)	9.8 (8.7)	2.0 (2.0)	7.6 (8.8)	10.5 (8.0)
Itella Logistics: Road and Air & Sea, Finland	155 (185)	2.8 (3.7)	2.0 (2.0)	7.0 (8.9)	3.4 (4.8)
Itella Logistics: Contract Logistics, Finland	29 (40)	7.7 (13.4)	2.0 (2.0)	7.0 (8.9)	7.8 (16.3)

Preparation of a sensitivity analysis was not considered necessary with regard to Itella Mail Communications, OpusCapita, and the Road and Air & Sea cash generating units of Itella Logistics, since the recoverable amounts clearly exceeded the balance sheet value of the tested assets.

A sensitivity analysis was performed on the Contract Logistics, Finland cash generating unit by determining which key parameter values would produce a carrying amount that would equal the recoverable amount (value-in-use). The parameters used in the analyses were EBIT margin average, terminal year growth, discount rate and terminal year EBIT margin. The analysis was carried out by changing the values of a single parameter while leaving the others constant. The table below indicates the limits within which the carrying amount and value-in-use are equal.

	EBIT margin average, %	Terminal growth rate, %	Discount rate, %	Terminal year EBIT margin, %
Itella Logistics: Contract Logistics, Finland	6.1	0.3	8.4	5.9

14. INVESTMENT PROPERTY

EUR million	2014	2013
Cost 1 Jan	17.3	7.7
Disposals	-1.2	-
Transfers between items	0.0	9.6
Cost on 31 Dec	**16.1**	**17.3**
Accumulated depreciation and impairment losses 1 Jan	-4.9	-4.6
Depreciation for the financial period	-0.7	-0.3
Accumulated depreciation on disposals	0.5	-
Impairments	-	-
Accumulated depreciation and impairment losses 31 Dec	**-5.1**	**-4.9**
Carrying amount on 1 Jan	**12.4**	**3.1**
Carrying amount on 31 Dec	**11.0**	**12.4**

On December 31, 2014, the fair value of investment property totaled EUR 17.9 (18.7) million. Fair values are based on an external real estate agent's appraisal. In 2014 rental income from investment property totaled EUR 1.8 (0.8) million and maintenance charges amounted to EUR 0.4 (0.2) million.

15. PROPERTY, PLANT AND EQUIPMENT

2014

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on 1 Jan	83.0	617.7	455.2	11.9	10.1	1,177.9
Translation differences and other adjustments	-12.1	-66.9	-26.7	-0.1	-1.4	-107.3
Acquired businesses	-	-	0.2	-	-	0.2
Additions	-	8.8	10.1	0.7	27.2	46.9
Disposals	-4.2	-12.5	-44.1	-0.0	-	-60.8
Transfers between items	-	-	25.4	-	-25.4	0.0
Cost on 31 Dec	**66.8**	**547.1**	**419.9**	**12.5**	**10.5**	**1,056.9**
Accumulated depreciation and impairment losses 1 Jan	-0.2	-256.6	-287.2	-8.5	-	-552.4
Translation differences and other adjustments	-	17.0	21.5	0.1	-	38.5
Depreciation for the financial period	-	-20.8	-42.9	-1.0	-	-64.7
Impairment	-	-2.3	-	-	-	-2.3
Accumulated depreciation on disposals and transfers	-	-1.9	42.3	-	-	40.4
Accumulated depreciation and impairment losses 31 Dec	**-0.2**	**-264.5**	**-266.4**	**-9.4**	**-**	**-540.5**
Carrying amount on 1 Jan	**82.8**	**361.1**	**168.0**	**3.4**	**10.1**	**625.5**
Carrying amount on 31 Dec	**66.6**	**282.6**	**153.6**	**3.2**	**10.5**	**516.4**

2013

EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on 1 Jan	88.5	605.3	432.6	10.9	50.0	1,187.3
Translation differences and other adjustments	-4.0	-24.3	-8.3	-0.1	-0.4	-37.2
Acquired businesses	-	-	-	-	-	0.0
Sold businesses	-	-	-	-	-	0.0
Additions	0.3	0.9	24.9	0.7	28.0	54.9
Disposals	-0.4	-10.0	-18.3	-0.1	-	-28.7
Transfers between items	-1.4	45.9	24.3	0.5	-67.5	1.6
Cost on 31 Dec	**83.0**	**617.7**	**455.2**	**11.9**	**10.1**	**1,177.9**
Accumulated amortization and impairment losses 1 Jan	-	-236.9	-267.3	-7.7	-	-511.9
Translation differences and other adjustments	-	5.0	7.6	0.0	-	12.6
Sold businesses	-	-	-	-	-	0.0
Amortization for the financial period	-	-24.7	-44.1	-0.8	-	-69.6
Impairment	-0.2	-7.9	-0.1	-	-	-8.2
Accumulated amortization on disposals and transfers	-	7.9	16.8	-	-	24.7
Accumulated amortization and impairment losses 31 Dec	**-0.2**	**-256.6**	**-287.2**	**-8.5**	**-**	**-552.4**
Carrying amount on 1 Jan	**88.5**	**368.4**	**165.3**	**3.2**	**50.0**	**675.4**
Carrying amount on 31 Dec	**82.8**	**361.1**	**168.0**	**3.4**	**10.1**	**625.5**

Property, plant and equipment include the following assets leased under finance lease:

2014

EUR million	Machinery and equipment
Cost on 31 Dec	74.4
Accumulated depreciation 31 Dec	-31.6
Carrying amount on 31 Dec	**42.7**

2013

EUR million	Machinery and equipment
Cost on 31 Dec	68.7
Accumulated depreciation 31 Dec	-29.1

Carrying amount on 31 Dec	**39.6**

In 2014, additions to assets leased under finance leases totaled EUR 14.4 (20.2) million.

16. ASSOCIATED COMPANIES

EUR million	2014	2013
Carrying amount on 1 Jan	0.4	0.4
Translation differences	0.0	0.0
Disposals	-0.3	0.0
Share of associated companies' results	0.0	0.0
Investments in associated companies on 31 Dec	**0.0**	**0.4**

The associated companies' carrying value does not include goodwill.

2014

EUR million	Assets	Liabilities	Net sales	Profit	Group's Holding %
BPO4U AB	0.7	0.6	3.6	-0.0	50.0
Total	**0.7**	**0.6**	**3.6**	**-0.0**	

2013

EUR million	Assets	Liabilities	Net sales	Profit	Group's Holding %
BPO4U AB	1.3	1.2	5.3	0.1	50.0
Porlogis-Transitos e Logistika Lda	1.5	0.6	3.3	0.0	35.0
Total	**2.8**	**1.8**	**8.5**	**0.0**	

17. FINANCIAL ASSETS AND LIABILITIES

2014

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and recei-vables	Assets held to maturity	Financial assets available-for-sale	Financial liabi-lities at amortized cost	Carry-ing value	Fair value
Non-current financial assets							
Non-current receivables	3.9	4.1	-	-	-	8.0	8.0
Current financial assets							
Trade and other receivables	-	198.4	-	-	-	198.4	198.4
Financial assets available-for-sale	-	-	-	0.3	-	0.3	0.3
Financial assets at fair value through profit or loss	88.0	-	-	-	-	88.0	88.0
Financial assets held to maturity	-	-	12.0	-	-	12.0	12.0
Cash and cash equivalents	60.2	38.6	-	-	-	98.7	98.7
Total	**152.0**	**241.1**	**12.0**	**0.3**	**-**	**405.4**	**405.4**
Non-current financial liabilities							
Interest-bearing liabilities	-	-	-	-	283.5	283.5	295.9
Current financial liabilities							
Interest-bearing liabilities	-	-	-	-	12.0	12.0	12.0
Trade payables and other liabilities	0.9	-	-	-	51.2	52.0	52.0
Total	**0.9**	**-**	**-**	**-**	**346.7**	**347.5**	**359.9**

2013

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and recei-vables	Assets held to maturity	Financial assets available-for-sale	Financial liabi-lities at amortized cost	Carry-ing value	Fair value
Non-current financial assets							
Non-current receivables	4.8	4.6	-	0.0	-	9.4	9.4
Current financial assets							
Trade and other receivables	0.0	234.1	-	0.0	-	234.1	234.1
Financial assets available-for-sale	0.0	0.0	-	0.7	-	0.7	0.7
Financial assets at fair value through profit or loss	85.8	0.0	-	0.0	-	85.8	85.8
Cash and cash equivalents	46.7	34.3	-	0.0	-	81.0	81.0
Total	**137.3**	**273.0**	**-**	**0.7**	**-**	**411.1**	**411.1**
Non-current financial liabilities							
Interest-bearing liabilities	-	-	-	-	283.4	283.4	296.0
Current financial liabilities							
Interest-bearing liabilities	-	-	-	-	21.5	21.5	21.5
Trade payables and other liabilities	1.6	-	-	-	60.2	61.8	61.8
Total	**1.6**	**-**	**-**	**-**	**365.2**	**366.8**	**379.3**

18. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

2014

Financial assets at fair value	**Fair values at the end of the period**			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-current receivables				
Derivatives				
Interest rate swaps, hedge accounting	3.9		3.9	
Financial assets at fair value through profit or loss				
Money market investments	104.3		104.3	
Bonds	41.7	32.0	9.7	
Derivatives				
Currency forwards, non-hedge accounting	2.2		2.2	
Electricity forwards, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Equity fund investments	0.3			0.3
Total	**152.3**	**32.0**	**120.1**	**0.3**

Financial liabilities at fair value	**Fair values at the end of the period**			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables				
Derivatives				
Currency forwards, non-hedge accounting	0.2		0.2	
Electricity forwards, non-hedge accounting	0.6	0.6		
Total	**0.9**	**0.6**	**0.2**	**-**

No transfers between fair value hierarchy levels 1 and 2 were made during 2014 or 2013. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parametres change materially.

