ITELLA CORPORATION'S FINANCIAL STATEMENTS RELEASE, FEBRUARY 14, 2014 AT 10 A.M. (EET)

Itella's result for 2013 weakened by declining volumes

Itella Corporation's Financial Statements and Board of Directors' Report for 2013

October–December 2013

- Itella Group's net sales decreased by 2.5% to EUR 528.8 (542.6) million in the fourth quarter of 2013.
- Net sales increased by 1.2% in Itella Mail Communications, but decreased by 5.9% in Itella Logistics and by 3.2% in OpusCapita.
- The Itella Group's operating result before non-recurring items was EUR 26.3 (12.8) million, representing 5.0% (2.4%) of net sales. The operating result before non-recurring items improved to EUR 34.3 (25.5) million in Itella Mail Communications and to EUR 4.3 (4.0) million in OpusCapita, but decreased to EUR -7.2 (-5.6) million in Itella Logistics.
- The Itella Group's operating result for the fourth quarter was EUR 12.3 (9.1) million, or 2.3% (1.7%) of net sales. Non-recurring items recognized during the period totaled EUR 14.1 (3.6) million.
- Itella Information changed its name to OpusCapita on November 1, 2013.

Year 2013

- The Itella Group's net sales grew by 1.5% to EUR 1,976.8 (1,946.7) million. In local currencies, the increase in net sales was 2.3%. International operations constituted 24% (27%) of net sales.
- Net sales decreased by 0.6% in Itella Mail Communications and by 2.5% in OpusCapita, but increased by 7.8% in Itella Logistics.
- The Itella Group's operating result before non-recurring items was EUR 50.5 (53.2) million, or 2.6% (2.7%) of net sales.
- The operating result decreased to EUR 9.9 (39.0) million, or 0.5% (2.0%) percent of net sales. The operating result was affected by EUR 40.5 (14.2) million in non-recurring items, of which EUR 17.5 was related to personnel restructuring, with other non-recurring items totaling EUR 23.0 million.
- The operating result before taxes was EUR -2.4 (30.8) million.
- The Group's operating cash flow before investments decreased, amounting to EUR 81.3 (118.9) million before investments.
- Gearing was 21.1% (23.5%). Equity ratio stood at 47.5% (46.2%).
- In April, Itella launched a EUR 100 million performance improvement program for 2013–2014.
- Itella sold Itella Bank to the Savings Banks Group on April 18, 2013.
- In July, OpusCapita sold its printing services in Poland to PostNord.
- In September, Itella sold its subsidiary Logia Software to its management.
- The Board of Directors proposes that no dividend be distributed for 2013.

Key figures for the Itella Group				
	10–12	10–12	1–12	1–12
	2013	2012	2013	2012
Net sales, EUR million	528.8	542.6	1,976.8	1,946.7
Operating result (non-IFRS), EUR million*	26.3	12.8	50.5	53.2
Operating result (non-IFRS), %*	5.0	2.4	2.6	2.7
Operating result (EBIT), EUR million	12.3	9.1	9.9	39.0
Operating result (EBIT), %	2.3	1.7	0.5	2.0
Result before taxes, EUR million	9.6	6.9	-2.4	30.8
Result for the period, EUR million	17.6	5.0	7.7	14.1
Return on equity (12 months), %			1.1	2.1
Return on invested capital (12 months), %			1.3	4.7
Equity ratio, %			47.5	46.2
Gearing, %			21.1	23.5
Gross capital expenditure, EUR million	19.8	69.9	61.1	134.7
Average number of employees			27,253	27,460
Dividends, EUR million	-	-	-	6.8

* Non-IFRS = before non-recurring items

Heikki Malinen, President and CEO

"The year 2013 was very challenging for Itella. Itella's result decreased from the previous year and showed a loss before taxes. The result was weakened by the drastic transformation of the postal industry, which was reflected in the strong decline in the delivery volumes of traditional letters, newspapers and magazines in Itella Mail Communications. The volumes of Itella Logistics were impacted by the economic recession and the tight competition in the transport industry. The full-year operating result was affected by significant non-recurring items.

Among Itella's businesses, Itella Logistics showed a more substantial loss than in the previous year. This was a disappointment. On the other hand, Itella Logistics' Russian operations recorded a satisfactory result, and we are expecting the Logistics business group to improve its result markedly in 2014.

The excellent performance of OpusCapita, formerly Itella Information, was one of the most positive developments of 2013. The business group was renamed at the beginning of November. OpusCapita improved its operating result significantly in 2013. The full-year result of Itella Mail Communications decreased, but the business group recorded a strong result in the fourth quarter, driven by seasonal sales.

In April, we announced a new performance improvement program for 2013–2014 to ensure our competitiveness and profitability. The program aims at EUR 100 million in cost savings, and we are already halfway there. The program brings savings through restructuring and enhancing the efficiency of operations and processes, eliminating unprofitable operations, making savings in sourcing and improving productivity.

At the end of October, we announced our new vision and strategy for the company. We worked on this new vision throughout the year. Our operations will be more customer-focused than ever before. We want to be the first choice for postal, logistics and e-commerce services and ensure that trade and everyday life run smoothly.

We have revised our strategy and vision in response to global changes in the postal industry, communications and trade. These developments are strongly affecting Finland, among many other countries, as the rapid and extensive increase in electronic communications is substantially decreasing the volume of letter, newspaper and magazine deliveries. The situation is particularly challenging in early-morning newspaper deliveries, where a significant increase in unit costs creates profitability pressures for Itella and publishers. For this reason, Itella is willing to establish companies specializing in early-morning deliveries in cooperation with publishers. Itella could hold a majority or minority interest in such a regional company.

Our primary goal for the coming years is to ensure a sustainable foundation for profitable operations in order to develop high-quality postal services, secure funding for our universal service obligation and make sufficient investments in growth areas. Instead of expansion, we are investing in and focusing on our core businesses.

We are seeking growth and profitability in the Russian market as well as e-commerce, which is increasing strongly. In the future, Russia will be our main market, alongside Finland. Our Russian strategy also benefits Finnish export companies, as the expanding logistics network enables increased exports.

People's mobility and use of time are changing, and feedback indicates that our customers value flexibility and a diverse range of services. We want to be even closer to our customers. We increased the number of postal service points by more than 200 in 2013, with the total standing at 1,310 at the end of the year. The goal is to increase the number of service points to 1,700 by 2020.

