



ITELLA CORPORATION INTERIM REPORT, JANUARY–SEPTEMBER 2014  
NOVEMBER 3, 2014 AT 10:00 (EET)

## Itella's net sales decreased – profitable operating result in Russia

Itella Corporation Interim Report Q3/2014

July–September 2014

- Itella Group's net sales in July–September decreased by 4.8% compared to the previous year and was EUR 435.1 (457.0) million. The decrease was due to the weakening and intense competition of the logistics market as well as currency depreciation. Mail delivery volumes continued to decline substantially. Parcel traffic increased slightly.
- Net sales remained largely unchanged from the previous year in Itella Mail Communications, totaling EUR 254.5 (255.8) million, but decreased to EUR 145.9 (158.4) million in Itella Logistics, to EUR 47.2 (52.9) million in Itella Russia and to EUR 60.4 (61.3) million in OpusCapita. Itella Russia's net sales decreased by 1.2% measured in rubles.
- The operating result before non-recurring items decreased, amounting to EUR 6.8 (8.0) million, or 1.6% (1.7%) of net sales. The operating result before non-recurring items improved to EUR 3.6 (2.4) million in Itella Mail Communications and was EUR -2.8 (-2.7) million in Itella Logistics and EUR 2.7 (3.0) million in Itella Russia. The operating result before non-recurring items declined to EUR 5.1 (7.2) million in OpusCapita.
- The third-quarter operating result was weighed down by non-recurring items in the amount of EUR 14.1 (11.1) million. The operating result was EUR -7.4 (-3.1) million, or -1.7% (-0.7%) of net sales.
- Itella will renew its logistics services in Scandinavia and plans to give up air and sea freight as well as its service warehouses in Sweden, Norway and Denmark. In the future, Itella's focus in Scandinavia will be on road transport between its countries of operation.
- On September 11, 2014, OpusCapita announced its acquisition of Norian Group, a Norwegian financial accounting outsourcing company.
- Itella Corporation will change its name to Posti Group Corporation as of January 1, 2015. Itella Logistics Oy will merge with Itella Posti Oy on January 1, 2015, and Itella Posti Oy will change its name to Posti Oy (Posti Ltd).
- As of January 1, 2015, the business groups will be: Postal Services, Parcel and Logistics Services, Itella Russia and OpusCapita.

January–September 2014

- Itella Group's net sales decreased in January–September by 5.6% to EUR 1,367.0 (1,448.0) million compared to the previous year. The decrease was due to the decline and intense competition of the logistics market, currency depreciation as well as lower volumes in mail delivery. At comparable exchange rates, the decline in net sales was 3.8%.
- Net sales decreased by 1.6% in Itella Mail Communications, by 8.5% in Itella Logistics, by 12.5% in Itella Russia, and by 2.8% in OpusCapita. Itella Russia's net sales grew by 0.8% measured in rubles.
- The operating result before non-recurring items improved and amounted to EUR 27.3 (24.1) million, or 2.0% (1.7%) of net sales.

- The operating result before non-recurring items improved to EUR -11.7 (-15.6) million in Itella Logistics and decreased to EUR 31.6 (32.8) million in Itella Mail Communications, to EUR 0.4 (2.8) million in Itella Russia and to EUR 16.6 (18.1) million in OpusCapita.
- The operating result decreased to EUR -5.1 (-2.4) million, or -0.4% (-0.2%) of net sales. Non-recurring items recognized during the period totaled EUR 32.4 (26.5) million, of which EUR 22.0 (15.3) million was related to personnel restructuring and EUR 10.4 (11.2) million to other items.
- Cash flow from operating activities was EUR 50.7 (9.8) million. Gearing remained at a good level and was 19.9% (30.3%).

| Key figures of Itella Group                                  |       |       |         |         |         |
|--|-------|-------|---------|---------|---------|
|  | 7-9   | 7-9   | 1-9     | 1-9     | 1-12    |
|  | 2014  | 2013  | 2014    | 2013    | 2013    |
| Net sales, EUR million                                       | 435.1 | 457.0 | 1,367.0 | 1,448.0 | 1,976.8 |
| Operating result (non-IFRS), EUR million*                    | 6.8   | 8.0   | 27.3    | 24.1    | 50.5    |
| Operating result (non-IFRS), %*                              | 1.6   | 1.7   | 2.0     | 1.7     | 2.6     |
| Operating result (EBIT), EUR million                         | -7.4  | -3.1  | -5.1    | -2.4    | 9.9     |
| Operating result (EBIT), %                                   | -1.7  | -0.7  | -0.4    | -0.2    | 0.5     |
| Result before taxes, EUR million                             | -10.1 | -5.2  | -12.2   | -12.0   | -2.4    |
| Result for the period, EUR million                           | -9.1  | -3.7  | -8.9    | -9.9    | 7.7     |
| Return on equity (12 months), %                              |       |       | 1.4     | -0.7    | 1.1     |
| Return on invested capital (12 months), %                    |       |       | 1.3     | 1.1     | 1.3     |
| Equity ratio, %  |       |       | 47.2    | 47.6    | 47.5    |
| Gearing, %   |       |       | 19.9    | 30.3    | 21.1    |
| Gross capital expenditure, EUR million                       | 12.0  | 14.2  | 42.9    | 41.3    | 61.1    |
| Average number of employees                                  |       |       | 25,132  | 27,669  | 27,253  |
| *) Non-IFRS = excluding non-recurring items, see Appendix 2. |       |       |         |         |         |

Heikki Malinen, President and CEO:

“This year has been a time of major changes for Itella. Itella is implementing a new strategy, which aims to adapt business operations to the profound transformation in the industry, to renew the company so that it becomes more agile, to ensure the company’s profitability, to improve customer experience and to seek new growth areas. The first change visible to our customers is that Itella will change its name to Posti from the beginning of next year.

Unfortunately, the overall economic situation has not helped in driving growth. On the contrary, the economy in Finland and neighboring regions, including Russia, has declined further. The logistics market and retail have suffered from the economic recession. Transport volumes in heavy traffic have decreased in Finland for nearly 30 consecutive months. Particularly alarming is the decrease in the delivery volumes of postal items, which continued very strongly as digital communications are becoming more common.

Itella has responded to the impact of the transformation of the postal and logistics industry with structural changes that have, unfortunately, entailed personnel reductions. In addition, savings have been sought with a EUR 100 million performance improvement program, the target of which was achieved in the third quarter. The improvement of operational efficiency will be continued with a new

EUR 75 million program. The new, more dynamic company structure will take effect on January 1, 2015.

Furthermore, Itella has decided to renew its logistics services in Scandinavia where the profitability of operations has not been sufficient. In the future, we will focus on road transport between Itella's countries of operation. The key strategy is to ensure the profitability of business operations. A positive development is that Itella Group's operating result before non-recurring items in January–September improved by more than 13% to EUR 27.3 million. However, the Group's net sales and operating result took a downward turn in the difficult market situation. In Russia, we achieved a profitable result and the third quarter was good there. The Ukrainian crisis has influenced Itella's business in Russia indirectly through the weakening of the ruble and consumer purchasing power. The market situation in Russia is expected to decline in 2015.