2013

Financial assets at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-current receivables				
Derivatives				
Interest rate swaps, hedge accounting	4.8		4.8	
Trade and other receivables				
Derivatives				
Currency forwards, hedge accounting	0.0		0.0	
Financial assets at fair value through profit or loss				
Money market investments	69.3		69.3	
Bonds	50.5	39.6	10.8	
Derivatives				
Currency forwards, non-hedge accounting	0.3		0.3	
Electricity forwards, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Debt certificates				
Equity fund investments				0.7
Total	**124.9**	**39.7**	**85.2**	**0.7**

Financial liabilities at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables				
Derivatives				
Currency forwards, non-hedge accounting	0.5		0.5	
Currency forwards, hedge accounting	0.0		0.0	
Electricity forwards, non-hedge accounting	1.1	1.1		
Total	**1.6**	**1.1**	**0.5**	**0.0**

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 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 other data than verifiable market data regarding the asset group or liability.

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 valuing forward contracts at the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted 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 prices on the reporting date.

Reconciliation of Level 3 financial assets

2014

EUR million	Investments in equity funds
Carrying amount 1 Jan	0.7
Profits and losses:	
In income statement	-0.2
In other comprehensive income	0.3
Exercises	-0.5
Carrying amount 31 Jan	0.3
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.0

2013

EUR million	Investments in equity funds
Carrying amount 1 Jan	0.8
Profits and losses:	
In income statement	0.0
In other comprehensive income	0.2
Exercises	-0.2
Carrying amount 31 Jan	0.7
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.1

19. OTHER NON-CURRENT INVESTMENTS

EUR million	2014	2013
Cost on 1 Jan	7.3	7.3
Additions	0.0	0.1
Disposals	-0.2	0.0
Cost on 31 Dec	**7.1**	**7.3**
Accumulated depreciation and impairment losses 1 Jan	-1.3	-1.3
Accumulated depreciation and impairment losses 31 Dec	**-1.3**	**-1.3**
Carrying amount on 1 Jan	6.0	6.0
Carrying amount on 31 Dec	**5.9**	**6.0**

Other non-current investments consist mainly of holdings in companies not related to main businesses of the Group.

20. NON-CURRENT RECEIVABLES

EUR million	2014	2013
Derivatives, hedge accounting	3.9	4.8
Loan receivables	3.9	4.3
Finance lease receivables	0.2	0.2
Other receivables	2.5	3.1
Total	**10.5**	**12.5**

Loan receivables include a subordinated loan of EUR 3.1 million. The interest on the loan is dependent on the financial results of the debtor and payment terms are subordinate to other creditors.
Other receivables consist mainly of regular sales accruals and prepayments.

Finance lease receivables: minimum lease income

EUR million	2014	2013
Less than 1 year	0.1	0.1
1–5 years	0.2	0.3
More than 5 years	-	-
Minimum lease income	0.3	0.4
Future interest income	-0.0	-0.0
Total	**0.2**	**0.3**

Maturity of finance lease receivables

EUR million	2014	2013
Less than 1 year	0.1	0.1
1–5 years	0.2	0.2
More than 5 years	-	-
Total	**0.2**	**0.3**

The Group has leased out a property on a finance lease contract. The interest rate is 6 per cent.

21. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2014

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded trough profit or loss	Recorded through other comprehensive income	Other changes	31.12.
Pension obligations	**2.3**	0.0	0.0	-0.1	1.1		**3.2**
Unused tax losses	**0.9**	0.0		-0.4			**0.4**
Impairment on real estate shares	**2.6**						**2.6**
Restructuring provision	**2.9**	-0.2		-0.1			**2.6**
Other temporary differences	**11.9**	-3.6		-1.5		0.3	**7.2**
Total	**20.5**	**-3.8**	**0.0**	**-2.2**	**1.1**	**0.3**	**16.0**

Deferred tax liabilities 2014

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded trough profit or loss	Other changes	31.12.
Fair value measurement of intangible and tangible assets in acquisition	**24.3**	-7.4	0.4	-1.8		**15.4**
Accumulated depreciation in excess of plan	**14.2**			-3.3		**10.9**
Other temporary differences	**5.2**	-0.6	0.0	0.2	0.4	**5.2**
Total	**43.7**	**-8.0**	**0.4**	**-5.0**	**0.4**	**31.6**

Deferred tax assets 2013

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded trough profit or loss	Recorded through other comprehensive income	31.12.
Pension obligations	**2.1**			-0.8	1.0	**2.3**
Unused tax losses	**1.3**	0.0		-0.4		**0.9**
Impairment on real estate shares	**2.6**					**2.6**
Restructuring provision	**5.1**	0.0		-2.1		**3.0**
Other temporary differences	**2.7**	-1.0		10.1		**11.8**
Total	**13.8**	**-1.1**	**0.0**	**6.8**	**1.0**	**20.5**

Deferred tax liabilities 2013

EUR million	1.1.	Translation difference	Acquired/ Divested subsidiaries	Recorded trough profit or loss	Other deductions	31.12.
Fair value measurement of intangible and tangible assets in acquisition	**33.9**	-2.6	0.0	-7.0		**24.3**
Accumulated depreciation in excess of plan	**13.7**			0.6		**14.2**
Other temporary differences	**6.5**	-0.2	-0.1	-1.0		**5.2**
Total	**54.1**	**-2.8**	**-0.1**	**-7.5**	**0.0**	**43.7**

On 31 December 2014, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 93.7 (111.9) million, mainly arising from businesses in Scandinavia. Previously unrecognized deferred tax assets on unused tax losses recognized in 2014 amounted to EUR 0.0 (11.2) million.

22. INVENTORIES

EUR million	2014	2013
Materials and supplies	0.7	1.2
Goods	3.8	5.3
Advance payments for inventories	0.6	1.3
Total	**5.1**	**7.8**

23. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

EUR million	2014	2013
Finance lease receivables	0.1	0.1
Loan receivables	0.1	0.1
Trade receivables	195.3	220.8
Trade receivables from associated companies	0.6	0.8
Accrued income and prepayments	70.0	76.7
Other receivables	2.4	12.5
Total	**268.5**	**311.0**

More information on trade receivables is provided in note 35 Financial risk management. Other receivables mainly include credit card receivables from banks and financing companies.

The largest item under accrued income and prepayments includes EUR 28.4 (27.9) million accrued terminal rate receivables from other postal administrations. Other accrued income and prepayments include ordinary sales accruals and prepaid expenses.

24. FINANCIAL ASSETS AVAILABLE-FOR-SALE AND FINANCIAL ASSETS HELD TO MATURITY

Financial assets available-for-sale

EUR million	2014	2013
Equity fund investments	0.3	0.7

Financial assets held to maturity

EUR million	2014	2013
Debt certificates	12.0	-

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR million	2014	2013
Derivatives, non-hedge accounting	2.2	0.3
Money market investments	44.1	35.0
Bonds	41.7	50.5
Total	**88.0**	**85.8**

26. CASH AND CASH EQUIVALENTS

EUR million	2014	2013
Money market investments	60.2	34.3
Cash and bank	38.6	46.7
Total	**98.7**	**81.0**

27. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

Non-current assets classified as held for sale

EUR million	2014	2013
Buildings and land	14.7	-
Total	**14.7**	**-**

Assets classified as held for sale includes real estates which are being used in warehouse business in Scandinavia, but are intended to be sold during 2015. There are no associated liabilities to these assets.

28. EQUITY

Shares and shareholders

EUR million	2014	2013
Share capital	70.0	70.0

The Finnish State holds all Posti Group Corporation's shares totaling 40.000.000. Other reserves include assets transferred from the share premium under restricted equity to the contingency reserve based on the AGM's decision in 1998, when Finland PT Group demerged. In accordance with the Articles of Association the contingency reserve is a distributable reserve. The change of fair value of available-for-sale financial assets and valuation of derivatives hedging foreign currency risk of rental expenses are recognized in the fair value reserve. Translation differences include the differences resulting from the translation of foreign units' financial statements and net investments in foreign currencies. Consolidated Statement of Changes in Equity contains additional information on equity changes.

29. PENSION LIABILITIES

Main characteristics of the defined benefit pension plans

The Group applies several pension plans in different countries, managed according to the local regulations and practice effective in each country. The Group's defined benefit pension schemes are related to Finnish insured voluntary pension plans. The plans are voluntary plans supplementing statutory pensions. Funded plans are insurance policies and the assets of the plan are part of the investment assets of the insurance company. The insurance covers the old-age pension, and the level of benefits provided depends usually on the employee's salary level and the length of service.

The Group is exposed to the various risks of the defined benefit plans. As the discount rates applied in measuring the defined benefit obligation are determined based on yields of corporate bonds, the Group is exposed to the related interest-rate risk. Since the majority of plans entail life time benefits to the members, the increase in the life expectancy for pensioners increases the Group's liability. Certain plans are also adjusted to inflation and higher inflation increases the present value of the plan. The majority of the plan assets are not affected by the inflation; consequently higher inflation increases the deficit of the plan.