We had to make some difficult decisions in 2013. The year was particularly challenging for our personnel. As a result of cooperation negotiations, our personnel numbers decreased by a total of 637 person-years in 2013. In January 2014, we started cooperation negotiations at Itella Posti that may lead to a reduction of 1,200 jobs in basic delivery. We will be able to implement part of the reduction through voluntary arrangements and attrition."

APPENDICES
Itella's Financial Statements Review and the Board of Directors' Report
Corporate Governance Statement 2013

MORE INFORMATION
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Key media
www.itella.com/financials

FINANCIAL CALENDAR IN 2014
Interim Report Q1/2013, April 30
Interim Report Q2/2013, July 18
Interim Report Q3/2013, November 3

IMAGES AND LOGOS
www.itella.com/media

Itella is your first choice for postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 11 countries. Our net sales in 2013 amounted to EUR 1,977 million. We employ approximately 26,000 professionals. We deliver corporate services under the Itella brand, while the Posti brand is used for services targeted at consumers in Finland.
www.itella.com

Itella Corporation
Board of Directors' Report 2013

Operating environment 2013

The overall economic situation in Finland remained weak throughout the year. Itella's net sales increased in the first, second and third quarters as a result of an acquisition, but decreased in the fourth quarter by 2.5%. Full-year net sales increased slightly, but comparable net sales decreased from 2012.

The rate of digitization in postal services accelerated during the year. The volume of addressed letters decreased by 6% from the previous year, while the decrease from 2011 to 2012 had been 4%. The decline was particularly strong in second-class letters and gained momentum in the fourth quarter.

Newspaper and magazine volumes continued to decline as well. The increase in parcel services slowed down to 4% as a result of the weak economic situation (5% in 2012). The market has been weakened by the performance of GDP. In addition, consumers are increasingly using foreign online retailers instead of Finnish ones, which has changed the structure of the market.

The market situation in logistics and retail is weak, which has been reflected in the decrease in groupage logistics volumes at Itella Logistics. The volume of heavy traffic has continued to decrease for 20 consecutive months in Finland, where the situation is clearly weaker than before. In Scandinavia as a whole, the situation has remained challenging, although the volume of heavy traffic has resumed growth. In Russia, Itella Logistics has seen positive development, although Russian economic growth and consumption have slowed down, and the ruble weakened against the euro by 11% from the previous year.

The digitization of invoicing and financial administration has an impact on Itella's business, offering opportunities in outsourcing services and multichannel solutions, particularly for OpusCapita. On the other hand, the accelerating rate of digitization has affected the printing services business, and the weakened market situation has been reflected in electronic data communications between organizations.

The postal licenses that have been granted allow for competition in addressed deliveries, but competition did not yet have an impact on Itella in 2013. The Finnish Government issued a postal delivery license to one of Itella's competitors on January 30, 2014. Itella considers increased competition in the postal market to be a positive development. However, in the view of Itella, the decision to issue the postal license reduces its 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.

In August, the Finnish Supreme Administrative Court repealed the majority of the decisions of the Finnish Communications Regulatory Authority (FICORA) on the cost basis of fees charged for universal postal services and the pricing of universal postal services. According to the decision of the Supreme Administrative Court, the obligations stipulated by FICORA for Itella in 2008 and 2009 on adjusted prices for corporate clients and reduced prices of universal postal services were illegal.

Performance improvement program

In April, Itella launched a new performance improvement program for 2013–2014, aiming for more than EUR 100 million in cost savings. The program has progressed in the business groups as well as in the Group's centralized operations. The program produced more than EUR 50 million in operational savings in 2013.

As part of the program, Itella has enhanced operational efficiency in Itella Mail Communications and Itella Logistics, carried out cooperation negotiations in the administration, improved the efficiency of its sourcing, announced that it would reform its ICT operating model, signed an extensive partnership agreement and outsourced parts of its ICT operations. In addition, Itella sold Itella Bank to the Savings Banks Group.

October–December 2013

The Itella Group's net sales in the fourth quarter were EUR 528.8 (542.6) million. The operating result before non-recurring items was EUR 26.3 (12.8) million, or 5.0% (2.4%) of net sales. Non-recurring items recognized during the period totaled EUR 14.0 (3.6) million.

The operating result before taxes was EUR 9.6 (6.9) million.

Net sales and operating result in 2013

The Itella Group's net sales in 2013 were EUR 1,976.8 (1,946.7) million. Net sales increased by 1.5%. In local currencies, net sales increased by 2.3%. The acquisition of groupage business operations in October 2012 was reflected in the growth.

The Group's net sales decreased in Itella Mail Communications and OpusCapita, but increased in Itella Logistics. Net sales grew by 4.7% in Finland and declined by 7.1% in other countries. International operations accounted for 24% (27%) of net sales.

The Group's operating result before non-recurring items was EUR 50.5 (53.2) million, or 2.6% (2.7%) of net sales. The operating result before non-recurring items decreased in Itella Mail Communications and Itella Logistics, but improved in OpusCapita.

In 2013, the operating result was burdened by EUR 40.5 (14.2) million in non-recurring items, of which EUR 17.5 (3.8) was related to personnel restructuring, EUR 21.0 million was related to impairment at Itella Logistics and EUR 2.0 (10.3) million was related to other items. Itella Logistics recognized an impairment in goodwill and tangible and intangible assets.

The Group's operating result was EUR 9.9 (39.0) million, or 0.5% (2.0%) of net sales. The operating result decreased at Itella Mail Communications and Itella Logistics, but improved at OpusCapita.

The Group's net financing costs amounted to EUR -12.3 (-8.3) million.

The Group's operating result after financial items was EUR -2.4 (30.8) million.
Income tax totaled EUR 10.1 (-16.7) million. The item includes a deferred tax asset of EUR 11.1 million, which is mainly related to unrecognized tax losses of the Group's Russian subsidiary from previous financial periods and was recognized in 2013 because of the company's improved profitability. The Group's income tax before changes in deferred taxes totaled EUR -4.2 (-18.4). Nearly 80% of the taxes in 2013 were related to Finland. The Group's effective tax rate before the deferred tax asset in Russia was 44% (54%).

The Group's operating result for the period amounted to EUR 7.7 (14.1) million.

Return on equity stood at 1.1% (2.1%).