The Group's cornerstones include OpusCapita that offers financial accounting outsourcing services and automation solutions and has a strong growth strategy aiming at internationalization. OpusCapita's position as a leading Nordic service provider was strengthened by the business transaction carried out in October in which OpusCapita acquired Norian Group, a Norwegian financial accounting outsourcing company.

As the amount of traditional mail decreases, it is important to seek growth in other logistics services, such as the delivery of parcels. We have invested significantly in our service network that already consists of more than 1,400 service points. One of the fastest growing sectors for Itella is meal services the net sales of which has grown by approximately 45% since 2012. Itella delivers meals to schools, day-care centers and home care meal service customers in some 80 locations. The service is well suited to Itella whose strengths in logistics are reliability, professional skills of the personnel and a nationwide network.”

#### APPENDICES

Itella's full Interim Report

#### FURTHER INFORMATION

Heikki Malinen, President and CEO, and Sari Helander, CFO

Tel. +358 20 452 3366 (MediaDesk, Mon–Fri 9:00 a.m. to 4:30 p.m.)

#### DISTRIBUTION

NASDAQ OMX Helsinki

Key media

[www.itella.com/financials](http://www.itella.com/financials)

#### FINANCIAL CALENDAR IN 2015

Financial Statements for 2014: February 13, 2015

#### IMAGES AND LOGOS

[www.itella.com/media](http://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](http://www.itella.com).

## Interim Report for January–September 2014

### Market situation and business environment

The overall economic situation remained weak in Finland and GDP growth in Russia ceased as of the second quarter. The exchange rate of the ruble declined substantially in the fall, by 13.6% year-on-year. Furthermore, there was intense competition in Scandinavia. The situation was also reflected in Itella's results as a decrease in both net sales and operating result.

The decrease in Itella's volume of addressed letters doubled, and the volume decreased in January–September by 10% (5%) from the previous year. Newspaper and magazine volumes also continued to decrease substantially. Newspaper delivery volumes were down 9%, and magazine delivery volumes 10%, compared to the corresponding period last year.

The growth in Itella's parcel services slowed down to 1% from the 5% rate recorded a year earlier. However, the overall demand for parcels in Finland has increased by approximately 2%, driven by B-to-C e-commerce. On the other hand, B-to-B parcel traffic has decreased and consequently, Itella's market share decreased slightly in the first half of 2014.

The market situation in logistics and retail is weak. This was reflected in lower transport volumes in groupage logistics. The volume of heavy traffic has continued to decrease for 28 consecutive months in Finland.

In OpusCapita, the strong growth of cloud services, which began in summer 2012, is continuing, with the annual growth estimated at approximately 150%. 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 services offered by OpusCapita will grow much more strongly than traditional software license and SaaS product sales.

The postal licenses that have been granted allow for competition in addressed deliveries, but competition has not yet impacted Itella or its result. The Finnish Government issued postal delivery licenses to three of Itella's competitors on January 30, 2014, May 28, 2014, and September 4, 2014. In Itella's view, issuing the postal licenses with one-day delivery obligation 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.

### Net sales and profit performance in July–September 2014

The Itella Group's net sales in July–September decreased by 4.8% to EUR 435.1 (457.0) million. Net sales decreased to EUR 254.5 (255.8) million in Itella Mail Communications, to EUR 145.9 (158.4) million in Itella Logistics, to EUR 47.2 (52.9) million in Itella Russia, and to EUR 60.4 (61.3) million in OpusCapita. Despite a substantial decrease in sales, the operating result before non-recurring items declined, amounting to EUR 6.8 (8.0) million, or 1.6% (1.7%) of net sales.

Due to the transformation of the business environment, the operating result for the period was weighed down by non-recurring items in the amount of EUR 14.1 (11.1) million. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group.

The operating result decreased year-on-year to EUR -7.4 (-3.1) million, or -1.7% (-0.7%) of net sales. The result before taxes was EUR -10.1 (-5.2) million.

## Net sales and profit performance in January–September 2014

Itella Group's net sales in January–September amounted to EUR 1,367.0 (1,448.0) million. Net sales decreased by 5.6%. At comparable exchange rates, the decline in net sales was 3.8%. Net sales decreased especially in Logistics and, due to the declining exchange rate of the ruble, in Russia. Net sales declined by 2.4% in Finland and by 13.0% in other countries. International net sales accounted for 27.6% (29.9%) of net sales.

The Group's operating result before non-recurring items improved to EUR 27.3 (24.1) million, or 2.0% (1.7%) of net sales. The operating result before non-recurring items improved in Itella Logistics and decreased in Itella Mail Communications, Itella Russia, and OpusCapita.

The result for January–September was weighed down by non-recurring items in the amount of EUR 32.4 (26.5) million, of which EUR 22.0 (15.3) million was related to personnel restructuring and EUR 10.4 (11.2) million was related to other items.

The Group's operating result was EUR -5.1 (-2.4) million, or -0.4% (-0.2%) 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 7.1 (9.6) million.

The Group's operating result after financing items was EUR -12.2 (-12.0) million.

Income tax totaled EUR 3.3 (2.0) million.

The Group's operating result for the period was EUR -8.9 (-9.9) million.

Return on equity (rolling 12 months) was 1.4% (-0.7%).

### Performance improvement program and cooperation negotiations

In spring 2013, Itella launched a two-year EUR 100 million performance improvement program. Its targets were achieved in full ahead of schedule, in the third quarter of 2014, and the program ended.

In August 2014, a new performance improvement program for 2015–2016 was launched. The program aims to accumulate cost savings in the amount of EUR 75 million. The aims include achieving synergy benefits through the consolidation of Mail Communications' and Logistics' Operations units, improving the efficiency of the ICT function, achieving savings in sourcing, and simplifying the product portfolio. In September, Itella signed a significant cooperation contract with which Itella centralizes cleaning, property maintenance, waste management and technical building services to an external partner.

In January, Itella started cooperation negotiations concerning basic delivery that led to the dismissal of 407 employees. As a result of the cooperation negotiations in April that concerned line haul production, the reduction need was adjusted to 55 employees 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. In August, Itella started cooperation negotiations related to Posti's sorting operations, leading 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 renewal to be carried out in Scandinavia will also initiate cooperation negotiations concerning a total of 300 persons in Sweden, Norway and Denmark. The need for personnel reductions will be defined in the negotiations concerning the operations, and the country-specific cooperation negotiations.

## Itella Mail Communications

### July–September

The July–September net sales of the Itella Mail Communications business group remained largely unchanged from the previous year and amounted to EUR 254.5 (255.8) 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 remained nearly at the previous year's level.

The business group's operating result before non-recurring items improved to EUR 3.6 (2.4) million. Efficiency improvement and savings in projects had a positive impact. The EBIT margin was 1.4% (0.9%). The business group recorded non-recurring items due to personnel restructuring, mainly related to the cooperation negotiations in administration and production supervisory, in the amount of EUR 3.9 (-0.1) million during the period. The operating result was EUR -0.3 (2.5) million.

Services under the universal service obligation amounted to EUR 28.1 (25.9) million, or 11.0% (10.0%) of Itella Mail Communications' net sales in July–September.

Itella sold its Mediabank business to Multiprint Oy. The personnel employed in the Mediabank business, its accounts and the Mediabank information system were merged with Multiprint on September 1, 2014.