Defined benefit pension liabilities in the balance sheet

EUR million	2014	2013
Present value of funded obligations	89.7	78.0
Fair value of plan assets	-73.5	-66.8
Deficit/Surplus	**16.3**	**11.3**

Defined benefit pension expenses in the income statement and statement of comprehensive income

Income statement

EUR million	2014	2013
Current service costs	0.3	0.2
Interest costs	0.3	0.2
Total	**0.6**	**0.5**

Statement of comprehensive income

EUR million	2014	2013
Actuarial gains (-) and losses (+)	5.4	5.0

Changes in the present value of the pension obligation

EUR million	2014	2013
Obligation at the beginning of the period	78.0	74.7
Current service costs	0.3	0.2
Interest costs	0.5	0.4
Curtailments	0.0	-0.2
Paid benefits	-5.8	-1.8
Acquired in business combinations	0.3	0.0
Actuarial gains (-) and losses (+) on changes in actuarial assumptions	13.3	2.3
Experience-based adjustments	3.2	2.3
Obligation at the end of the period	**89.8**	**78.0**

Changes in the fair value of the plan assets

EUR million	2014	2013
Fair value of the plan assets at the beginning of the period	66.8	66.5
Return on plan assets	0.1	0.2
Paid benefits	-5.8	-1.8
Employer contributions	1.3	2.5
Curtailment	0.0	-0.2
Actuarial gains (+) and losses (-)	11.0	-0.4
Fair value of the plan assets at the end of the period	**73.5**	**66.8**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 0.4 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 12.1 years.

Key actuarial assumptions and sensitivity analysis

	2014	2013
Discount rate	1.75	3.25
Future salary increase assumption	0-2	0–2
Future pension increase expectation	2.1	2.1

		Change in defined benefit liability			
	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-436,662	-2.74%	456,562	2.86%
Salary increase rate	0.25%	30,135	0.19%	-29,813	-0.19%
Pension increase rate	0.25%	2,524,305	15.84%	-2,454,780	-15.40%

	Increase by one year		Decrease by one year	
Life expectancy at birth	722,554	4.53%	-690,614	-4.33%

The above analysis is based on a change in an assumption while holding all other assumptions constant.

30. PROVISIONS

2014

EUR million	Restructuring provision	Provision for damage	Other	Total
Carrying amount on 1 Jan	12.6	14.4	0.7	27.8
Translation difference		-5.4		-5.4
Increase in provisions	6.4		2.7	9.0
Used provisions	-2.7	-7.5	-0.1	-10.3
Unused amounts reversed	-2.6			-2.6
Carrying amount on 31 Dec	**13.7**	**1.6**	**3.3**	**18.6**

2013

EUR million	Restructuring provision	Provision for damage	Other	Total
Carrying amount on 1 Jan	18.6	28.7	1.7	48.9
Translation difference	-	-3.2	-	-3.2
Increase in provisions	3.2	-	0.2	3.4
Used provisions	-6.2	-11.1	-1.1	-18.4
Unused amounts reversed	-2.9	-	-	-2.9
Carrying amount on 31 Dec	**12.6**	**14.4**	**0.7**	**27.8**

EUR million	2014	2013
Long-term provisions	12.6	12.8
Short-term provisions	6.0	15.0
Total	**18.6**	**27.8**

Restructuring provisions are primarily related to the statutory labor negotiations conducted during 2009–2011 and 2013-2014. A significant portion of the long-term personnel expense provisions in the Group's Finnish companies is the employer's liability component within the unemployment insurance contribution towards the Unemployment Insurance Fund. Approximately 50% is expected to be realized during 2015, and another 50% in 2016–2017.

31. INTEREST-BEARING LOANS

EUR million	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
Non-current				
Bonds	251.3	263.6	252.0	296.0
Finance lease liabilities	32.1	32.1	31.4	31.4
Other	0.1	0.1	0.1	0.1
Total	**283.5**	**295.9**	**283.6**	**327.5**
Current				
Loans from financial institutions	0.0	0.0	-	-
Pension loans	-	-	12.5	12.5
Finance lease liabilities	11.8	11.8	9.0	9.0
Other	0.2	0.2	0.0	0.0
Total	**12.0**	**12.0**	**21.5**	**21.6**

Finance lease liabilities: minimum lease payments

EUR million	2014	2013
Less than 1 year	13.1	10.6
1–5 years	33.3	31.1
More than 5 years	0.7	1.8
Minimum lease payments total	47.1	43.6
Future interest expenses	-3.2	-3.1
Total	**43.9**	**40.5**

Present value of minimum lease payments:

EUR million	2014	2013
Less than 1 year	11.8	9.5
1–5 years	32.1	30.9
More than 5 years	0.0	0.0
Total	**43.9**	**40.5**

Finance leases consist mainly of leased transport-, production- and IT-equipment. Duration of leasing contracts is typically 3–10 years.

32. TRADE PAYABLES AND OTHER NON-INTEREST-BEARING LIABILITIES

Other non-current liabilities

EUR million	2014	2013
Other liabilities	6.5	7.2
Other accrued expenses	4.9	4.3
Total	**11.4**	**11.5**

Trade payables and other current liabilities

EUR million	2014	2013
Financial liabilities measured at fair value:		
Derivative contracts, non-hedge accounting	0.9	1.6
Derivative contracts, hedge accounting	-	0.0
Financial liabilities at amortized cost:		
Trade payables	51.0	63.2
Advances received	40.1	33.7
Accrued personnel expenses	148.0	149.0
Other accrued expenses and deferred income	47.7	46.8
Other liabilities	56.3	63.5
Current non-interest-bearing liabilities	**343.9**	**357.8**

The most significant item within other accrued expenses and deferred income is estimated payables for terminal payments to other Postal administrations, totaling EUR 10.0 (15.0) million. The remaining items comprise ordinary accruals of expenses.

33. OPERATING LEASES

Maturity of minimum lease payments:

EUR million	2014	2013
Less than 1 year	78.5	82.7
1–5 years	145.5	151.2
More than 5 years	39.9	54.2
Total	**263.8**	**288.1**

The income statement includes EUR 119.3 (125.3) million expenses for operating lease agreements. The Group has leased e.g. premises, office equipment and vehicles. The lease period for office equipment and vehicles varies between 2 and 5 years and that for premises until 10 years.

Maturity of minimum lease payment receivables:

EUR million	2014	2013
Less than 1 year	1.4	2.2
1–5 years	0.3	0.3
More than 5 years	2.0	1.6
Total	**3.7**	**4.2**

The Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months. The lease of As Oy Kirjekyyhky's site will expire in 2050.

34. PLEDGES, COMMITMENTS AND OTHER LIABILITIES

EUR million	2014	2013
Pledges given on own behalf:		
Bank guarantee	7.5	8.3
Guarantee	4.0	4.9
Pledges	0.8	0.1
Total	**12.2**	**13.2**

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.

In accordance with the environmental permit, the Group is subject to environmental liability regarding the cleanup of land in the Pohjois-Pasila office lot. The liability amounts to approximately EUR 19.9 million and it will be realized in course of construction of these building lots. The Group estimates that the constrution will take place within 8-15 years, depending on the market development of office premises.

35. FINANCIAL RISK MANAGEMENT

Principles of risk management

The target of financial risk management is to secure adequate and competitive financing for executing the Group's operative businesses and strategy and to minimize the effects of market risks in Group's financial results, financial position and cash flows. The Group aims to identify risk concentrations and hedge against them to necessary extent. The Group's business involves financial risks, such as market, liquidity, credit and counterparty risks. Of Group's commodity risks, the price risk related to electricity is monitored actively, and managed with electricity derivatives.

Risk management organization

Group Treasury is responsible for the centralized management of finances and financial risks in line with the financing guidelines approved by the Board of Directors. Group Treasury is responsible for the entire Group's currency, interest rate, liquidity and refinancing risk management in close co-operation with the business areas. The business areas are responsible for the identification, management and reporting of the financial risks associated with their operations to Group Treasury. Credit risk related to customer receivables is managed by the sales organizations of the business areas. The Group's sourcing unit is responsible for managing the price risk of electricity.

Market risks

Currency risks

The goal of currency risk management is to reduce the Group's currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group's transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks related to the balance sheet. Unhedged exposure is permitted within the limits specified in the Group's financing policy. Loans granted by the parent company to subsidiaries are primarily in the subsidiary's domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. On the balance sheet date, Posti Group had external currency derivatives with a nominal value of EUR 47.9 million used to hedge against the currency risk associated with loans, receivables and commitments. The Group is exposed to translation risk in connection with investments in subsidiaries outside the euro zone. The objective of translation risk management is to ensure exchange rate fluctuations do not cause any material changes in the Group's gearing. On the balance sheet date, the Group did not hedge against translation risk.

Due to high volatility and weakening of the ruble, the Group has taken the development of the Russian ruble and ruble markets under particular observation. As defined in the Group's treasury policy, equity investments in Russian subsidiaries are not hedged. The ruble-denominated receivables of the parent company have been fully hedged and operative currency positions subject to transaction risk have been partially hedged as per the Group's treasury policy. However, the hedging costs have increased due to the high interest rates and low liquidity of the ruble markets, so that the Group has quit hedging of operative transaction risks and also considers, either fully or partially, giving up hedging of the ruble-denominated receivables of the parent company.