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Result before taxes, EUR million	9.6	6.9	-2.4	30.8
Result for the period, EUR million	17.6	5.0	7.7	14.1
Return on equity (12 months), %			1.1	2.1
Return on invested capital (12 months), %			1.3	4.7

Equity ratio, %			47.5	46.2
Gearing, %			21.1	23.5
Gross capital expenditure, EUR million	19.8	69.9	61.1	134.7
Average number of employees			27,253	27,460
Dividends, EUR million	-	-	-	6.8

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Itella Mail Communications

October–December

Itella Mail Communications' net sales grew by 1.2% to EUR 327.5 (323.7) million. As a result of typical seasonality, Itella Mail Communications recorded strong sales in the fourth quarter. In late 2013, sales were strengthened by the increases in postage fees that took effect at the beginning of 2014.

The sales of Christmas stamps decreased by 8% from the previous year. About 37 million Christmas cards were sent. The amount of Christmas shopping delivered by Itella to consumers increased by about 11% from the previous year. Nearly 3 million parcels were delivered in December, almost 200,000 more parcels than in 2012. Despite the strong increase, the delivery of Christmas shipments ran smoothly.

In the fourth quarter, the distribution of addressed letters decreased by 7% and that of both newspapers and magazines by 8%, compared to the corresponding period of the previous year. In addressed letters, particularly the volume of second-class letters dropped, and the decline gained momentum in the fourth quarter.

The business group's operating result before non-recurring items was EUR 34.3 (25.5) million. The improvement mainly resulted from a sharp increase in the sale of stamps before the increases in postage fees that took effect at the beginning of 2014. In addition, more efficient operations had a positive effect on the result.

The operating result improved to EUR 35.8 (25.5) million. Non-recurring items in the review period totaled EUR 1.5 (0.0) million.

Year 2013

Itella Mail Communications' net sales decreased by 0.6% to EUR 1,160.2 (1,167.6) million. The decrease is explained by a decline in addressed deliveries.

Operations under the universal service obligation amounted to EUR 150.2 (139.1) million, or 12.9% (11.9 %) of net sales.

The business group's operating result decreased to EUR 64.1 (74.0) million, or 5.8% (6.3%) of net sales. The operating result before non-recurring items amounted to EUR 66.7 (74.0) million. Non-recurring items in the review period totaled EUR -2.6 (0.0) million.

In 2013, mail delivery volumes developed as follows (compared to 2012):

- Newspapers -6% (-8%)
- Magazines -7% (-5%)
- Addressed letters -6% (-4%)
- Unaddressed direct marketing +11% (+20%)
- Parcel services +4% (+5%)
- Electronic letters +11% (+36%)

During the year, Itella strengthened its market share in parcel services, which continued to grow. Itella increased its market share in B2B and maintained its position as the market leader in B2C. The number of parcels delivered by Itella increased by 1.1 million. In 2013, Itella delivered a total of nearly 32 million parcels.

However, the growth rate was lower than in 2012, and the smallest growth rate was recorded in the fourth quarter. Despite slower growth, Christmas was strong in parcel services. The growth in parcel services slowed down as a result of moderate GDP development and the increasing popularity of foreign online retailers among Finnish consumers.

Posti had 1,310 service points at the end of the year. Of these, 101 were managed by Posti and 902 were managed by entrepreneurs. Posti brought 176 automatic parcel terminals into use in 2013, bringing their total number to 307. The goal is to increase the number of the various service points to 1,700 by 2020. The use of automatic parcel terminals increased during 2013, with the number of parcels growing by 280% from the previous year.

The number of Netposti users reached 534,000 at the end of 2013, increasing by 20% from 2012.

As planned, the business group invested EUR 30.9 (26.8) million in vehicles, production projects and automatic parcel terminals in 2013.

Itella Logistics

<u>October–December</u>

Itella Logistics' net sales declined in the fourth quarter by 5.9% to EUR 209.6 (222.7) million. The decrease resulted from weak sales in Scandinavia and a decline in domestic freight volumes and average prices. Sales in Russia grew by 10.6% in the local currency.

The business group's operating result before non-recurring items decreased to EUR -7.2 (-5.6) million. This was due to unprofitable operations in groupage and warehouse logistics in Finland. In addition, the situation in Scandinavia continued to be challenging. In Russia, the business group recorded a positive and much stronger result than in the previous year.

The operating result decreased to EUR -18.3 (-9.3) million. This includes an impairment of EUR 8.6 million in fixed assets and intangible assets.

<u>Year 2013</u>

Itella Logistics' net sales grew by 7.8% to EUR 842.3 (781.5) million. Net sales increased particularly in Finland, driven by an acquisition in groupage logistics. In addition, all business operations in Russia developed favorably.

The business group's operating result before non-recurring items decreased to EUR -19.4 (-12.0) million. Its full-year operating result was EUR -45.9 (-9.5) million, or -5.5% (-1.2%) of net sales. The result was affected by the integration of acquired business operations, the challenging business environment in Scandinavia, lower processing volumes and the optimization of space in warehouse logistics and impairment in goodwill and other non-current assets.

As part of Itella Logistics' annual testing and restructuring, the business group carried out impairment testing of its goodwill and other assets in the third quarter. Based on the tests, impairment losses of EUR 7.4 million were recorded for Itella Logistics' goodwill and intangible assets from the company's earlier acquisitions in air and sea freight operations. In 2013, Itella Logistics recognized a total of EUR 21.0 million in impairment.

A large part of the shelving system in Itella Logistics' Shushary warehouse in St. Petersburg collapsed in July 2012. Measures to minimize the environmental impact of the collapse were initiated immediately in accordance with instructions issued by the authorities. In January 2014, Itella's management in Russia were acquitted of charges relating to the inappropriate handling of environmentally hazardous material. The processing of the insurance compensation has progressed, but the amount has not yet been confirmed in full. For this reason, the ultimate effects of the accident are yet to be determined. The indemnity is recognized in other receivables on the balance sheet, and a short-term provision for costs is recognized in liabilities. Related to this, a cost of EUR 1.7 million is recorded in the result for the 2013 financial period.

Itella Logistics' investments totaled EUR 18.8 (90.4) million. The most significant investments were made in the Pennala logistics center in Orimattila and warehouse services in Russia. The new logistics center was completed in June 2013.

OpusCapita

October–December

The business group formerly known as Itella Information became OpusCapita at the beginning of November. OpusCapita is a subgroup of Itella Corporation. Its Board of Directors was established on January 1, 2014. The Board has three external members in addition to three representatives of Itella.

OpusCapita's net sales in the fourth quarter were EUR 65.4 (67.6) million. Compared to 2012, its net sales decreased by 3.2% as a result of acquisitions and the performance of the currencies of Norway and Sweden. However, OpusCapita's comparable net sales grew.

The operating result before non-recurring items improved to EUR 4.3 (4.0) million. In the review period, EUR 2.2 (0.0) million was recognized in non-recurring items related to reorganization.