### January–September

The net sales of the Itella Mail Communications business group decreased in January–September to EUR 816.3 (829.9) million.

The business group's operating result before non-recurring items declined slightly and stood at EUR 31.6 (32.8) million. The EBIT margin was 3.9% (4.0%). Non-recurring items in the review period totaled EUR 15.2 (4.1) million, the majority of which was related to personnel restructuring.

The operating result was EUR 16.4 (28.7) million.

In January–September, the delivery volumes of postal items developed as follows compared to the corresponding period in the previous year:

- Total volume of addressed letters, -10% (-5%)
- Unaddressed direct marketing, -32% (+14%)
- Newspapers, -9% (-6%)
- Magazines, -10% (-7%)
- Parcel services, +1% (+5%)
- Electronic letters, +5% (+14%)

The rate of digitization in postal services accelerated substantially. The decline in volumes is accelerated by developments including the digitization of invoicing. The volume of addressed letters fell by 10% during the first months of the year, compared to a decrease of 5% in the corresponding period of the previous year. The decline in the volumes of newspapers and magazines also

accelerated. Newspaper delivery volumes were down 9%, and magazine delivery volumes 10%, compared to the corresponding period last year. The decline was the steepest for unaddressed direct marketing at 32%.

Parcel services continued to grow, but the rate of growth was slower than in the corresponding period in 2013. In January–September, growth slowed down to 1% from the 5% rate recorded a year earlier. Parcel services picked up slightly in the third quarter of 2014.

Itella delivered a total of 23.2 million parcels in January–September. Itella’s market share decreased slightly in the first half of 2014. However, the overall demand for parcels in Finland has increased by 2%.

The number of Netposti users rose to 577,000 at the end of September, increasing by 11% from 2013. The number of users stood at 520,000 at the same time last year.

Posti had 1,410 service points at the end of September. After 113 new parcel terminals were taken into use in January–September, their number totaled 420 at the end of September.

Itella 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. In January–September, the negotiations resulted in the termination of eight early-morning delivery agreements. During the third quarter, one new cooperation contract and one extension contract 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.

Itella Mail Communications’ investments amounted to EUR 17.5 (20.2) million in January–September, as planned. The majority of the investments were related to production, the transport fleet and parcel terminals.

## Itella Logistics

### July–September

Itella Logistics’ net sales declined in July–September by 7.9% and amounted to EUR 145.9 (158.4) million. Net sales decreased particularly strongly in Scandinavia, a market that currently features intense competition. Net sales decreased also because of the weak market situation in domestic transport in which customers have reduced their volumes.

Despite the decrease in net sales, the business group’s operating result before non-recurring items remained at the previous year’s level at EUR -2.8 (-2.7) million. Thanks to the efficiency improvement measures, the result in Finland and the Baltic countries was positive and improved year-on-year. In Scandinavia, the result continued to decline. Operating efficiency in logistics was improved in Finland by a consolidation of ERP systems, a reorganization of line haulage, and the renewal of subcontracting agreements.

Itella plans to give up air and sea freight as well as its service warehouses in Sweden, Norway and Denmark. In the future, Itella’s focus in Scandinavia will be on road transport between its countries of operation. It is forecast that due to the changes, approximately EUR 13 million of non-recurring items will be recorded in the Itella Corporation’s operating result for 2014, of which EUR 2 million will be recorded under the result of the third quarter. It is estimated that the change as a whole will not have a negative impact on cash flow.

Non-recurring items in the review period totaled EUR 5.2 (7.6) million. Personnel restructuring costs recognized during the period amounted to EUR 3.1 (0.3) million and other items to EUR 2.1 (7.3) million, resulting from the change of the Scandinavian strategy. The real estate assets of the Scandinavian warehousing operations, with the balance sheet value of EUR 16.3 million, have been transferred to assets classified as held for sale.

The operating result improved to EUR -8.0 (-10.3) million.

#### January–September

Itella Logistics' net sales declined in January–September by 8.5% and amounted to EUR 444.3 (485.8) million. The decline was due to the challenging market situation. Net sales decreased particularly strongly in Scandinavia but also in domestic freight services.

Despite the decrease in net sales, the business group's operating result before non-recurring items improved to EUR -11.7 (-15.6) million. Non-recurring items in the review period totaled EUR 6.3 (15.2) million.

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. However, the result was weighed down particularly by the intense competition in Scandinavia and the weak domestic market.

The operating result improved to EUR -18.0 (-30.8) million.

Itella Logistics' investments amounted to EUR 10.3 (8.8) million in January–September. The majority of the investments were related to terminal improvement projects and the transport fleet.

#### Itella Russia

##### July–September

Measured in local currency, the net sales of the Itella Russia business group decreased by 1.2% in July–September. Net sales measured in euros decreased by 10.9% to EUR 47.2 (52.9) million. The operating result, EUR 2.7 million, was satisfactory and remained nearly on par with the previous year.

In the third quarter, there were signs of the contract logistics market evening out and the operating result becoming stabilized. The amount of international freight has decreased. The decline of the freight market in Russia was accelerated by the sanctions, the weakened demand for consumer products and the general economic climate. In Moscow, the warehouse fill rates were at a good level in July–September (96%) and improved when compared to the previous quarter. Instead, in other regions, the warehouse fill rates decreased from the previous quarter.

The operating result before non-recurring items amounted to EUR 2.7 (3.0) million. The share of warehousing operations increased and the increase of rental costs could be compensated with currency hedging. Measured in local currency, profitability was at the previous year's level.

The operating result was EUR 2.7 (2.8) million.



## January–September

Measured in local currency, the net sales of the Itella Russia business group increased by 0.8% in January–September.

By the end of September, the ruble had depreciated by 13.6% year-on-year. The closing rate of the ruble declined by 9.8% in January–September. Due to the depreciation of the ruble, growth measured in euros was negative at -12.5%, with net sales amounting to EUR 131.3 (150.0) million.

The operating result before non-recurring items was positive, EUR 0.4 (2.8) million.

The weaker result is attributable to decreasing GDP, weakened consumer demand and increasing inflation, lower volumes of goods in transport and air and sea freight. In warehousing operations, competition has intensified and rental costs are influenced by the weakening of the ruble. The average fill rate of warehouses in Moscow region in January–September was 88% (92%). The average fill rate of warehouses in other regions in January–September was 76% (67%).

The operating result was EUR 0.3 (2.6) million.

A large part of the shelving system in Itella's Shushary warehouse in St. Petersburg collapsed in July 2012. In October, Itella reached an agreement in the lawsuit related to the accident. The settlement will not impact Itella Russia's result.

Itella Russia's investments amounted to EUR 2.2 (5.2) million in January–September.

## OpusCapita

### July–September

The net sales of the OpusCapita business group in July–September amounted to EUR 60.4 (61.3) million. Net sales decreased by 1.4%. However, comparable net sales without exchange rate differences and the sale of the Polish printing business was EUR 0.5 million higher.

The business group's operating result before non-recurring items declined to EUR 5.1 (7.2) million. The operating result was EUR 3.0 (5.8) million. The decrease in the operating result was due to the impaired profitability in the printing business as well as non-recurring items related to the consolidation of branches and IT project costs.