Major transaction risk positions of financial instruments on the balance sheet date

2014 EUR million	EUR-companies RUB	DKK	SEK	NOK	PLN	RUB-companies USD
Trade receivables and payables	-0.2	-0.2	0.2	-0.2	0.0	0.5
Loans and bank accounts*)	11.8	13.3	3.1	0.3	1.6	0.0
Derivatives	-11.8	-13.2	-3.0	-0.3	-1.5	
Open position	-0.2	-0.1	0.2	-0.2	0.1	0.5

2013 EUR million	EUR-companies RUB	DKK	SEK	NOK	PLN	RUB-companies USD
Trade receivables and payables	0.0	0.0	-0.1	-0.4	-0.7	-1.0
Loans and bank accounts*)	32.1	4.1	14.0	5.4	2.4	0.1
Derivatives**)	-32.1	-4.0	-14.1	-5.4	-2.3	9.6
Open position	0.0	0.0	-0.2	-0.4	-0.6	8.7

*) Includes cash and cash equivalents, interest-bearing receivables and liabilities
**) Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on balance sheet items denominated in other than functional currencies of the group companies on the balance sheet date. The analysis includes solely the currency risks related to the financial instruments. Based on the analysis, strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR -0.7 (0.2) million on the Group's profit before tax. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR 0.1 (0.9) million on the Group's profit before tax.

Major translation risk positions on the balance sheet date

2014 EUR million	RUB	SEK	NOK	PLN
Net investment	120.4	23.8	16.2	6.8
Hedging	-	-	-	-
Open position	120.4	23.8	16.2	6.8

2013 EUR million	RUB	SEK	NOK	PLN
Net investment	193.7	28.8	16.1	6.5
Hedging	-	-	-	-
Open position	193.7	28.8	16.1	6.5

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest-bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. The average interest-rate fixing period for the debt portfolio is determined in the financing policy. The objective of interest rate risk management related to liquid funds is to minimize the effect of interest rate movements on the fair value of the funds. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged through interest rate swaps, interest rate options and forward rate agreements.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 295.5 million and interest-bearing receivables to EUR 196.5 million. On the balance sheet date, all of the Group's interest-bearing loans were subject to fixed interest rates. The loans were partly hedged by an interest-rate swap. The interest rate risk of the fixed rate bond issued by Posti Group Corporation for nominal value EUR 70 million is hedged by an interest rate swap. The Group applies fair value hedge accounting to the interest-rate swap hedging the loan. The hedge effectiveness is monitored monthly. During financial year 2014 the hedging has been effective.

Interest-bearing receivables and debt according to interest rate fixing

2014

EUR million	**Less than 1 year**	**1–5 years**	**More than 5 years**	**Total**
Interest-bearing receivables	-162.7	-33.8	-	-196.5
Bond	-	251.3	-	251.3
Finance lease liabilities	11.8	32.1	-	43.9
Other liabilities	0.2	0.1	-	0.3
Net debt	-150.8	249.7	-	98.9
Impact of interest-rate swaps	70.0	-70.0	-	0.0
Total	**-80.8**	**179.7**	**-**	**98.9**

2013

EUR million	Less than 1 year	1–5 years	More than 5 years	Total
Interest-bearing receivables	-125.5	-38.7	-2.3	-166.5
Bond	-	252.0	-	252.0
Pension loans	12.5	-	-	12.5
Finance lease liabilities	9.0	29.6	1.8	40.5
Other liabilities	-	0.1	-	0.1
Net debt	-103.9	243.0	-0.5	138.6
Impact of interest-rate swaps	70.0	-70.0	-	0.0
Total	**-33.9**	**173.0**	**-0.5**	**138.6**

A change of 1 percentage point in the interest rate at the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR -0.3 (1.1) million.

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs electricity derivatives to reduce the price risk related to electricity procurement. The Group uses standardized listed derivative products as hedging instruments. The derivatives are used for hedging purposes only, but hedge accounting as defined in the IFRS is not applied.
The Group has prepared a sensitivity analysis on open electricity derivatives at reporting date. A fluctuation of 10 percentage points in electricity price would have an impact of EUR 0.3 million (2013: EUR 0.5 million) on the Group's profit before taxes.

Derivative contracts

2014

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	47.9	1.9	2.2	-0.2
Interest rate derivatives:				
Interest rate swaps, hedge accounting	70.0	3.9	3.9	-
Electricity derivatives:				
Electricity forwards, non-hedge accounting	4.1	-0.6	0.0	-0.6

2013

EUR million	Nominal value	Net fair value	Positive fair value	Negative fair value
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	95.6	-0.2	0.3	-0.5
Currency forward contracts, hedge accounting	9.8	0.0	0.0	0.0
Interest rate derivatives:				
Interest rate swaps, hedge accounting	70.0	4.8	4.8	-
Electricity derivatives:				
Electricity forwards, non-hedge accounting	6.5	-1.0	0.0	-1.1

Derivative instruments are used to hedge against currency, interest rate and electricity price risk. Currency forward contracts are measured at fair value using the forward rates at the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts. The fair value of electricity derivatives is based on market prices on the reporting date.

Offsetting of financial instruments

Derivative assets	2014	2013
Derivative assets, reported as gross amount	6.0	5.2
Related derivative liabilities subject to master netting agreements	0.2	0.3
Net amount	**5.8**	**4.8**

Derivative liabilities	2014	
Derivative liabilities, reported as gross amount	0.9	1.6
Related derivative liabilities subject to master netting agreements	0.2	0.3
Net amount	**0.6**	**1.3**

Derivative agreements are subject to offsetting in the case of default, insolvency or bankruptcy of the counterparty. Derivative agreements have not been offset in the statement of financial position.

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 150 million, maturing in 2019, and a non-binding commercial paper program of EUR 200 million.

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 334.5 (286.5) million. Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200 (200) million.

Contractual cash flows from financial liabilities, including interests

2014

EUR million	2015	2016	2017	2018	2019–	Total
Bonds	11.2	161.2	104.6	-	-	**277.0**
Finance lease liabilities	13.1	33.3	0.0	0.0	0.7	**47.1**
Other liabilities	0.0	0.1	-	-	-	**0.2**
Trade payables	51.0	-	-	-	-	**51.0**
Derivatives:						
Interest rate derivatives, cash flows payable	1.0	1.0	-	-	-	**2.0**
Interest rate derivatives, cash flows receivable	-3.1	-3.1	-	-	-	**-6.1**
Currency derivatives, cash flows payable	0.1	-	-	-	-	**0.1**
Currency derivatives, cash flows receivable	-2.5	-	-	-	-	**-2.5**
Electricity derivatives, cash flows payable	2.4	1.2	0.5	-	-	**4.1**
Total	**73.2**	**193.7**	**105.1**	**0.0**	**0.7**	**372.8**

2013

EUR million	2014	2015	2016	2017	2018–	Total
Bonds	11.2	11.2	161.2	104.6	-	288.2
Pension loans	12.7	-	-	-	-	12.7
Finance lease liabilities	10.6	31.0	0.1	0.0	1.8	43.6
Other liabilities	-	0.1	-	-	-	0.1
Trade payables	60.2	-	-	-	-	60.2
Derivatives:						
Interest rate derivatives, cash flows payable	1.1	1.1	1.1	-	-	3.3
Interest rate derivatives, cash flows receivable	-3.1	-3.1	-3.1	-	-	-9.2
Currency derivatives, cash flows payable	0.7	-	-	-	-	0.7
Currency derivatives, cash flows receivable	-0.1	-	-	-	-	-0.1
Electricity derivatives, cash flows payable	2.9	2.4	1.2	-	-	6.5
Total	**96.2**	**42.7**	**160.5**	**104.6**	**1.8**	**405.9**

Pension loans are secured with bank guarantees. Other loans have no security. Finance lease liabilities are in fact secured liabilities since, in default of payment, rights to the leased property transfer back to the lessor.

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with a high credit rating, as well as bank deposits. Posti Group makes derivative contracts only with solvent banks and credit institutions. The book value of investments and derivative contracts corresponds to the maximum amount of the associated credit risk. Financing operations did not incur any credit losses during the financial year.

Trade receivables are subject to only minor credit risk concentrations due to the Group’s extensive customer base. The book value of trade receivables corresponds to the maximum amount of the credit risk associated with them. Credit losses recognized for 2014 were EUR 1.7 (0.7) million.

Aging of trade receivables:

EUR million	2014	2013
Not yet due	174.8	191.8
1–30 days overdue	15.9	21.5
31–60 days overdue	3.0	3.7
61–90 days overdue	0.8	1.2
91–180 days overdue	0.6	1.5
181–365 days overdue	0.1	1.1
Total	**195.3**	**220.8**

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group's ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on a regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2014 and 2013. The Group's loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing equity ratio and gearing.

Group's total capital	2014	2013
Interest-bearing liabilities	295.5	305.1
./. Interest-bearing receivables	196.5	166.5
= Interest-bearing net liabilities	98.9	138.6
Total equity	573.8	655.8
Equity ratio, %	45.9	47.5
Gearing, %	17.2	21.1

36. RELATED PARTY TRANSACTIONS

The Group's related party consists of bodies that hold authority within the Group or are under the Group's authority. Such authority or other significant control is associated with financial or operational decision-making. Posti Group's related party consists of the Board of Directors, President & CEO, Posti Group Corporation's Management Team and the next of kin of the aforementioned. In addition, the related party includes the joint ventures, affiliates, mutual real estate companies, and the State of Finland, which owns 100% of Posti Group Corporations shares.

The upper management consists of the members of the Board of Directors, President & CEO and members of the Management Team. No financial loans have been granted to the upper management. Business transactions with related party companies, such as associated companies and other state-owned companies, are carried out applying market terms and conditions. Posti Group did not have significant business transactions with the upper management or their related parties. Posti Group has business relations with associations tied to its state-owner. During the financial period, the Group did not carry out any business transactions that, reviewed singly or jointly, are significant financially or qualitatively.