Year 2013

OpusCapita's comparable net sales increased by 3.5%. Its net sales amounted to EUR 263.4 (270.1) million. The divestment of the company's printing services in Germany and Poland had a negative effect on net sales.

The operating result before non-recurring items improved to EUR 22.5 (15.6) million, or 8.5% (5.8%) of net sales. In addition to increased volumes, favorable development in the profitability of all business units through increased automation and more efficient production had a positive effect on the operating result. Positive developments in outsourcing and software service business operations had a particularly favorable effect on the result, as did printing service business operations, which again recorded a good result.The business group's operating result improved to EUR 16.9 (-1.1) million. In 2012, its operating result was affected by the divestment of printing services in Germany.

OpusCapita's invoicing of continuous services developed favorably in 2013. In particular, the operating results of its companies in Norway and Sweden increased in the local currencies. The number of transactions in electronic business operations grew in all markets. In financial administration outsourcing services, OpusCapita acquired new customers and improved profitability through efficiency measures.

Continuous service business operations make up 95% of OpusCapita's net sales. This includes multichannel 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 180 million electronic transactions. The share of electronic transactions of the total volume of transactions is increasing and stood at 28% in 2013. The total volume of transactions includes printed and mailed paper letters. In addition, OpusCapita introduced its upgraded cloud-based software solutions for electronic invoice management and payments, among other functions.

On August 30, 2013, OpusCapita sold its printing services in Poland to PostNord. As part of the transaction, 50 employees transferred from OpusCapita to the PostNord Strålfors business unit in Warsaw. The transaction did not have a significant effect on OpusCapita's net sales or operating result.

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

Key Figures for Business Groups (EUR million)	10–12/2013	10–12/2012	Change	1–12/2013	1–12/2012	Change
Net sales						
Itella Mail Communications	327.5	323.7	1.2%	1,160.2	1,167.6	-0.6%
Itella Logistics	209.6	222.7	-5.9%	842.3	781.5	7.8%
OpusCapita	65.4	67.6	-3.2%	263.4	270.1	-2.5%
Other operations	14.5	16.1	-10.0%	60.5	63.1	-4.1%
Intra-Group sales	-88.3	-87.7	0.8%	-349.6	-335.6	4.2%
Itella Group	528.8	542.6	-2.5%	1,976.8	1,946.7	1.5%
Operating result (non-IFRS)*						
Itella Mail Communications	34.3	25.5	34.6%	66.7	74.0	-9.9%
Itella Logistics	-7.2	-5.6	neg	-19.4	-12.0	neg
OpusCapita	4.3	4.0	7.7%	22.5	15.6	44.5%
Other operations	-5.1	-11.1	neg	-19.4	-24.4	neg
Itella Group	26.3	12.8	106.1 %	50.5	53.2	-5.1%
Operating result (EBIT)						
Itella Mail Communications	35.8	25.5	40.5%	64.1	74.0	-13.4%
Itella Logistics	-18.3	-9.3	neg	-45.9	-9.5	neg
OpusCapita	2.1	4.0	-47.8%	17.0	-1.1	neg
Other operations	-7.3	-11.1	neg	-25.2	-24.4	neg
Itella Group	12.3	9.1	34.8%	9.9	39.0	-74.6%
Operating result (non-IFRS), %*						
Itella Mail Communications	10.5%	7.9%		5.8%	6.3%	
Itella Logistics	-3.4%	-2.5%		-2.3%	-1.5%	
OpusCapita	6.6%	6.0%		8.5%	5.8%	
Itella Group	5.0%	2.4%		2.6%	2.7%	
Operating result (EBIT), %						
Itella Mail Communications	10.9%	7.9%		5.5%	6.3%	
Itella Logistics	-8.7%	-4.2%		-5.5%	-1.2%	
OpusCapita	3.2%	6.0%		6.4%	-0.4%	
Itella Group	2.3%	1.7%		0.5%	2.0%	

* Non-IFRS = before non-recurring items

Business risks

In 2013, risk management focused on the further improvement of the quality and extent of the risk management process. The systematic development of the extent of insurance coverage 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

Itella's competitive ability and regulation by the authorities. Operative risks were primarily related to profitability, the reform of ICT operations, and business interruptions and other disruptions.

The postal licenses that have been granted allow for competition in addressed deliveries, but competition did not yet have an impact on Itella in 2013. The Finnish Government issued a postal delivery license to one of Itella's competitors on January 30, 2014. Itella considers increased competition in the postal market to be a positive development. However, in the view of Itella, the decision to issue the postal license reduces its 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 Itella. Turbulent financial markets and any related disturbances may also pose a risk to Itella'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 strong decline in the volumes of letters, magazines, and newspapers. Itella strives to develop its operations continuously to minimize this risk.

In late 2013, Itella Posti initiated negotiations with publishers on renewing its delivery agreements on early-morning newspaper delivery. With the present operating model and prices, early-morning newspaper deliveries are not profitable as a whole. Any decisions by customers to discontinue cooperation with Itella may cause non-recurring costs in the short term if the capacity and general costs must be reduced.

In logistics, unexpected changes related 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 2013, Itella continued to integrate the groupage logistics business operations that it had acquired in the previous year into Itella Logistics.

In Russia, the development of the economic, social, legislative and other areas of the business environment may pose a strategic market risk for Itella. The fluctuation and weakening of the ruble affect shareholders' equity through changes in the value of capital employed in Russia. In accordance with Itella's financial policy, equity investments in subsidiaries are not hedged. However, Itella seeks to hedge against the transaction risk on the balance sheet in full, and against the operational transaction risk in part, in accordance with the limits determined in the financial policy. Itella Logistics' investments in Russia are substantial and continue to grow in accordance with Itella's 2020 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.

A large part of the shelving system in Itella Logistics' Shushary warehouse in St. Petersburg collapsed in July 2012. Measures to minimize the environmental impact of the collapse were initiated immediately in accordance with instructions issued by the authorities. In January 2014, Itella's management in Russia were acquitted of charges relating to the inappropriate handling of environmentally hazardous material. The processing of the insurance compensation has progressed, but the amount has not yet been confirmed in full. For this reason, the ultimate effects of the accident are yet to be determined. The indemnity is recognized in other receivables on the balance sheet, and a short-term provision for costs is recognized in liabilities. Related to this, a cost of EUR 1.7 million is recorded in the result for the 2013 financial period.

OpusCapita's capacity to develop the outsourcing of financial processes and the related processes during a period of rapid growth involves an operational risk. At the same time, it is essential to ensure profitability in outsourcing business operations. 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.