More than 570 customer orders were received in the third quarter. Strategically significant customer contracts signed during the quarter included a contract with a German company that is a leader in its field: OpusCapita will optimize the company's financial management processes in several European countries. With a company providing environmental and industrial measurement solutions, OpusCapita signed a contract on a global automation solution for Purchase-to-Pay processes. In addition, a significant contract on multi-channel invoice transmission was signed in Finland.

On September 11, 2014, OpusCapita announced its acquisition of Norian Group, a Norwegian financial accounting outsourcing company. The transaction was concluded on October 1, 2014. Norian employs 160 people in its locations Norway, Sweden and Lithuania. The acquisition strengthens OpusCapita's position as a leading Nordic financial accounting service provider.

## January–September

OpusCapita's net sales declined in January–September by 2.8% and amounted to EUR 192.5 (198.0) million. The decrease in net sales was due to the sale of the Polish printing business carried out in 2013, as well as the depreciation of the Norwegian and Swedish currencies. OpusCapita's comparable net sales in January–September was EUR 0.5 million higher than in the previous year.

The operating result before non-recurring items decreased, amounting to EUR 16.6 (18.1) million, or 8.6% (9.2%) of net sales. The decrease in the operating result was due to the impaired profitability in the printing business and the enhancing of operational efficiency. Non-recurring items in the review period totaled EUR 3.8 (3.3) million and were related to the improvement of cost-effectiveness through measures including the consolidation of branches. The operating result was EUR 12.7 (14.9) million, or 6.6% (7.5%) of net sales.

International business accounted for 40% of net sales in January–September. Continuous service business operations make up 94% of OpusCapita's net sales, or approximately EUR 180.3 million. The number of electronic transactions transmitted by OpusCapita was 140 million. This is 32% of the total volume of transactions.

In September, OpusCapita launched a new strategy aiming at internationalization. Its cornerstones are the Purchase-to-Pay (P2P) and Order-to-Cash (O2C) processes in which software, financial management outsourcing services and process automation are offered to the customer as a BPaaS service (Business Process as a Service). It is forecast that BPaaS services will grow much more strongly than traditional software license and SaaS product sales. In the current business operations, the most substantially growing were software cloud services and e-invoicing. Digitization continues to increase, which creates a firm foundation for the actual business benefits that can be gained in financial management through automation.

OpusCapita's investments amounted to EUR 4.0 (2.0) million. The investments were related to capitalized development projects as well as printing and digitizing equipment.

| Key Figures for Business Groups (EUR million) | 7–9/<br>2014 | 7–9/<br>2013 | Change | 1–9/<br>2014 | 1–9/<br>2013 | Change |
|---|--------------|--------------|--------|--------------|--------------|--------|
| Net sales                                     |              |              |        |              |              |        |
| Itella Mail Communications                    | 254.5        | 255.8        | -0.5%  | 816.3        | 829.9        | -1.6%  |
| Itella Logistics                              | 145.9        | 158.4        | -7.9%  | 444.3        | 485.8        | -8.5%  |
| Itella Russia                                 | 47.2         | 52.9         | -10.9% | 131.3        | 150.0        | -12.5% |
| OpusCapita                                    | 60.4         | 61.3         | -1.4%  | 192.5        | 198.0        | -2.8%  |
| Other operations                              | 9.4          | 13.8         | -31.9% | 31.0         | 41.3         | -24.9% |
| Intra-Group sales                             | -82.3        | -85.3        |        | -248.4       | -256.9       |        |
| Itella Group                                  | 435.1        | 457.0        | -4.8%  | 1,367.0      | 1,448.0      | -5.6%  |
|   |              |              |        |              |              |        |
| Operating result (non-IFRS)*                  |              |              |        |              |              |        |
| Itella Mail Communications                    | 3.6          | 2.4          | 50.5%  | 31.6         | 32.8         | -3.7%  |
| Itella Logistics                              | -2.8         | -2.7         | -      | -11.7        | -15.6        | -      |
| Itella Russia                                 | 2.7          | 3.0          | -10.4% | 0.4          | 2.8          | -84.9% |
| OpusCapita                                    | 5.1          | 7.2          | -29.9% | 16.6         | 18.1         | -8.7%  |
| Other operations                              | -1.8         | -2.0         | -      | -9.6         | -14.1        | -      |
| Itella Group                                  | 6.8          | 8.0          | -15.0% | 27.3         | 24.1         | 13.2%  |

|                                 |       |       |        |       |       |        |
|---------------------------------|-------|-------|--------|-------|-------|--------|
| Operating result (EBIT)         |       |       |        |       |       |        |
| Itella Mail Communications      | -0.3  | 2.5   | -      | 16.4  | 28.7  | -42.7% |
| Itella Logistics                | -8.0  | -10.3 | -      | -18.0 | -30.8 | -      |
| Itella Russia                   | 2.7   | 2.8   | -4.7%  | 0.3   | 2.6   | -88.3% |
| OpusCapita                      | 3.0   | 5.8   | -48.0% | 12.7  | 14.9  | -14.2% |
| Other operations                | -4.8  | -4.0  | -      | -16.6 | -17.8 | -      |
| Itella Group                    | -7.4  | -3.1  | -      | -5.1  | -2.4  | -      |
|                                 |       |       |        |       |       |        |
| Operating result (non-IFRS), %* |       |       |        |       |       |        |
| Itella Mail Communications      | 1.4%  | 0.9%  |        | 3.9%  | 4.0%  |        |
| Itella Logistics                | -1.9% | -1.7% |        | -2.6% | -3.2% |        |
| Itella Russia                   | 5.7%  | 5.7%  |        | 0.3%  | 1.9%  |        |
| OpusCapita                      | 8.4%  | 11.8% |        | 8.6%  | 9.2%  |        |
| Itella Group                    | 1.6%  | 1.7%  |        | 2.0%  | 1.7%  |        |
|                                 |       |       |        |       |       |        |
| Operating result (EBIT), %      |       |       |        |       |       |        |
| Itella Mail Communications      | -0.1% | 1.0%  |        | 2.0%  | 3.5%  |        |
| Itella Logistics                | -5.5% | -6.5% |        | -4.0% | -6.3% |        |
| Itella Russia                   | 5.7%  | 5.3%  |        | 0.2%  | 1.8%  |        |
| OpusCapita                      | 5.0%  | 9.5%  |        | 6.6%  | 7.5%  |        |
| Itella Group                    | -1.7% | -0.7% |        | -0.4% | -0.2% |        |

\*) Non-IFRS = excluding non-recurring items

#### Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 50.7 (9.8) million.

Capital expenditure amounted to EUR 32.5 (28.5) million.

At the end of September, liquid assets totaled EUR 161.9 (102.4) million, and undrawn committed credit facilities amounted to EUR 150.0 (120.0) million. The Group's interest-bearing liabilities were EUR 295.1 (299.8) million. Equity ratio stood at 47.2% (47.6%), and gearing was 19.9% (30.3%).

In June, Itella Corporation signed a five-year EUR 150 million revolving credit facility, which replaced the previous unused EUR 120 million credit facility.

#### Employees

At the end of September, Itella Corporation employed 23,459 (26,149) people, of whom 18,340 (20,508) worked in Finland. The Group's average number of personnel was 25,132 (27,669).