Business transactions with related party

Net sales and purchases, as well as the receivables and payables consist of business transactions with related party.

EUR million	2014	2013
Net sales	2.8	3.6
Purchases	0.0	0.1
Trade receivables and other receivables	0.6	0.8
Trade payables	0.0	0.0

Management remuneration

EUR million	2014	2013
Wages and salaries and other employee benefits	2.1	2.8
Pensions-Defined benefit plans	0.3	0.5

Salaries and fees of the management

EUR million	2014	2013
President & CEO	0.6	0.5
Executive Board (excl. CEO)	1.5	2.0
Board of Directors	0.3	0.3
Supervisory Board	0.0	0.0
Total	**2.4**	**2.8**

The management's pension commitments

Persons appointed to the Executive Board before September 22nd, 2009, are within the scope of a benefit-based pension scheme. Their retirement age is 60 years but the employer may postpone the retirement up to the maximum age of 62. Persons appointed to the Executive Board after September 22, 2009, are within a defined contribution pension scheme, and their retirement age is in accordance with the Employees Pensions Act (TyEL). The retirement age of Managing Directors of Group companies has been agreed to be 60–65 years.

The Board of Directors' salaries and fees

EUR thousand	2014	2013
Arto Hiltunen (chairman)	55.8	56.4
Päivi Pesola (vice chairman)	39.6	41.4
Hele-Hannele Aminoff	0.0	8.4
Petri Järvinen *)	28.4	0.0
Petri Kokko*)	29.0	0.0
Jussi Kuutsa *)	36.6	38.4
Timo Löyttyniemi **)	7.7	37.2
Ilpo Nuutinen **)	8.3	37.8
Marja Pokela **)	29.0	0.0
Maarit Toivanen-Koivisto **)	8.3	38.4
Riitta Savonlahti	36.0	36.6
Suvi-Anne Siimes	36.0	27.7
Total	**314.6**	**322.3**

*) Board member from 25th March 2014

**) Board member until 25th March 2014

37. GROUP COMPANIES

The Group's parent company is Posti Group Corporation.

Subsidiaries 31 Dec 2014	Group's holding %	Country	Business group
Debet & Kredit Inkasso AS	100	Norway	OpusCapita
Fastighets AB Vindtunneln	100	Sweden	Itella Logistics
Global Mail FP Oy	100	Finland	Itella Russia
GSB Logistics Ltd	100	Cyprus	Itella Logistics
Itella Information GmbH	100	Austria	Other operations
Itella Information Kft	100	Hungary	Other operations
Itella Information S.R.L	100	Romania	Other operations
Itella Information s.r.o.	100	Czech Republic	Other operations
Itella Logistics A/S	100	Denmark	Itella Logistics
Itella Logistics AB	100	Sweden	Itella Logistics
Itella Logistics AS	100	Norway	Itella Logistics
Itella Logistics Oy	100	Finland	Itella Logistics
Itella Logistics OÜ	100	Estonia	Itella Logistics
Itella Logistics SIA	100	Latvia	Itella Logistics
Itella Logistics UAB	100	Lithuania	Itella Logistics
Posti Oy	100	Finland	Itella Mail Communications
Posti Kiinteistöt Oy	100	Finland	Other operations
Itella SmartPOST OÜ	100	Estonia	Itella Mail Communications
KEC GmbH	100	Germany	Itella Logistics
KEC UAB	100	Lithuania	Itella Logistics
KH Fur Oy	100	Finland	Itella Logistics
NLC Development Ltd	100	Cyprus	Itella Russia
NLC International Corporation Ltd	100	Cyprus	Itella Russia
Norian Accounting UAB	100	Lithuania	OpusCapita
Norian IT Solution AS	100	Norway	OpusCapita
Norian Redovisining AB	100	Sweden	OpusCapita
Norian Regnskap AS	100	Norway	OpusCapita
OOO Itella	100	Russia	Itella Russia
OOO Itella Connexions	100	Russia	Itella Russia
OOO Kapstroymontazh	100	Russia	Itella Russia
OOO NLC-Bataisk	100	Russia	Itella Russia
OOO NLC-Ekaterinburg	100	Russia	Itella Russia
OOO NLC-Samara	100	Russia	Itella Russia
OOO NLC-Trans	100	Russia	Itella Russia
OOO RED-Krekshino	100	Russia	Itella Russia
OOO Rent-Center	100	Russia	Itella Russia
OOO Terminal Lesnoy	100	Russia	Itella Russia
OOO Terminal Sibir	100	Russia	Itella Russia
OpusCapita AB	100	Sweden	OpusCapita
OpusCapita AS	100	Norway	OpusCapita
OpusCapita AS	100	Estonia	OpusCapita

OpusCapita AS	100	Latvia	OpusCapita
OpusCapita Competence Center OÜ	100	Estonia	OpusCapita
OpusCapita Competence Center SIA	100	Latvia	OpusCapita
OpusCapita GmbH	100	Germany	OpusCapita
OpusCapita Group Oy	100	Finland	OpusCapita
OpusCapita s.r.o.	100	Slovakia	OpusCapita
OpusCapita Services GmbH	100	Germany	OpusCapita
OpusCapita Sp. z o.o.	100	Poland	OpusCapita
OpusCapita UAB	100	Lithuania	OpusCapita
Posti Global Oy	100	Finland	Itella Russia
Redovia Group AB	100	Sweden	OpusCapita

The Group's joint ventures 31 Dec 2014	Group's holding %	Country	Business group
KOY Säästösaku	58.5	Finland	Other operations

Associated companies 31 Dec 2014	Group's holding %	Country	Business group
BPO4U AB	50	Sweden	OpusCapita

Parent Company's Financial Statements, FAS

INCOME STATEMENT

EUR	Note	2014	2013
Net sales	1	**84,408,809.48**	**81,356,891.73**
Other operating income	2	2,545,474.06	7,675,631.63
Materials and services	3	-65,257.21	-65,833.95
Personnel expenses	4	-34,352,484.07	-38,561,069.63
Depreciation, amortization and impairment losses	5	-5,939,228.17	-5,294,953.10
Other operating expenses	6	-138,081,154.48	-91,048,321.15
Operating profit/loss		**-91,483,840.39**	**-45,937,654.47**
Financial income and expenses	8	176,764,176.95	-45,309,278.65
Profit / loss before extraordinary items		**85,280,336.56**	**-91,246,933.12**
Extraordinary items	9	53,900,000.00	44,600,000.00
Profit / loss before appropriations and income tax		**139,180,336.56**	**-46,646,933.12**
Income tax	10	-76,844.43	-336,273.25
Profit / loss for the financial period		**139,103,492.13**	**-46,983,206.37**

BALANCE SHEET

EUR	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	11	7,447,179.36	7,899,051.13
Tangible assets	12	5,464,942.12	6,947,459.35
Investments	13	830,871,345.81	701,689,474.45
Total non-current assets		**843,783,467.29**	**716,535,984.93**
Current assets			
Inventories	14	822.77	204,111.28
Non-current receivables	15	86,386,564.29	187,858,695.61
Current receivables	16	104,470,770.86	133,985,715.61
Current investments		158,282,359.79	120,517,164.87
Cash and bank		12,951.60	49,807.67
Total current assets		**349,153,469.31**	**442,615,495.04**
Total assets		**1,192,936,936.60**	**1,159,151,479.97**
EQUITY AND LIABILITIES			
Equity	18		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		166,467.98	-48,336.89
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		426,973,483.79	473,956,690.16
Profit / loss for the financial period		139,103,492.13	-46,983,206.37
Total equity		**778,947,205.83**	**639,628,908.83**
Provisions	19	**1,287,274.11**	**1,176,541.87**
Liabilities			
Non-current	21	255,883,456.02	256,138,158.17
Current	22	156,819,000.64	262,207,871.10
Total liabilities		**412,702,456.66**	**518,346,029.27**

Total equity and liabilities	**1,192,936,936.60**	**1,159,151,479.97**

CASH FLOW STATEMENT

EUR	2014	2013
Cash flow from operations		
Result before extraordinary items	85,280,336.56	-91,246,933.12
Adjustments:		
Depreciation and amortization	5,939,228.17	5,294,953.10
Gains or losses on disposal of fixed assets	34,231.16	13,373,908.83
Financial income (-) and expense (+)	-143,381,759.98	3,517,532.16
Impairment losses on non-current investments	-33,382,416.97	41,791,746.49
Loss on merger	53,140,506.53	0.00
Other adjustments	342,394.76	330,060.00
Cash flow before change in working capital	**-32,027,479.77**	**-26,938,732.54**
Interest-free current receivables, increase (-), decrease (+)	26,127,300.83	-21,872,655.87
Interest-free non-current receivables, increase (-), decrease (+)	79,876.08	-400,151.97
Inventories, increase (-), decrease (+)	203,288.51	-123,083.81
Interest-free current liabilities, increase (+), decrease (-)	2,611,713.64	6,598,862.44
Interest-free non-current liabilities, increase (+), decrease (-)	464,047.63	217,756.50
Change in working capital	**29,486,226.69**	**-15,579,272.71**
Cash flow from operating activities before financial items and taxes	**-2,541,253.08**	**-42,518,005.25**
Interests paid	-16,473,017.85	-19,038,217.76
Interests received	21,921,048.33	16,429,616.01
Other financial items	5,816,123.73	1,562,919.69
Income tax paid	-118,706.03	-409,119.61
Cash flow from financial items and taxes	**11,145,448.18**	**-1,454,801.67**
Cash flow from operating activities (A)	**8,604,195.10**	**-43,972,806.92**
Investments in tangible and intangible assets	-5,059,429.98	-5,205,415.74
Proceeds from sale of tangible and intangible assets	2,442,575.07	3,346,073.96
Other investments	-182,326,692.20	-3,200,000.00
Proceeds from sale of other investments	37,895,740.00	38,722,228.83
Loans granted	-38,876,015.84	-43,640,354.40
Repayments of loan receivables	108,176,494.97	10,367,257.28
Dividends received	165,088,047.50	5,154,522.75
Cash flow from investing activities (B)	**87,340,719.52**	**5,544,312.68**