Rigid cost structures slow the improvement of profitability, particularly in Finland, where the universal service obligation also limits the potential for enhanced efficiency. As volumes decline, a new recession would further complicate efforts to maintain profitability.

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 Itella.

In 2013, Itella decided to reform its ICT management operating model and signed an extensive partnership agreement related to this. As part of the agreement, Itella outsourced some of its ICT operations. The management of the risks related to the transition is key for the successful further development of ICT operations at Itella.

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. Itella launched the Safe Workplace project in Finland to further develop the management of occupational safety risks related to employees. The project spans several years.

The postal industry is undergoing the most dramatic transformation in its history. This requires Itella to adjust its delivery and sorting capacity and strongly enhance the efficiency of its operations in the coming years. This may involve risks that can cause disturbances to postal deliveries and processes. We seek to minimize these risks through active cooperation with employees, the Uusi polku program launched by Itella 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.

Changes in corporate structure

Itella Corporation sold the entire share capital of Itella Bank to the Savings Banks Group on April 18, 2013.

OpusCapita (formerly Itella Information) sold its printing services in Poland to PostNord on August 30, 2013.

On September 2, 2013, Itella Corporation sold its subsidiary Logia Software Oy to its management.

NLC International Corporation, an Itella subsidiary previously domiciled in the British Virgin Islands, was registered in Cyprus on October 9, 2013. Consequently, Itella no longer has any subsidiaries registered in the British Virgin Islands.

Itella Information changed its name to OpusCapita on November 1, 2013. Itella maintained ownership of OpusCapita as its subgroup.

PT Logistiikka Oy merged with Itella Logistics Oy on October 1, 2013. OpusCapita AB merged with Itella Information AB on December 19, 2013. OOO Itella Information merged with OOO Kapstroimontazh on December 10, 2013. OpusCapita Oy merged with OpusCapita Group Oy on December 31, 2013.

Capital expenditure

The Itella Group's investments decreased significantly from 2012. The increase in fixed assets was EUR 61.1 (92.9) million, and EUR 0.0 (30.4) 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.

Research and development

The Itella Group's research and development expenditure in 2013 was EUR 11.3 (15.2 in 2012) million, or 0.6% (0.8% in 2012) of operating expenses.

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. The Itella Maksuturva service in collaboration with Suomen Maksuturva for e-commerce operators for the management of online payments and product returns was launched. In terms of physical services, the delivery of groceries to parcel points in collaboration with the Alepa Kauppakassi was piloted and the Termo refrigerated delivery service from small food producers directly to consumers was launched. The electronic delivery pilot project in the archipelago in southwestern Finland was completed.

Itella Logistics invested in a new freight operating system. The integration of domestic transport optimization and management systems continued.

OpusCapita began to develop a new global mail communications platform and continued the development of products designed for cash flow automation by introducing new mobile and cloud service solutions and by investing in the user-friendliness of products.

Environmental impacts

Itella's environmental effects are mainly related to greenhouse gas emissions. Itella 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 of Itella's business operations in all countries of operation.

In 2013, Itella focused particularly on the energy efficiency of the premises. Itella integrated measures related to the use of buildings into daily ways of working and worked to ensure that the company would maintain the achieved level and further improve efficiency in order to produce savings. In the future, Itella will focus primarily on lighting, heating, ventilation and air conditioning in promoting more efficient use of electricity. Electricity use will also be monitored actively.

In addition, Itella's goal is to monitor the development of energy-efficient technologies more closely. New technologies will be deployed as much as possible. Itella's goal is to cut our electricity consumption by 2% and heat consumption by 3% annually until 2015.

With the annual report for 2013, Itella will publish a corporate responsibility report that includes more detailed information on environmental responsibility.

Financial position

The Group's cash flow from operating activities decreased, amounting to EUR 81.3 (118.9) million before investments. The Group spent EUR 40.8 (115.0) million on investments and acquisitions. Divestments had a positive effect of EUR 12.5 million on cash flow.

At the end of 2013, the Group's liquid assets totaled EUR 166.5 (148.3) million, and unused credit facilities stood at EUR 120.0 (120.0) million. The Group's interest-bearing liabilities were EUR 305.1 (324.8) million. Its equity ratio was at 47.5% (46.2%), and gearing was 21.1% (23,5%).

Share capital and shareholding

Itella 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 26, 2013. The meeting adopted the 2012 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. Arto Hiltunen continues as Chair the Board of Directors, and Päivi Pesola continues as its Vice Chair. Country Manager Jussi Kuutsa, Managing Director Timo Löyttyniemi, Senior Government Councilor Ilpo Nuutinen, Executive Vice President Riitta Savonlahti and President and CEO Maarit Toivanen-Koivisto continue as members of the Board. Managing Director Suvi-Anne Siimes was elected to the Board as a new member.

Itella's Supervisory Board consists of twelve members. MP Mauri Pekkarinen (Centre Party) continues as Chair of the Supervisory Board, and MP Johanna Karimäki (The Greens of Finland) continues as Vice Chair. MP Ritva Elomaa (The Finns Party), MP Lars-Erik Gästgivars (Swedish People's Party), MP Susanna Huovinen (Social Democratic Party), student Sari Moisanen (Left Alliance), MP Outi Mäkelä (National Coalition Party), business owner Reijo Ojennus (The Finns Party), MP Raimo Piirainen (Social Democratic Party), MP Tuomo Puumala (Centre Party), Executive Director Teuvo V. Riikonen (Christian Democrats) and MP Kimmo Sasi (National Coalition Party) continue as members of the Supervisory Board.

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

Heikki Malinen, M.Sc. (Econ.), MBA (Harvard), serves as President and CEO of Itella Corporation.

The extraordinary general meeting, held on May 30, 2013, stated that MP Susanna Huovinen (Social Democratic Party) had resigned from the Supervisory Board, and the meeting appointed MP Maria Guzenina-Richardson (Social Democratic Party) as a new member.

Employees

At the end of 2013, the Itella Group had a total of 25,877 (27,816) permanent or part-time employees. The average number of personnel in the Group was 27,253 (27,460). In full-time equivalents, this corresponds to 23,712 (23,676) person-years, including an average of 5,649 (5,859) person-years outside Finland.

Personnel distribution was as follows:

Itella Mail Communications	16,706
Itella Logistics	6,670
OpusCapita	2,121
Group and other functions	380

At the end of 2013, a total of 5,614 (5,997) employees worked outside Finland. The number of employees working in Finland was 20,263 (21,819) The parent company had 380 (386) employees at the end of 2013. Its average number of employees was 379 (386).