Personnel distribution was as follows on September 30, 2014:

|                            |                 |
|----------------------------|-----------------|
| Itella Mail Communications | 14,728 (16,700) |
| Itella Logistics           | 3,120 (3,387)   |
| Itella Russia              | 2,919 (3,345)   |
| OpusCapita                 | 2,112 (2,103)   |
| Group and other functions  | 580 (614)       |

The Group's personnel expenses decreased by EUR 28.5 million, or 4.3%, in comparison to the previous year. Excluding restructuring costs, personnel expenses decreased by EUR 35.2 million, or 5.4%. Personnel expenses included EUR 22.0 (15.3) million in restructuring costs.

In January, Itella 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. As of the end of September, 868 employees have applied for the program and 573 have been approved.

#### Key short-term business risks and uncertainty factors

The business risks are described in the Group's 2013 Financial Statements. Risks that have been emphasized since the first months of the year include the currency risk of the Russian ruble and the Russian country risk due to the prevailing political situation, as well as trade policy measures that could potentially be associated with the situation.

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 renewal of ICT operations, and business interruptions and other disruptions.

In postal services, the entry of competitors into the market can be considered a risk. The postal licenses that have been granted thus far allow for competition in addressed deliveries, but competition has not yet impacted Itella or its result. The Finnish Government issued postal delivery licenses to three of Itella's competitors on January 30, 2014, May 28, 2014, and September 4, 2014. In Itella's view, issuing the postal licenses with one-day delivery obligation 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.

Significant market risks include the digitization of postal services at a more rapid rate than expected, an unexpectedly strong decline in the volumes of magazines, and newspapers, as well as the international service bus project. Due to the drastic transformation in the postal industry, Itella is required to adjust its delivery and sorting capacity and substantially enhance the efficiency of its operations in the coming years. This may involve risks that can cause disturbances to postal deliveries and processes.

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

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, transaction risk is hedged against fluctuations in the ruble exchange rate, but equity investments, i.e. translation risk, are not hedged. A large part of the shelving system in Itella's Shushary warehouse in St. Petersburg collapsed in July 2012. In October, Itella reached an agreement in the lawsuit related to the accident and the risks related to the accident were eliminated. The settlement will not impact Itella Russia's result.

#### Changes in corporate structure

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

## Events after the review period

On October 1, 2014, OpusCapita acquired the Norwegian Norian Group.

Itella will renew its logistics services in Scandinavia. As part of the renewal, Itella plans to give up air and sea freight as well as its service warehouses in Sweden, Norway and Denmark. In the future, Itella's focus in Scandinavia will be on road transport between its countries of operation.

A new collective agreement was signed for mail communications and logistics area in the end of October. The agreement lasts for one year and concerns approximately 18,000 employees.

## Outlook for the rest of the year

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

Comparable net sales in euros for 2014 are expected to decrease significantly compared to 2013. The factors contributing to this expected decrease include the weaker-than-expected sales in Itella Logistics, lower postal volumes, and exchange rate fluctuations. The Group's operating result before non-recurring items for 2014 is expected to decline from 2013. The operating result is burdened by significant non-recurring items.

The market uncertainty related to Russia, and the depreciation of the ruble have continued. In the third quarter, the situation stabilized and the operating result in Russia was positive, but there is still significant uncertainty with regard to profit performance during the remainder of the year.

Investments are expected to increase from 2013.

Helsinki, October 31, 2014

Itella Corporation  
Board of Directors

## APPENDICES

Key figures of Itella Group  
Consolidated statement of comprehensive income  
Consolidated statement of financial position  
Consolidated cash flow statement  
Consolidated statement of changes in equity  
Notes to the Interim Report

# Itella Corporation

## Interim Report for January-September 2014

### Key figures of Itella Group

|   | 7-9<br>2014 | 7-9<br>2013 | 1-9<br>2014 | 1-9<br>2013 | 1-12<br>2013 |
|---|-------------|-------------|-------------|-------------|--------------|
| Net sales, MEUR                           | 435,1       | 457,0       | 1 367,0     | 1 448,0     | 1 976,8      |
| Operating result (non-IFRS), MEUR *)      | 6,8         | 8,0         | 27,3        | 24,1        | 50,5         |
| Operating result (non-IFRS), % *)         | 1,6         | 1,7         | 2,0         | 1,7         | 2,6          |
| Operating result (EBIT), MEUR             | -7,4        | -3,1        | -5,1        | -2,4        | 9,9          |
| Operating result (EBIT), %                | -1,7        | -0,7        | -0,4        | -0,2        | 0,5          |
| Result before taxes, MEUR                 | -10,1       | -5,2        | -12,2       | -12,0       | -2,4         |
| Result for the period, MEUR               | -9,1        | -3,7        | -8,9        | -9,9        | 7,7          |
| Return on equity, %, 12 months            |             |             | 1,4         | -0,7        | 1,1          |
| Return on invested capital (12 months), % |             |             | 1,3         | 1,1         | 1,3          |
| Equity ratio, %                           |             |             | 47,2        | 47,6        | 47,5         |
| Gearing, %                                |             |             | 19,9        | 30,3        | 21,1         |
| Gross capital expenditure, MEUR           | 12,0        | 14,2        | 42,9        | 41,3        | 61,1         |
| Employees on average                      |             |             | 25 132      | 27 669      | 27 253       |

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

## Consolidated Income Statement

| EUR million  | 7-9<br>2014 | 7-9<br>2013 | 1-9<br>2014 | 1-9<br>2013 | 1-12<br>2013 |
|--|-------------|-------------|-------------|-------------|--------------|
| Net sales  | 435,1       | 457,0       | 1 367,0     | 1 448,0     | 1 976,8      |
| Other operating income   | 4,5         | 3,4         | 9,7         | 11,3        | 18,2         |
| Share of associated companies' results   | 0,0         | 0,0         | 0,0         | 0,0         | 0,0          |
| Materials and services   | 130,5       | 141,2       | 390,0       | 422,6       | 572,2        |
| Employee benefits  | 197,8       | 192,9       | 633,1       | 661,6       | 885,4        |
| Depreciation and amortisation  | 21,9        | 22,9        | 64,8        | 69,8        | 92,1         |
| Impairment losses  | 2,5         | 9,3         | 2,5         | 12,4        | 24,3         |
| Other operating expenses   | 94,3        | 97,2        | 291,4       | 295,4       | 411,1        |
| Operating result (EBIT)  | -7,4        | -3,1        | -5,1        | -2,4        | 9,9          |
| % of net sales   | -1,7 %      | -0,7 %      | -0,4 %      | -0,2 %      | 0,5 %        |
| Financial income and expenses  | -2,8        | -2,1        | -7,1        | -9,6        | -12,3        |
| Result before income tax   | -10,1       | -5,2        | -12,2       | -12,0       | -2,4         |
| % of net sales   | -2,3 %      | -1,1 %      | -0,9 %      | -0,8 %      | -0,1 %       |
| Income tax   | 1,1         | 1,5         | 3,3         | 2,0         | 10,1         |
| Result for the financial period  | -9,1        | -3,7        | -8,9        | -9,9        | 7,7          |
| % of net sales   | -2,1 %      | -0,8 %      | -0,7 %      | -0,7 %      | 0,4 %        |
| Result for the financial period attributable to Equity holders of the parent company | -8,9        | -3,7        | -8,9        | -9,9        | 7,7          |
| Non-controlling interests  | -           | -           | -           | -           | -            |
|  | -9,1        | -3,7        | -8,9        | -9,9        | 7,7          |