Repayment of current loans	-25,908,856.76	598,865.09
Repayment of non-current loans	-12,500,000.00	-25,000,000.00
Dividends paid	0.00	-6,800,000.00
Group contributions received and paid	44,600,000.00	97,000,000.00
Cash flow from financing activities (C)	**6,191,143.24**	**65,798,865.09**
Change in cash and cash equivalents before business transfers (A+B+C)	**102,136,057.86**	**27,370,370.85**
Change in group cash pool	-64,407,719.01	-8,487,419.83
Change in cash and cash equivalents	**37,728,338.85**	**18,882,951.02**
Cash and cash equivalents at the beginning of the financial period	**120,566,972.54**	**101,684,021.52**
Cash and cash equivalents at the end of the financial period	**158,295,311.39**	**120,566,972.54**

Accounting Policies

Posti Group Corporation has prepared its financial statements in accordance with Finnish Accounting legislation.

Revenue recognition and net sales

Offering services of short duration generates a major part of Posti Group Corporation's revenues. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes, discounts and exchange rate differences.

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services, such as income from administration services. Government grants mainly refer to product and business development grants and low-wage support, which are recognized as other operating income.

Valuation of fixed assets

Tangible and intangible assets are carried at historical acquisition cost less accumulated depreciation.

Fixed assets are depreciated on a straight-line basis according to plan. The depreciations are based on expected useful lives, starting from the time items are in use. The expected useful lives of PPE in Posti Group Corporation are as follows:

Immaterial rights and other long-term expenses 3–5 years
Machinery and equipment 3–5 years
Land and water are not subject to depreciation.

Non-current investments are valued at their original acquisition cost. If it is probable that the future revenue on the investment is permanently smaller than the acquisition cost, the difference is recognized as an impairment loss.

Research and development expenditure

Research costs are expensed as incurred. Only development costs arising from significant new or substantially improved products and enterprise resource planning systems are capitalized as intangible assets provided that they are technically feasible and it is probable that the created asset will generate future economic benefits and development expenses can be measured reliably. Development costs which have been expensed once will not be capitalized later. Amortizations on intangible assets are recognized as of the date asset has been taken into use. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives which is three to five years. The value of the intangible asset is the original acquisition cost less any accumulated depreciation and impairment losses. If the previous criteria are not fulfilled, the development cost is expensed as incurred.

Maintenance and renovation expenditure

Normal repair, maintenance and servicing costs are expensed as incurred with the exception of large renovation expenditures which have been capitalized as part of the acquisition cost.

Leasing

Lease payments are expensed in the income statement and leased assets are not included in the fixed assets.

Inventory

Inventories are measured at acquisition cost, average acquisition cost or probable realisation value, whichever is lower.

Cash in hand and at banks

Cash in hand and at banks include bank accounts and other cash equivalents.

Pension schemes

Posti Group Corporation's statutory pension coverage is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage (for those in the long-time service for Post and Telecommunications) is provided by OP Life Assurance Company Ltd.

Extraordinary income and expenses

Extraordinary income and expenses include transactions that do not specifically belong in the scope of the business activity of the company but are notable in size, incl. group contributions.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. Provisions for restructuring are recognized when the related, detailed and official plan has been approved and disclosed.

Income taxes

Income tax includes tax calculated on the profit for the current financial year as well as tax adjustments for previous financial years.

Deferred taxes are calculated using the tax rate effective on the balance sheet date. A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilized.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date.

Receivables and liabilities in foreign currencies are translated into euros using the average exchange rate quoted on the balance sheet date by the European Central Bank. The exchange rate gains or losses arising from the business operations are recognized as adjustments of net sales and purchases. The exchange rate gains and losses arising from financial instruments are included in the financial income and expenses.

Measurement of financial instruments

Investments in bonds and commercial papers have been measured at fair value at the market rates quoted on the balance sheet date. The fair values of currency forward contracts are based on the forward prices quoted on the balance sheet date. The fair value of interest-rate swaps equals the present value of future interest cash flows. Other investments are equity fund investments measured at the fair value on the balance sheet date notified by the fund manager or the latest available fair value.

Derivative contracts and hedge accounting

Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, they are measured at fair value on the balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The effect of the value changes of derivative contracts, which constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The company recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet or as derivative contracts, which do not meet the conditions for applying hedge accounting.

When commencing hedge accounting, the company documents the relationship between the hedged item and the hedge instruments as well as the objectives of the company's risk management and the strategy for carrying out hedging measures. When commencing hedging, and at least in connection with each annual financial statements, the company documents and assesses the effectiveness of the hedging relationship by inspecting the hedge instrument's ability to offset the fair value of the hedged item.

Changes in the fair value of derivatives that meet the conditions and determined as fair value hedges as well as changes in the fair value of a property item attributable to the hedged risk or the fair value of a loan are recognized in the income statement. The company applies fair value hedge accounting for hedging against fixed-rate loans. Changes in the fair value of a derivative instrument hedging against a fixed-rate loan and changes in fair value attributable to the interest rate risk of a hedged fixed-rate loan are presented in financial items.

The fair values of derivatives are determined on the basis of the market values of similar derivatives or standard valuation models. The fair value of currency forward contracts is the market quotation on the balance sheet date and the fair value of interest-rate swaps is the present value of future interest cash flows.

1. NET SALES BY GEOGRAPHICAL LOCATION

	2014	2013
Finland	81,928,341.40	78,289,518.81
Scandinavia	1,032,958.47	1,511,489.77
Baltic and Russia	1,009,003.04	1,013,693.57
Other countries	438,506.57	542,189.58
Total	**84,408,809.48**	**81,356,891.73**

2. OTHER OPERATING INCOME

	2014	2013
Gains on sale of fixed assets	0.00	1,620.13
Rental income	64,143.64	70,632.67
Other operating income	2,481,330.42	7,603,378.83
Total	**2,545,474.06**	**7,675,631.63**

3. MATERIALS AND SERVICES

	2014	2013
Purchases during the financial period	1,634.12	2,594.35
External services	63,623.09	63,239.60
Total	**65,257.21**	**65,833.95**

4. PERSONNEL EXPENSES

	2014	2013
Wages and salaries	29,316,830.66	31,384,206.28
Pension expenses	3,653,265.35	5,083,462.99
Other social expenses	1,382,388.06	2,093,400.36
Total	**34,352,484.07**	**38,561,069.63**

Management remuneration		
President and CEO	565,606.00	471,446.00
Executive Board (excl. CEO)	1,263,264.25	1,553,063.00
Board of Directors	314,603.22	322,267.74
Supervisory Board	21,200.00	22,500.00
Total	**2,164,673.47**	**2,369,276.74**

Average number of personnel during the financial period		
Administrative employees	360	410
Employees	1	7
Total	**361**	**417**

5. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

	2014	2013
Intangible rights	3,573,533.31	2,573,924.52
Machinery and equipment	2,365,694.86	2,721,028.58
Total	**5,939,228.17**	**5,294,953.10**

6. OTHER OPERATING EXPENSES

	2014	2013
Rents and leases	2,935,057.82	4,011,086.65
Losses on sale of fixed assets	34,231.16	13,375,528.96
Personnel related costs	1,617,605.09	1,011,531.07
Travelling expenses	995,350.96	993,046.09
Marketing expenses	8,510,214.52	5,776,044.19
Entertainment expenses	252,128.64	192,526.65
Facility maintenance expenses	94,465.22	79,229.85
Security expenses	785.46	6,330.23
Office and administrative expenses	8,916,332.79	8,125,898.40
IT operating costs	57,968,111.52	53,475,907.27
Loss on merger	53,140,506.53	0.00
Other operating expenses	3,616,364.77	4,001,191.79
Total	**138,081,154.48**	**91,048,321.15**

7. AUDITORS' REMUNERATION

	2014	2013
Audit	150,232.00	146,013.00
Tax advisory	625.00	68,439.99
Other services	69,362.07	60,227.61
Total	**220,219.07**	**274,680.60**

8. FINANCIAL INCOME AND EXPENSES

Dividends received	2014	2013
From Group companies	165,000,000.00	5,086,661.75
From others	88,047.50	67,861.00
Total	**165,088,047.50**	**5,154,522.75**

Other interest and financial income		
From Group companies	2,347,203.68	5,587,406.03
Gains from currency exchange	17,207,842.23	16,168,640.30
Other interest income from others	5,957,951.64	5,302,871.69
Other financial income from others	1,514,006.65	2,103,655.14
Total	**27,027,004.20**	**29,162,573.16**
Total financial income	**192,115,051.70**	**34,317,095.91**

Interest and other financial expenses		
To Group companies	1,574,955.40	852,065.95
Losses on currency exchange	24,341,983.09	17,503,721.80
Other interest expenses to others	14,673,236.59	16,168,486.37
Other financial expenses to others	2,177,978.56	3,310,353.95
Total	**42,768,153.64**	**37,834,628.07**