Group personnel	2013	2012	2011
Salaries and wages, EUR million	713.4	713.8	731.8
Employees as of December 31	25,877	27,816	27,585
Average number of employees	27,253	27,460	28,493

Salaries and wages paid by the Group decreased by EUR 0.4 million from 2012. Personnel expenses included EUR 17.5 (3.8) million in restructuring costs. The operating result for the period included a provision of EUR 1.2 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 498 new permanent employment contracts in Finland in 2013. Personnel reductions amounted to 637 person-years. Out of this total, 380 person-years were related to production and finance and 20 person-years were reduced through voluntary resignation and pension plans. In addition, 237 person-years were related to acquisitions.

Events after the financial period

Itella's operations in Russia form an own business group as of January 1, 2014.

On January 29, 2014, Itella Posti launched cooperation negotiations that may lead to a reduction of 1,200 jobs in basic delivery. Part of the reduction can be implemented through voluntary arrangements and attrition.

Outlook for 2014

Since the beginning of 2014, the Itella Group consists of four business groups: Itella Mail Communications, Itella Logistics Nordic, Itella Logistics Russia and OpusCapita.

The Group's business is characterized by seasonality. Net sales and operating results in the business groups are not accrued evenly over the year. In Mail Communications, the first and fourth quarters are typically strong, while the second and third quarters are weaker. In Logistics, the second half of the year is stronger.

The Itella Group expects its comparable net sales in euros for 2014 to remain at the previous year's level. The Group's operating result before non-recurring items is expected to improve markedly. However, the operating result will continue to be affected by significant non-recurring items in 2014.

Itella Mail Communications' net sales and operational result are expected to decrease.

Logistics' comparable net sales are expected to remain at the previous year's level at the minimum. Its operating result is expected to improve significantly.

Opus Capita's net sales and operating result are expected to remain at the previous year's level.

Investments are expected to increase from 2013.

Board of Directors' proposal for the distribution of profits

In the financial statements, the parent company's distributable funds total EUR 569,677,245.72, of which the loss for the 2013 financial period is EUR 46,983,206.37.

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 to be distributed.

Helsinki, February 13, 2014

Itella Corporation
Board of Directors

APPENDICES
Key figures for the Itella Group
Consolidated income statement and consolidated statement of comprehensive income
Consolidated balance sheet
Consolidated cash flow statement
Statement of changes in shareholders’ equity
Notes to the Interim Report

Itella Corporation

Financial Statements Review for January-December 2013

Key figures of Itella Group

	10-12 2013	10-12 2012	1-12 2013	1-12 2012
Net sales, MEUR	528,8	542,6	1 976,8	1 946,7
Operating result (non-IFRS), MEUR *)	26,3	12,8	50,5	53,2
Operating result (non-IFRS), % *)	5,0	2,4	2,6	2,7
Operating result (EBIT), MEUR	12,3	9,1	9,9	39,0
Operating result (EBIT), %	2,3	1,7	0,5	2,0
Result before taxes, MEUR	9,6	6,9	-2,4	30,8
Result for the period, MEUR	17,6	5,0	7,7	14,1
Return on equity, %, 12 months			1,1	2,1
Return on invested capital (12 months), %			1,3	4,7
Equity ratio, %			47,5	46,2
Gearing, %			21,1	23,5
Gross capital expenditure, MEUR	19,8	69,9	61,1	134,7
Employees on average			27 253	27 460
Dividends, MEUR	-	-	-	6,8

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

Consolidated Income Statement

EUR million	10-12 2013	10-12 2012	1-12 2013	1-12 2012
Net sales	528,8	542,6	1 976,8	1 946,7
Other operating income	7,0	7,1	18,2	25,3
Share of associated companies' results	0,0	0,0	0,0	0,0
Materials and services	149,6	154,7	572,2	546,9
Employee benefits	223,8	240,9	885,4	885,2
Depreciation and amortisation	22,3	23,1	92,1	88,0
Impairment losses	11,9	-	24,3	1,4
Other operating expenses	115,7	120,5	411,1	411,5
Operating result (EBIT)	12,3	9,1	9,9	39,0
% of net sales	2,3 %	1,7 %	0,5 %	2,0 %
Financial income and expenses	-2,8	-2,2	-12,3	-8,3
Result before income tax	9,6	6,9	-2,4	30,8
% of net sales	1,8 %	1,3 %	-0,1 %	1,6 %
Income tax	8,1	-1,9	10,1	-16,7
Result for the financial period	17,6	5,0	7,7	14,1
% of net sales	3,3 %	0,9 %	0,4 %	0,7 %

Consolidated Statement of Comprehensive Income

Result for the financial period	17,6	5,0	7,7	14,1
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Available-for-sale financial assets	-0,1	-0,1	0,2	-0,3
Translation differences	-8,4	-2,7	-28,0	10,9
Tax effect	0,0	-	0,0	-
Items that will not be reclassified to proft or loss in subsequent periods:				
Actuarial gains and losses	-5,0	-0,7	-5,0	-2,9
Tax effect	1,0	0,2	1,0	0,7
Comprehensive income for the financial period	5,2	1,6	-24,1	22,5

Consolidated Statement of Financial Position

EUR million	31 Dec 2013	31 Dec 2012
Non-current assets		
Goodwill	180,0	186,9
Other intangible assets	70,1	100,3
Investment property	12,4	3,1
Property, plant and equipment	625,5	675,4
Investments in associated companies	0,4	0,4
Other non-current investments	6,0	6,0
Non-current receivables	12,5	13,0
Deferred tax assets	20,6	13,8
Total non-current assets	927,4	998,9
Current assets		
Inventories	7,8	6,7
Trade and other receivables	311,0	329,9
Income tax receivables	1,8	2,1
Financial assets available-for-sale	0,7	2,6
Financial assests held to maturity	0,0	15,2
Financial assets at fair value through profit or loss	85,8	56,2
Cash and cash equivalents	81,0	90,3
Total current assets	488,2	503,0
Non-current assets classified as held for sale	0,0	10,7
Total assets	1 415,6	1 512,5
Equity		
Share capital	70,0	70,0
Contingency reserve	142,7	142,7
Fair value reserve	0,0	-0,2
Translation differences	-21,3	6,7
Retained earnings	464,4	467,5
Total equity	655,8	686,7
Non-current liabilities		
Deferred tax liabilities	43,7	54,1
Non-current interest-bearing loans	283,6	288,3
Other non-current liabilities	11,5	12,2
Non-current provisions	12,8	18,6
Defined benefit pension plan obligations	11,3	8,3
Total non-current liabilities	362,8	381,5
Current liabilities		
Current interest-bearing loans	21,5	36,3
Trade payables and other liabilities	357,8	375,7
Income tax payables	2,6	1,2
Current provisions	15,0	30,4
Total current liabilities	397,0	443,7
Liabilities associated with non-current assets classified as held for sale	0,0	0,5
Total liabilities	759,8	825,8
Total equity and liabilities	1 415,6	1 512,5