## Consolidated Statement of Comprehensive Income

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Result for the financial period  | -9,1  | -3,7  | -8,9  | -9,9  | 7,7   |
| Other comprehensive income   |       |       |       |       |       |
| Items that may be reclassified to profit or loss in subsequent periods:      |       |       |       |       |       |
| Available-for-sale financial assets  | 1,2   | -0,3  | 1,2   | 0,2   | 0,2   |
| Change in fair value of cash flow hedges                                     | -     | -     | -     | -     | -     |
| Translation differences  | -11,6 | -6,0  | -17,3 | -19,6 | -28,0 |
| Tax effect   | -0,2  | -0,1  | -0,2  | -0,1  | 0,0   |
| Items that will not be reclassified to profit or loss in subsequent periods: |       |       |       |       |       |
| Actuarial gains and losses   | -0,8  | -     | -2,6  | -     | -5,0  |
| Tax effect   | 0,2   | -     | 0,5   | -     | 1,0   |
| Comprehensive income for the financial period                                | -20,3 | -10,0 | -27,4 | -29,3 | -24,1 |

## Consolidated Statement of Financial Position

| EUR million   | 30 Sept<br>2014 | 30 Sept<br>2013 | 31 Dec<br>2013 |
|---|-----------------|-----------------|----------------|
| <b>Non-current assets</b>   |                 |                 |                |
| Goodwill  | 179,8           | 180,9           | 180,0          |
| Other intangible assets   | 60,1            | 79,1            | 70,1           |
| Investment property   | 11,2            | 2,9             | 12,4           |
| Property, plant and equipment   | 576,7           | 639,6           | 625,5          |
| Investments in associated companies   | 0,0             | 0,4             | 0,4            |
| Other non-current investments   | 5,9             | 6,0             | 6,0            |
| Non-current receivables   | 11,7            | 13,0            | 12,5           |
| Deferred tax assets   | 30,1            | 24,8            | 20,6           |
| Total non-current assets  | 875,5           | 946,6           | 927,4          |
| <b>Current assets</b>   |                 |                 |                |
| Inventories   | 6,3             | 7,2             | 7,8            |
| Trade and other receivables   | 292,7           | 328,5           | 311,0          |
| Income tax receivables  | 11,9            | 8,6             | 1,8            |
| Financial assets available-for-sale   | 0,5             | 0,8             | 0,7            |
| Financial assets held to maturity   | 8,0             | 0,0             | 0,0            |
| Financial assets at fair value through profit or loss                         | 71,7            | 64,9            | 85,8           |
| Cash and cash equivalents   | 91,7            | 37,9            | 81,0           |
| Total current assets  | 482,8           | 447,9           | 488,2          |
| Non-current assets classified as held for sale                                | 16,3            | 9,9             | 0,0            |
| Total assets  | 1 374,6         | 1 404,5         | 1 415,6        |
| <b>Equity</b>   |                 |                 |                |
| Share capital   | 70,0            | 70,0            | 70,0           |
| Contingency reserve   | 142,7           | 142,7           | 142,7          |
| Fair value reserve  | 0,9             | 0,0             | 0,0            |
| Translation differences   | -38,6           | -12,8           | -21,3          |
| Retained earnings   | 453,3           | 450,7           | 464,4          |
| Total equity  | 628,4           | 650,6           | 655,8          |
| <b>Non-current liabilities</b>  |                 |                 |                |
| Deferred tax liabilities  | 37,9            | 48,4            | 43,7           |
| Non-current interest-bearing loans  | 285,8           | 280,8           | 283,6          |
| Other non-current liabilities   | 12,5            | 11,7            | 11,5           |
| Non-current provisions  | 11,7            | 16,1            | 12,8           |
| Defined benefit pension plan obligations                                      | 13,3            | 6,7             | 11,3           |
| Total non-current liabilities   | 361,2           | 363,7           | 362,8          |
| <b>Current liabilities</b>  |                 |                 |                |
| Current interest-bearing loans  | 9,3             | 18,9            | 21,5           |
| Trade payables and other liabilities  | 354,1           | 339,2           | 357,8          |
| Income tax payables   | 9,6             | 10,4            | 2,6            |
| Current provisions  | 12,0            | 21,1            | 15,0           |
| Total current liabilities   | 385,0           | 389,6           | 397,0          |
| Liabilities associated with non-current assets<br>classified as held for sale | 0,0             | 0,5             | 0,0            |
| Total liabilities   | 746,2           | 753,8           | 759,8          |
| Total equity and liabilities  | 1 374,6         | 1 404,5         | 1 415,6        |



## Consolidated Cash Flow Statement

|  | 1-9<br>2014 | 1-9<br>2013 | 1-12<br>2013 |
|--|-------------|-------------|--------------|
| EUR million  |             |             |              |
| Profit or loss for the financial period  | -8,9        | -9,9        | 7,7          |
| Adjustments to cash flow   | 66,6        | 76,2        | 91,9         |
| Change in net working capital  | 8,2         | -44,6       | -3,6         |
| Cash flow before financial items and income tax  | 65,8        | 21,7        | 95,9         |
| Financial items (net)  | -1,2        | -2,0        | -12,2        |
| Income tax paid  | -13,9       | -9,8        | -2,4         |
| Cash flow from operating activities (net)  | 50,7        | 9,8         | 81,4         |
| Purchase of intangible assets  | -5,7        | -5,6        | -6,2         |
| Purchase of property, plant and equipment  | -26,9       | -22,9       | -34,6        |
| Proceeds from sale of intangible and tangible assets                                       | 1,7         | 1,2         | 6,9          |
| Business acquisitions  | -           | -           | 0,0          |
| Proceeds from sale of subsidiaries and business divestments less cash and cash equivalents | 0,7         | 12,5        | 12,5         |
| Financial assets at fair value through profit or loss                                      | 16,0        | -8,9        | -29,8        |
| Financial assets held to maturity  | -8,0        | -           | -            |
| Cash flow from other investments   | 3,8         | 0,4         | 2,0          |
| Cash flow from investing activities (net)  | -18,3       | -23,3       | -49,2        |
| Change in loans (net)  | -12,3       | -24,8       | -25,1        |
| Payments of finance lease liabilities  | -7,5        | -5,8        | -7,4         |
| Financial assets held to maturity  | 0,0         | 0,3         | 0,3          |
| Dividends paid   | 0,0         | -6,8        | -6,8         |
| Cash flow from financing activities (net)  | -19,8       | -37,1       | -39,0        |
| Change in cash and cash equivalents  | 12,5        | -50,6       | -6,8         |
| Cash and cash equivalents at the beginning of the period                                   | 81,0        | 90,3        | 90,3         |
| Effect of changes in exchange rates  | -1,8        | -1,8        | -2,5         |
| Cash and cash equivalents at the end of the period   | 91,7        | 37,9        | 81,0         |