Impairment losses on non-current assets		
Impairment losses on group interests/receivables on Group companies	26,353,057.69	41,791,746.49
Impairment losses on financial securities	-53,770,336.58	-
Total	**-27,417,278.89**	**41,791,746.49**
Total financial expenses	**15,350,874.75**	**79,626,374.56**
Total financial income and expenses	**176,764,176.95**	**-45,309,278.65**
Financial income and expenses including gains and losses on currency exchange (net)	**-7,134,140.86**	**-1,335,081.50**

9. EXTRAORDINARY ITEMS

	2014	2013
Group contributions received	66,800,000.00	62,100,000.00
Group contributions distributed	-12,900,000.00	-17,500,000.00
Total	**53,900,000.00**	**44,600,000.00**

10. INCOME TAX

	2014	2013
Income tax on extraordinary items	10,780,000.00	10,927,000.00
Income tax on business activities	-10,753,068.38	-10,808,890.48
Income tax from previous years	7,569.41	-163,189.09
Change in deferred tax assets	42,343.40	381,352.82
Total	**76,844.43**	**336,273.25**

11. INTANGIBLE ASSETS

Development costs	**2014**	**2013**
Cost 1 Jan	4,131,567.00	4,131,567.00
Cost 31 Dec	**4,131,567.00**	**4,131,567.00**
Accumulated amortization 1 Jan	4,131,567.00	4,131,567.00
Accumulated amortization 31 Dec	**4,131,567.00**	**4,131,567.00**
Book value 31 Dec	**0.00**	**0.00**
Intangible rights		
Cost 1 Jan	29,047,963.85	28,576,783.03
Additions	2,066,135.37	1,001,257.57
Disposals	-2,989,225.67	-729,380.84
Transfers between items	531,357.55	199,304.09
Cost 31 Dec	**28,656,231.10**	**29,047,963.85**
Accumulated amortization 1 Jan	24,342,429.53	22,494,644.01
Accumulated amortization on disposals	-2,978,354.53	-726,139.00
Amortization for the financial period	2,184,580.05	2,573,924.52
Accumulated amortization 31 Dec	**23,548,655.05**	**24,342,429.53**
Book value 31 Dec	**5,107,576.05**	**4,705,534.32**
Prepayments		
Cost 1 Jan	3,193,516.81	5,490,819.23
Additions	1,383,850.81	1,090,366.32
Disposals	-317,453.50	-3,188,364.65
Transfers between items	-531,357.55	-199,304.09
Cost 31 Dec	**3,728,556.57**	**3,193,516.81**
Impairment	1,388,953.26	0.00
Accumulated impairment 31 Dec	**1,388,953.26**	**0.00**
Book value 31 Dec	**2,339,603.31**	**3,193,516.81**
Total intangible assets	**7,447,179.36**	**7,899,051.13**

12. TANGIBLE ASSETS

Land and water	2014	2013
Cost 1 Jan	891,396.01	891,396.01
Cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**

Machinery and equipment		
Cost 1 Jan	24,280,327.53	22,360,855.58
Additions	1,609,443.80	3,071,305.85
Disposals	-13,347,124.25	-1,151,833.90
Transfers between items	41,670.25	0.00
Cost 31 Dec	**12,584,317.33**	**24,280,327.53**
Accumulated depreciation 1 Jan	19,390,353.32	17,729,387.84
Accumulated depreciation on disposals and transfers	-12,621,673.83	-1,060,063.10
Depreciation for the financial period	2,365,694.86	2,721,028.58
Accumulated depreciation 31 Dec	**9,134,374.35**	**19,390,353.32**
Book value 31 Dec	**3,449,942.98**	**4,889,974.21**

Other tangible assets		
Cost 1 Jan	1,189,127.90	1,191,007.90
Disposals	0.00	-1,880.00
Cost 31 Dec	**1,189,127.90**	**1,189,127.90**
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	**65,524.77**	**65,524.77**
Book value 31 Dec	**1,123,603.13**	**1,123,603.13**

Work in progress		
Cost 1 Jan	42,486.00	72,615.00
Additions	0.00	42,486.00
Disposals	-815.75	-72,615.00
Transfers between items	-41,670.25	0.00
Cost 31 Dec	**0.00**	**42,486.00**
Book value 31 Dec	**0.00**	**42,486.00**

Total intangible assets	**5,464,942.12**	**6,947,459.35**

13. INVESTMENTS

Shares in Group companies	2014	2013
Cost 1 Jan	916,298,211.73	960,415,671.04
Additions	160,519,741.66	69,361,183.86
Disposals	-44,300,372.21	-113,478,643.17
Cost 31 Dec	**1,032,517,581.18**	**916,298,211.73**
Accumulated impairment losses 1 Jan	265,268,231.70	258,491,602.94
Impairment losses	18,509,183.03	39,553,465.73
Reversals of impairments	-44,250,372.00	-32,776,836.97
Book value 31 Dec	**792,990,538.45**	**651,029,980.03**

Shares in associated companies	2014	2013
Cost 1 Jan	513,245.14	513,245.14
Cost 31 Dec	**513,245.14**	**513,245.14**
Share of profits or losses 1 Jan	1,310,984.87	1,310,984.87
Accumulated impairment losses 1 Jan	-1,097,739.73	-1,097,739.73
Book value 31 Dec	**300,000.00**	**300,000.00**

Other shares and holdings	2014	2013
Cost 1 Jan	6,660,306.40	6,660,424.13
Disposals	0.00	-117.73
Cost 31 Dec	**6,660,306.40**	**6,660,306.40**
Accumulated impairment losses 1 Jan	660,676.07	660,676.07
Book value 31 Dec	**5,999,630.33**	**5,999,630.33**

Receivables from Group companies

Capital loan receivables	2014	2013
Cost 1 Jan	93,181,287.06	93,181,287.06
Disposals	-64,670,287.06	0.00
Cost 31 Dec	**28,511,000.00**	**93,181,287.06**
Accumulated impairment losses 1 Jan	51,891,600.00	51,891,600.00
Reversals of impairment losses	-51,891,600.00	0.00
Book value 31 Dec	**28,511,000.00**	**41,289,687.06**

Receivables from others		
Capital loan receivables		
Cost 1 Jan	3,070,177.03	1,500,000.00
Additions	0.00	1,570,177.03
Cost 31 Dec	**3,070,177.03**	**3,070,177.03**
Book value 31 Dec	**3,070,177.03**	**3,070,177.03**
Total investments	**830,871,345.81**	**701,689,474.45**

14. INVENTORIES

	2014	**2013**
Prepayments	822.77	204,111.28
Total	**822.77**	**204,111.28**

15. NON-CURRENT RECEIVABLES

Receivables from Group companies	2014	2013
Loan receivables	80,408,248.39	180,810,318.50
Total	**80,408,248.39**	**180,810,318.50**

Receivables from others	2014	2013
Loan receivables	861,122.19	861,122.19
Other receivables	420,134.63	500,010.71
Deferred tax assets	835,603.06	890,030.68
Other accrued income and prepayments	3,861,456.02	4,797,213.53
Total	**5,978,315.90**	**7,048,377.11**
Total non-current receivables	**86,386,564.29**	**187,858,695.61**

16. CURRENT RECEIVABLES

Receivables from Group companies	2014	2013
Trade receivables	1,433,274.96	23,825,559.32
Loan receivables	22,677,938.62	19,040,000.00
Interest receivables	4,954,508.26	18,440,453.26
Other receivables	32,844.89	0.00
Prepayments and accrued income	66,820,042.91	67,637,514.57
Total	**95,918,609.64**	**128,943,527.15**

Receivables from others	2014	2013
Trade receivables	5,260.40	40,286.27
Other receivables	2,199,212.51	306,504.50
Prepayments and accrued income	6,347,688.31	4,695,397.69
Total	**8,552,161.22**	**5,042,188.46**
Total current receivables	**104,470,770.86**	**133,985,715.61**

Key items in prepayments and accrued income	2014	2013
Interest receivables	1,537,806.25	1,667,754.26
Tax assets	0.00	5,482.67
Other prepayments and accrued income	4,809,882.06	3,022,160.76
Total	**6,347,688.31**	**4,695,397.69**

17. FAIR VALUE AND CHANGE IN FAIR VALUE BY FINANCIAL INSTRUMENT

	2014	2013
Investments in bonds and notes	41,704,990.51	50,465,735.52
Change in fair value recognized in the income statement	461,815.16	-468,065.72
Investments in commercial papers	104,279,619.28	69,305,940.79
Change in fair value recognized in the income statement	14,743.37	-105.89
Currency derivatives	1,939,699.18	-200,976.62
Change in fair value recognized in the income statement	2,140,675.80	-1,050,453.69
Interest rate derivatives	3,861,456.02	4,797,213.52
Change in fair value recognized in the income statement	-935,757.50	2,056,984.71
Other investments	297,750.00	745,488.59
Change in fair value recognized in the fair value reserve	268,509.09	171,539.62
of which deferred tax	-53,701.22	-34,307.92

18. EQUITY

	2014	2013
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	**70,000,000.00**	**70,000,000.00**
Fair value reserve and other reserves 1 Jan	-48,336.89	-175,130.35
Profit or loss at fair value, other current investments	214,804.87	126,793.46
Fair value reserve 31 Dec	**166,467.98**	**-48,336.89**
Restricted equity total	**70,166,467.98**	**69,951,663.11**
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	**142,703,761.93**	**142,703,761.93**
Retained earnings 1 Jan	426,973,483.79	480,756,690.16
Dividend distribution	0.00	-6,800,000.00
Retained earnings 31 Dec	**426,973,483.79**	**473,956,690.16**
Profit/loss for the financial year 31 Dec	**139,103,492.13**	**-46,983,206.37**
Total unrestricted equity	**708,780,737.85**	**569,677,245.72**
Total equity	**778,947,205.83**	**639,628,908.83**

Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	426,973,483.79	473,956,690.16
Profit/loss for the financial period	139,103,492.13	-46,983,206.37
Total	**708,780,737.85**	**569,677,245.72**

19. PROVISIONS FOR LIABILITIES AND CHARGES

	2014	2013
Pension provision	310,146.00	315,242.00
Restructuring provision	687,267.61	861,299.87
Other provisions	289,860.50	0.00
Total	**1,287,274.11**	**1,176,541.87**

20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	2014	2013
From provisions for liabilities and charges	257,454.83	235,308.39
From impairments	159,242.64	159,242.64
From temporary differences	418,905.59	495,479.65
Total	**835,603.06**	**890,030.68**

Deferred tax liabilities	2014	2013
Valuation to fair value	41,617.00	0.00
Total	**41,617.00**	**0.00**

21. NON-CURRENT LIABILITIES

	2014	2013
Bonds	251,251,916.55	252,012,283.33
Deferred tax liability	41,617.00	0.00
Other non-current liabilities	4,589,922.47	4,125,874.84
Total	**255,883,456.02**	**256,138,158.17**

Liabilities, maturity more than 5 years		
Bonds	-	-
Total	**0.00**	**0.00**

22. CURRENT LIABILITIES

Amounts owed to Group companies	2014	2013
Trade payables	850,019.77	683,697.69
Interest liabilities	68,426.69	123,920.96
Other liabilities	111,978,496.18	202,307,378.02
Accruals and deferred income	12,929,191.50	17,554,106.50
Total	**125,826,134.14**	**220,669,103.17**

Amounts owed to others	2014	2013
Pension liabilities	0.00	12,500,000.00
Trade payables	8,101,721.70	7,183,570.96
Other liabilities	5,711,976.56	4,951,107.05
Accruals and deferred income	17,179,168.24	16,904,089.92
Total	**30,992,866.50**	**41,538,767.93**
Total current liabilities	**156,819,000.64**	**262,207,871.10**

Key items in other liabilities	2014	2013
Payroll and related social costs	926,881.11	942,616.71
VAT-liability	4,723,165.55	3,498,242.34
Other liabilities	61,929.90	510,248.00
Total	**5,711,976.56**	**4,951,107.05**

Key items in accruals and deferred income	2014	2013
Employee related costs	7,731,215.14	8,689,889.82
Accrued interests	1,324,674.85	1,494,006.44
Tax liabilities	15,870.72	105,558.39
Other accruals and deferred income	8,107,407.53	6,614,635.27
Total	**17,179,168.24**	**16,904,089.92**

Interest-bearing liabilities	2014	2013
Non-current liabilities	251,251,916.55	252,012,283.33
Current liabilities	24,318,166.62	62,727,023.38
Total	**275,570,083.17**	**314,739,306.71**

23. ASSETS PLEDGED, COMMITMENTS AND OTHER LIABILITIES

Pledges given for Group companies	2014	2013
Guarantees	107,227,356.00	135,168,257.00
Total	**107,227,356.00**	**135,168,257.00**

Pledges given for others		
Guarantees	-	-
Others	100,000.00	100,000.00
Total	**100,000.00**	**100,000.00**

Lease contracts unpaid amounts		
Payable within one year	291,282.54	515,073.67
Payable in later years	383,471.86	348,301.38
Total	**674,754.40**	**863,375.05**
Rental liabilities	**815.00**	**815.00**
Other commitments	**26,424.00**	**181,741.00**

Derivative contracts

Currency forward contracts		
Fair value	1,939,699.18	-200,976.62
Nominal value	47,867,325.04	95,646,067.09

Interest rate swaps		
Fair value	3,861,456.02	4,797,213.52
Nominal value	70,000,000.00	70,000,000.00

Derivative instruments are used for hedging the foreign exchange rate risk and they are valued at the market rates available on the balance sheet date. Currency forward contracts are used to hedge against currency-denominated receivables and payables. Generally, transaction positions arising from subsidiary financing are hedged fully. A portion of the company's fixed-interest loan has been converted to variable-interest loan with an interest-rate swap.

Other commitments

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

24. SHARES AND HOLDINGS OF POSTI GROUP CORPORATION

Company name and domicile

Group companies	Number of shares	Ownership (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	275,454,471.34
Itella Information GmbH, Vienna		100.00	50,000.00
Itella Information Kft, Budapest		100.00	50,000.00
OpusCapita Group Oy, Helsinki	1,847	100.00	110,975,397.77
Itella Information S.R.L., Bucharest		99.00	28,582.19
Itella Information s.r.o., Prague		100.00	47,101.45
Itella Logistics AB, Stockholm	4,000	100.00	1,781.31
Itella Logistics AS, Oslo	6	100.00	7,944,485.94
Itella Logistics A/S, Hvidovre	1,000,000	100.00	20,000.22
Itella Logistics Oy, Vantaa	454	100.00	64,541,547.38
Itella Logistics SIA, Riga	20	100.00	66,251.45
Itella Logistics UAB, Vilnius	1,000	100.00	18,147.59
Posti Kiinteistöt Oy, Helsinki		100.00	192,730,895.55
Itella SmartPOST OÜ, Tallinn		100.00	750,000.00
NLC International Corporation, Limassol	57,667,410	100.00	95,853,934.59
Posti Oy, Helsinki	2,423,000	100.00	42,117,490.32
Posti Global Oy, Helsinki	999	99.90	49,950.00
Fastighets AB Vindtunneln, Borås	961	49.01	2,290,501.35
Total			**792,990,538.45**

Associated companies			
KOY Heliposti, Kotka	4,253	28.35	300,000.00
Total			**300,000.00**

Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	132,292.00
As. Oy Rovaniemen Viirikankaant. 2–4, Rovaniemi	1,584	15.84	200,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
KOY Elimäen Matkakaari, Elimäki	2,700	11.09	70,000.00
Cooperative Vereiniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Kouvola Innorail Oy			5,080.00
Master Golf Course Oy/Ab, Espoo	3		44,103.92
Vierumäki Golf Oy, Helsinki	7	0.06	96,516.41
Oy Samlink Ab	8,590	5.88	5,000,067.20
Total			**5,999,630.33**

BOARD OF DIRECTORS' PROPOSAL

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2014, the parent company's distributable profits total EUR 708,780,737.90 of which net profit for the financial year accounts for EUR 139,103,492.10.

No material changes in the company's financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 13(2) of the Finnish Limited Liability Companies Act, affect the proposed distributable profits.

The Board of Directors proposes to the Annual General Meeting that no dividend to be distributed and EUR 708,780,737.90 retain in the shareholders' equity.

SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Helsinki, 12 February 2015

Arto Hiltunen
Chairman

Heikki Malinen
President & CEO

Päivi Pesola
Vice Chairman

Petri Järvinen

Petri Kokko

Jussi Kuutsa

Marja Pokela

Riitta Savonlahti

Suvi-Anne Siimes

Our auditor's report has been issued today.

Helsinki, 12 February 2015

PricewaterhouseCoopers Oy

Merja Lindh
Authorized Public Accountant

Auditor's Report

(Translation from the Finnish original)

To the Annual General Meeting of Posti Group Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Posti Group Corporation for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, [income statement,] statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet (and the distribution of other unrestricted equity) is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki February 12, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

At its meeting today, the Supervisory Board of Posti Group Corporation has considered the Board of Directors' Report , Financial Statements and the Auditors' Report for 2014 of Posti Group Corporation.

The Supervisory Board proposes to the 2015 Annual General Meeting that the Income Statement and Balance Sheet for 2014 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 12 February 2015

Mauri Pekkarinen

Chairman of the Supervisory Board

Investor information

Our financial reports follow the International Financial Reporting Standards. As an issuer of two publicly listed bonds, we are obligated to disclose periodic information to a limited extent.

The first bond (EUR 150 million) was issued in November 2009 and listed on NASDAQ OMX Helsinki in December 2009. The second bond (EUR 100 million) was issued in November 2011 and listed on NASDAQ OMX Helsinki in January 2012.

This disclosure obligation is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd.

We fulfill our obligation to disclose periodic information by publishing our financial statements and quarterly interim reports as stock exchange releases.

Our financial communications policy is available in full at **www.posti.com/financials**.

Financial calendar in 2015

Financial Statements for 2014: February 13, 2015
January–March: April 30, 2015
January–June: July 17, 2015
January–September: November 2, 2015

Silent period

Posti has a silent period of 21 days before each quarterly financial report announcement. During the silent period, Posti refrains from making any contacts with or comments to investors, analysts and the media about the company's business prospects or financial results.

Annual General Meeting

Posti Group Corporation's Annual General Meeting was held on March 25, 2014. Posti deviates from the Finnish Corporate Governance Code in that notices concerning its Annual General Meeting and the related notes are not published on its website because Posti is a state-owned company and therefore has only one shareholder.
The tasks and resolutions of the Annual General Meeting are available **www.posti.com/agm**.

Contact information for financial communications

Finance:
Sari Helander, sari.helander (at) posti.com
Jutta Tuominen, jutta.tuominen (at) posti.com

Communications and stakeholder relations:
Timo J. Anttila, timo.anttila (at) posti.com
Hanna Kauko, hanna.kauko (at) posti.com

posti

www.posti.com