Consolidated Cash Flow Statement

EUR million	1-12 2013	1-12 2012
Profit or loss for the financial period	7,7	14,1
Adjustments to cash flow	91,9	143,2
Change in net working capital	-3,6	-11,1
Cash flow before financial items and income tax	95,9	146,2
Financial items (net)	-12,2	-11,7
Income tax paid	-2,4	-15,6
Cash flow from operating activities (net)	81,4	118,9
Purchase of intangible assets	-6,2	-28,1
Purchase of property, plant and equipment	-34,6	-45,4
Proceeds from sale of intangible and tangible assets	6,9	7,4
Business acquisitions	0,0	-41,5
Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents	12,5	-14,4
Financial assets at fair value through profit or loss	-29,8	2,5
Cash flow from other investments	2,0	-3,1
Cash flow from investing activities (net)	-49,2	-122,5
Change in loans (net)	-25,1	-19,0
Payments of finance lease liabilities	-7,4	-6,6
Financial assets held to maturity	0,3	-4,2
Dividends paid	-6,8	-
Cash flow from financing activities (net)	-39,0	-29,8
Change in cash and cash equivalents	-6,8	-33,4
Cash and cash equivalents at the beginning of the period	90,3	121,0
Effect of changes in exchange rates	-2,5	2,7
Cash and cash equivalents at the end of the period	81,0	90,3

Consolidated Statement of Changes in Equity

EUR million	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total equity
Equity 1 January 2012	70,0	142,7	0,1	-4,2	456,8	665,4
Comprehensive income						
Result for the financial period					14,1	14,1
Other items of Comprehensive income:						
Change in fair value reserve			-0,3			-0,3
Change in translation differences				10,9		10,9
Actuarial gains and losses					-2,2	-2,2
Comprehensive income for the financial period			-0,3	10,9	11,9	22,5
Other changes*					-1,3	-1,3
Transactions with equity holders						
Non-controlling interests						0,0
Transactions with equity holders, total					0,0	0,0
Equity 31 December 2012	70,0	142,7	-0,2	6,7	467,5	686,7
Equity 1 January 2013	70,0	142,7	-0,2	6,7	467,5	686,7
Comprehensive income						
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
Comprehensive income for the financial period			0,1	-28,0	3,7	-24,1
Transactions with equity holders						
Dividends paid					-6,8	-6,8
Transactions with equity holders, total					-6,8	-6,8
Equity 31 December 2013	70,0	142,7	0,0	-21,3	464,4	655,8

*) Adjustment on deferred tax liability regarding difference between tax base and carrying amount of non-current assets was recongnized directly in equity in 201

Notes

1. Accounting Principles

The financial statements review has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in Itella's financial statements for 2012 with the exception of the changes in IFRS standards described below. Itella has applied the currently valid IFRS standards and interpretations in the preparation of this interim report. The figures shown have been rounded, which is why the sum total of individual figures may differ from totals presented in the tables. The interim report is unaudited.

Changes in IFRS standards

As of January 1, 2013 the Group applies the following new and revised standards:
- IFRS 13

As of January 1, 2013 the Group applies the following new and revised standards retrospectively:
- IAS 19 (Amendment)

Under the revised standard the liabilities on defined benefit pension plans are measured at present value at the end of the reporting period, and the so-called corridor method is no more permitted. The remeasurement component is presented immediately in other comprehensive income. Because of retrospective application the opening balance of the comparative period has been restated to reflect previous periods' adjustments.

The changes in the opening balance 1 January 2012 as well as the changes recognized in the comparative period's income statement figures are presented in the table below.

EUR million	Previously reported figures	Change	Revised figures according IAS 19
Statement of Financial Position 1 Jan 2012			
Deferred tax assets	12,0	0,3	12,3
Defined benefit pension plan obligations	7,5	1,2	8,7
Equity	664,9	-0,9	664,0
Consolidated Statement of Comprehensive Income 1 January - 31 December 2012			
Other items of comprehensive income			
Actuarial gains and losses	-	-2,9	-2,9
Taxes on other items of comprehensive income	-	0,7	0,7
Comprehensive income for the financial period	-	-2,2	-2,2

Other retrospective changes

Itella has identified an error in the valuation of inventories. The error relates to earlier accounting periods and it has been amended retrospectively as presented in the table below.

	Previously reported figures	Change	Revised figures
Statement of Financial Position 1 Jan 2012			
Inventories	5,8	1,9	7,7
Equity	664,9	1,4	666,3
Deferred tax liability	53,1	0,5	53,5

2. Segment Information

EUR million	10-12 2013	10-12 2012	1-12 2013	1-12 2012
Net sales by business segment				
Itella Mail Communications	327,5	323,7	1 160,2	1 167,6
inter-segment sales	-16,2	-14,8	-59,4	-54,6
Itella Logistics	209,6	222,7	842,3	781,5
inter-segment sales	-54,2	-53,3	-215,4	-205,9
OpusCapita	65,4	67,6	263,4	270,1
inter-segment sales	-3,4	-3,5	-14,2	-12,2
Other operations	14,5	16,2	60,5	63,1
inter-segment sales	-14,5	-16,1	-60,5	-62,9
Total eliminations (Interim sales)	-88,3	-87,7	-349,6	-335,6
Total	528,8	542,6	1 976,8	1 946,7
Operating result by business segment (non-IFRS) *)				
Itella Mail Communications	34,3	25,5	66,7	74,0
Itella Logistics	-7,2	-5,6	-19,4	-12,0
OpusCapita	4,3	4,0	22,5	15,6
Other operations	-5,1	-11,1	-19,4	-24,4
Total	26,3	12,8	50,5	53,2
Non-recurring items by business segment				
Itella Mail Communications	-1,5	-	2,6	-
Itella Logistics	11,1	3,6	26,5	-2,5
OpusCapita	2,2	-	5,5	16,7
Other operations	2,2	-	5,9	-
Total	14,0	3,6	40,5	14,2
Operating result (EBIT) by business segment				
Itella Mail Communications	35,8	25,5	64,1	74,0
Itella Logistics	-18,3	-9,3	-45,9	-9,5
OpusCapita	2,1	4,0	17,0	-1,1
Other operations	-7,3	-11,1	-25,2	-24,4
Total	12,3	9,1	9,9	39,0