## Consolidated Statement of Changes in Equity

| EUR million                                   | Share capital | Contingency reserve | Fair value reserve | Translation differences | Retained earnings | Total equity |
|---|---------------|---------------------|--------------------|-------------------------|-------------------|--------------|
| 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              | -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         |
| Equity 31 December 2013                       | 70,0          | 142,7               | 0,0                | -21,3                   | 464,4             | 655,8        |
| Equity 1 January 2014                         | 70,0          | 142,7               | 0,0                | -21,3                   | 464,4             | 655,8        |
| Comprehensive income                          |               |                     |                    |                         |                   |              |
| Result for the financial period               |               |                     |                    |                         | -8,9              | -8,9         |
| Other items of Comprehensive income:          |               |                     |                    |                         |                   |              |
| Change in fair value reserve                  |               |                     | 1,0                |                         |                   | 1,0          |
| Change in translation differences             |               |                     |                    | -17,3                   |                   | -17,3        |
| Actuarial gains and losses                    |               |                     |                    |                         | -2,1              | -2,1         |
| Comprehensive income for the financial period |               |                     | 1,0                | -17,3                   | -11,0             | -27,4        |
| Equity 30 September 2014                      | 70,0          | 142,7               | 0,9                | -38,6                   | 453,4             | 628,4        |

## Notes

### 1. Accounting Principles

The interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting' applying the same accounting principles as those used in Itella's financial statements for 2013 with the exception of the changes in segment reporting. 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. The Group applies certain new or amendment IFRS standards from the 1 January 2014 as described in 2013 annual financial statements, however, these standards have not had a material impact on this interim report.

### Changes in segment reporting

Itella's operations in Russia form an own business group as of 1 January 2014, and are reported as a separate segment. From the beginning of 2014 there are four reporting segments: Itella Mail Communications, Itella Logistics Nordic, Itella Logistics Russia and OpusCapita. Previously, Russian operations were almost fully included in Itella Logistics segment. Comparative financial information of the new segments for financial year 2013 has been published in Q1 2014 interim report.

### 2. Segment Information

| EUR million                        | 7-9<br>2014 | 7-9<br>2013 | 1-9<br>2014 | 1-9<br>2013 | 1-12<br>2013 |
|------------------------------------|-------------|-------------|-------------|-------------|--------------|
| Net sales by business segment      |             |             |             |             |              |
| Itella Mail Communications         | 254,5       | 255,8       | 816,3       | 829,9       | 1 155,5      |
| inter-segment sales                | -15,7       | -13,7       | -48,3       | -43,2       | -59,4        |
| Itella Logistics                   | 145,9       | 158,4       | 444,3       | 485,8       | 641,8        |
| inter-segment sales                | -53,8       | -54,4       | -159,0      | -161,5      | -215,7       |
| Itella Russia                      | 47,2        | 52,9        | 131,3       | 150,0       | 205,6        |
| inter-segment sales                | -0,1        | -0,1        | -0,3        | -0,1        | -0,2         |
| OpusCapita                         | 60,4        | 61,3        | 192,5       | 198,0       | 263,4        |
| inter-segment sales                | -3,3        | -3,3        | -9,8        | -10,9       | -14,2        |
| Other operations                   | 9,4         | 13,8        | 31,0        | 41,3        | 54,4         |
| inter-segment sales                | -9,4        | -13,9       | -30,9       | -41,2       | -54,3        |
| Total eliminations (Interim sales) | -82,3       | -85,3       | -248,4      | -256,9      | -343,8       |
| Total                              | 435,1       | 457,0       | 1 367,0     | 1 448,0     | 1 976,8      |

### Operating result by business segment (non-IFRS) \*)

|                            |      |      |       |       |       |
|----------------------------|------|------|-------|-------|-------|
| Itella Mail Communications | 3,6  | 2,4  | 31,6  | 32,8  | 66,6  |
| Itella Logistics           | -2,8 | -2,7 | -11,7 | -15,6 | -24,5 |
| Itella Russia              | 2,7  | 3,0  | 0,4   | 2,8   | 5,3   |
| OpusCapita                 | 5,1  | 7,2  | 16,6  | 18,1  | 22,5  |
| Other operations           | -1,8 | -2,0 | -9,6  | -14,1 | -19,4 |
| Total                      | 6,8  | 8,0  | 27,3  | 24,1  | 50,5  |

### Non-recurring items by business segment

|                            |      |      |      |      |      |
|----------------------------|------|------|------|------|------|
| Itella Mail Communications | 3,9  | -0,1 | 15,2 | 4,1  | 2,6  |
| Itella Logistics           | 5,2  | 7,6  | 6,3  | 15,2 | 25,6 |
| Itella Russia              | 0,0  | 0,2  | 0,1  | 0,2  | 0,9  |
| OpusCapita                 | 2,0  | 1,4  | 3,8  | 3,3  | 5,5  |
| Other operations           | 3,0  | 2,0  | 7,0  | 3,7  | 5,9  |
| Total                      | 14,1 | 11,1 | 32,4 | 26,5 | 40,5 |

Operating result (EBIT) by business segment

|                                 |      |       |       |       |       |
|---------------------------------|------|-------|-------|-------|-------|
| Itella Mail Communications      | -0,3 | 2,5   | 16,4  | 28,7  | 64,0  |
| Itella Logistics                | -8,0 | -10,3 | -18,0 | -30,8 | -50,1 |
| Itella Russia                   | 2,7  | 2,8   | 0,3   | 2,6   | 4,3   |
| OpusCapita                      | 3,0  | 5,8   | 12,7  | 14,9  | 17,0  |
| Other operations                | -4,8 | -4,0  | -16,6 | -17,8 | -25,3 |
| Total                           | -7,4 | -3,1  | -5,1  | -2,4  | 9,9   |
| Financial income and expenses   | -2,8 | -2,1  | -7,1  | -9,6  | -12,3 |
| Result for the financial period | -9,1 | -3,7  | -8,9  | -9,9  | 7,7   |

| EUR million                           | 30 Sept<br>2014 | 30 Sept<br>2013 | 31 Dec<br>2013 |
|---------------------------------------|-----------------|-----------------|----------------|
| <b>Assets</b>                         |                 |                 |                |
| Itella Mail Communications            | 469,9           | 481,7           | 478,4          |
| Itella Logistics                      | 314,1           | 350,9           | 333,5          |
| Itella Russia                         | 212,3           | 275,1           | 258,8          |
| OpusCapita                            | 166,1           | 170,8           | 172,6          |
| Other operations and unallocated      | 247,8           | 161,2           | 209,5          |
| Eliminations                          | -35,7           | -35,1           | -37,3          |
| Total                                 | 1 374,6         | 1 404,6         | 1 415,6        |
| <b>Liabilities</b>                    |                 |                 |                |
| Itella Mail Communications            | 272,7           | 249,9           | 264,9          |
| Itella Logistics                      | 89,4            | 83,2            | 83,8           |
| Itella Russia                         | 28,0            | 39,7            | 37,2           |
| OpusCapita                            | 36,9            | 36,9            | 42,7           |
| Other operations and unallocated      | 354,9           | 379,2           | 368,5          |
| Eliminations                          | -35,7           | -35,1           | -37,3          |
| Total                                 | 746,2           | 753,8           | 759,8          |
| <b>Personnel at end of the period</b> |                 |                 |                |
| Itella Mail Communications            | 14 728          | 16 700          | 16 633         |
| Itella Logistics                      | 3 120           | 3 387           | 3 211          |
| Itella Russia                         | 2 919           | 3 345           | 3 341          |
| OpusCapita                            | 2 112           | 2 103           | 2 121          |
| Other operations                      | 580             | 614             | 571            |
| Total                                 | 23 459          | 26 149          | 25 877         |