Financial income and expenses	-2,8	-2,2	-12,3	-8,3
Result for the financial period	17,6	5,0	7,7	14,1

EUR million	31 Dec 2013	31 Dec 2012
Assets		
Itella Mail Communications	482,7	476,8
Itella Logistics	587,3	689,7
OpusCapita	172,6	179,0
Other operations and unallocated	210,0	203,7
Eliminations	-37,0	-36,7
Total	1 415,6	1 512,5
Liabilities		
Itella Mail Communications	266,5	276,0
Itella Logistics	120,2	148,7
OpusCapita	42,7	47,3
Other operations and unallocated	367,5	390,5
Eliminations	-37,0	-36,7
Total	759,8	825,8
Personnel at end of the period		
Itella Mail Communications	16 706	17 844
Itella Logistics	6 670	7 391
OpusCapita	2 121	2 168
Other operations	380	413
Total	25 877	27 816

*) Non-IFRS = excluding non-recurring items

3. Acquired businesses and business divestments

Acquired businesses 2013
No business acquisitions has been carried out during the review period.

Business divestments in 2013

Itella Bank Ltd
Itella Corporation sold the entire share capital of Itella Bank Ltd to the Finnish Savings Bank Group in April 2013. Employees transferred from Itella to Bank of Savings Banks Ltd. Gain on disposal EUR 1.6 million has been recognized in other operating income.

Net assets sold, EUR million	30 Apr 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

Printing business in Poland
OpusCapita sold its printing business in Poland to PostNord in August. As a result of the transaction, 50 employees were transferred from Itella to PostNord. The Group has recognised a loss on disposal totalling EUR 0.2 million in other operating expenses.

Logia Software Oy
Itella Corporation sold its entire shareholding in Logia Software Oy to the management of the company in September. The gain on disposal totalling EUR 0.3 million has been recognised in other operating income.

4. Net Sales by Geographical Location

EUR million	10-12 2013	10-12 2012	1-12 2013	1-12 2012
Finland	395,8	388,2	1410,6	1 333,9
Scandinavia	54,2	64,6	235,9	263,2
Baltic countries and Russia	67,0	63,3	238,6	239,4
Other countries	23,4	26,6	91,6	110,2
Total	528,8	542,6	1 976,8	1 946,7

5. Changes in Property, Plant and Equipment

EUR million	31 Dec 2013	31 Dec 2012
Carrying amount on 1 January	675,4	664,1
Additions	54,9	76,3
Disposals and transfers between items	-11,0	-6,9
Depreciation and Impairment	-68,5	-67,3
Translation differences	-25,3	9,2
Carrying amount at the end of the period	625,5	675,4

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

EUR million		Level 1	Level 2	Level 3
30 Sept 2013				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	4,8		4,8	
Trade and other receivables				
Derivative contracts				
Currency forward contracts, hedge accounting	0,0		0,0	
Financial assets at fair value through profit and loss				
Money market investments	69,3		69,3	
Bonds	50,5	39,6	10,8	
Derivative contracts				
Currency forward contracts, non-hedge accounting	0,3		0,3	
Electricity forward contracts, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Equity fund investments	0,7			0,7
Total	125,7	39,7	85,2	0,7
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
Derivative contracts				
Currency forward contracts, non-hedge accounting	0,5		0,5	
Currency forward contracts, hedge accounting	0,0		0,0	
Electricity forward contracts, non-hedge accounting	1,1	1,1		
Total	1,6	1,1	0,5	

	Fair values at the end of the reporting period			
EUR million	Total	Level 1	Level 2	Level 3
31 Dec 2012				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	6,9		6,9	
Financial assets at fair value through profit and loss				
Money market investments	46,8		46,8	
Bonds	54,1	42,9	11,2	
Derivative contracts				
Currency forward contracts, non-hedge accounting	0,1		0,1	
Electricity forward contracts, non-hedge accounting	0,0	0,0		
Available-for-sale financial assets				
Debt certificates	1,8		1,8	
Equity fund investments	0,8			0,8
Total	110,4	43,0	66,7	0,8
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
Derivative contracts				
Currency forward contracts, non-hedge accounting	1,3		1,3	
Electricity forward contracts, non-hedge accounting	0,6	0,6		
Total	1,9	0,6	1,3	

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

Hierarchy levels:
Level 1: Fair values are based on the quoted prices of identical asset groups or liabilities in active markets.
Level 2: Fair values are, to a significant degree, based on data other than quoted prices included in level 1, but on data that can be either directly or indirectly verified for the asset group or liability in question. To determine the fair value of these instruments, the Group uses generally accepted valuation models that are, to a significant degree, based on verifiable market data.
Level 3: Fair values are based on data regarding the asset group or liability that is not based on verifiable market data.

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

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

EUR million	Available-for-sale equity fund investments
2013	
Carrying amount on 1 January	0,8
Total profits and losses	
In income statement	
Available-for-sale financial assets	0,0
In other comprehensive income	
Available-for-sale financial assets	0,2
Acquisitions	0,0
Exercises	-0,2
Carrying amount on 30 September	0,7

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

In financial income and expenses	0,1

7. Contingent Liabilities

EUR million	31 Dec 2013	31 Dec 2012
Pledges for own behalf	13,2	18,9
Lease commitments	288,1	381,1

Itella has received claims from its contract customers to refund the value added taxes they have paid amounting to a total of EUR 94 million. The ruling by the Helsinki District Court in summer 2011 was positive to Itella. The decision was however nullified by the Helsinki Court of Appeal and returned to the district court where the proceedings began in 2012. Itella considers the customers' claims to be unfounded in their entirety.

Derivative Contracts

EUR million	31 Dec 2013	31 Dec 2012
Currency derivatives		
Currency forward contracts, non-hedge accounting		
Fair value	-0,2	-1,3
Nominal value	95,6	121,4
Currency forward contracts, hedge accounting		
Fair value	0,0	-
Nominal value	9,8	-
Interest rate derivates		
Interest rate swaps, hedge accounting		
Fair value	4,8	6,9
Nominal value	70,0	70,0
Electricity derivatives		
Electricity forwards, non-hedge accounting		
Fair value	-1,0	-0,5
Nominal value	6,5	8,0