\*) Non-IFRS = excluding non-recurring items

### 3. Acquired businesses and business divestments

#### Acquired businesses 2014

On 11 September 2014 OpusCapita announced that it acquires the Norwegian financial administration outsourcing company Norian-group. The transaction was finalized on 1 October 2014. Transaction price was EUR 5.5 million of which EUR 3.7 million was paid in cash. The remaining part contingent to the financial performance of Norian-group will be paid in 2015-2016. The acquired companies will be included in Itella's consolidated financial statements from 1 October 2014. The purchase price allocation and other disclosures in accordance with IFRS 3 will be published in the next interim report as all required information is not yet available.

#### Business divestments in 2014

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

### 4. Net Sales by Geographical Location

|                 | 7-9<br>2014 | 7-9<br>2013 | 1-9<br>2014 | 1-9<br>2013 | 1-12<br>2013 |
|-----------------|-------------|-------------|-------------|-------------|--------------|
| EUR million     |             |             |             |             |              |
| Finland         | 310,8       | 313,0       | 990,4       | 1 014,9     | 1 406,5      |
| Scandinavia     | 47,5        | 55,6        | 157,6       | 181,8       | 235,9        |
| Russia          | 47,1        | 50,3        | 131,1       | 147,2       | 205,5        |
| Other countries | 29,7        | 38,2        | 87,9        | 104,1       | 129,0        |
| Total           | 435,1       | 457,0       | 1 367,0     | 1 448,0     | 1 976,8      |

### 5. Changes in Property, Plant and Equipment

|  | 30 Sept<br>2014 | 30 Sept<br>2014 | 31 Dec<br>2013 |
|--|-----------------|-----------------|----------------|
| EUR million                              |                 |                 |                |
| Carrying amount on 1 January             | 625,5           | 675,4           | 675,4          |
| Additions                                | 37,3            | 35,7            | 54,9           |
| Disposals and transfers between items    | -18,9           | -2,6            | -11,0          |
| Depreciation and impairment              | -51,1           | -51,6           | -68,5          |
| Translation differences                  | -16,0           | -17,4           | -25,3          |
| Carrying amount at the end of the period | 576,7           | 639,6           | 625,5          |

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

| EUR million   | Total        | Level 1     | Level 2     | Level 3    |
|---|--------------|-------------|-------------|------------|
| <b>30 Sep 2014</b>  |              |             |             |            |
| Financial assets measured at fair value                     |              |             |             |            |
| Non-current receivables                                     |              |             |             |            |
| Derivative contracts  |              |             |             |            |
| Interest rate swaps, hedge accounting                       | 4,3          |             | 4,3         |            |
| Trade and other receivables                                 |              |             |             |            |
| Derivative contracts  |              |             |             |            |
| Currency forward contracts, hedge accounting                | 1,1          |             | 1,1         |            |
| Financial assets at fair value through profit and loss      |              |             |             |            |
| Money market investments                                    | 67,9         |             | 67,9        |            |
| Bonds   | 46,5         | 36,7        | 9,8         |            |
| Derivative contracts  |              |             |             |            |
| Currency forward contracts, non-hedge accounting            | 0,4          |             | 0,4         |            |
| Electricity forward contracts, non-hedge accounting         | 0,0          | 0,0         |             |            |
| Available-for-sale financial assets                         |              |             |             |            |
| Equity fund investments                                     | 0,5          |             |             | 0,5        |
| <b>Total</b>  | <b>120,8</b> | <b>36,7</b> | <b>83,5</b> | <b>0,5</b> |
| Financial liabilities measured at fair value                |              |             |             |            |
| Financial liabilities at fair value through profit and loss |              |             |             |            |
| Derivative contracts  |              |             |             |            |
| Currency forward contracts, non-hedge accounting            | 0,2          |             | 0,2         |            |
| Electricity forward contracts, non-hedge accounting         | -0,6         | -0,6        |             |            |
| <b>Total</b>  | <b>-0,4</b>  | <b>-0,6</b> | <b>0,2</b>  |            |
| <br>  |              |             |             |            |
| EUR million   | Total        | Level 1     | Level 2     | Level 3    |
| <b>31 Dec 2013</b>  |              |             |             |            |
| 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        |
| <b>Total</b>  | <b>125,7</b> | <b>39,7</b> | <b>85,2</b> | <b>0,7</b> |
| 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         |             |            |
| <b>Total</b>  | <b>1,6</b>   | <b>1,1</b>  | <b>0,5</b>  |            |

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 exercised or at the moment when the parameters change materially.

Hierarchy levels:

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

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

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

Investments in money markets instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 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<br>equity fund investments |
|-------------------------------------|---|
| 2014                                |   |
| Carrying amount on 1 January        | 0,7   |
| Total profits and losses            |   |
| In income statement                 |   |
| Available-for-sale financial assets |   |
| In other comprehensive income       |   |
| Available-for-sale financial assets | 0,4   |
| Acquisitions                        |   |
| Exercises                           | -0,6  |
| Carrying amount on 30 September     | 0,5   |

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            | 30 Sept<br>2014 | 30 Sept<br>2014 | 31 Dec<br>2013 |
|------------------------|-----------------|-----------------|----------------|
| Pledges for own behalf | 14,6            | 16,8            | 13,2           |
| Lease commitments      | 277,6           | 307,3           | 288,1          |

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                                      | 30 Sept<br>2014 | 30 Sept<br>2014 | 31 Dec<br>2013 |
|--|-----------------|-----------------|----------------|
| Currency derivatives                             |                 |                 |                |
| Currency forward contracts, non-hedge accounting |                 |                 |                |
| Fair value                                       | 0,2             | -0,7            | -0,2           |
| Nominal value                                    | 58,7            | 126,1           | 95,6           |
| Currency forward contracts, hedge accounting     |                 |                 |                |
| Fair value                                       | 1,1             | 0,0             | 0,0            |
| Nominal value                                    | 7,8             | 8,0             | 9,8            |
| Interest rate derivatives                        |                 |                 |                |
| Interest rate swaps, hedge accounting            |                 |                 |                |
| Fair value                                       | 4,3             | 5,1             | 4,8            |
| Nominal value                                    | 70,0            | 70,0            | 70,0           |
| Electricity derivatives                          |                 |                 |                |
| Electricity forwards, non-hedge accounting       |                 |                 |                |
| Fair value                                       | -0,6            | -0,3            | -1,0           |
| Nominal value                                    | 4,3             | 7,4             | 6,5            |

## 8. Foreign exchange rates

|              | 1-9<br>2014     | 1-9<br>2013     | 1-12<br>2013   |
|--------------|-----------------|-----------------|----------------|
| Average rate |                 |                 |                |
| RUB          | 48,0390         | 41,6592         | 42,3248        |
| SEK          | 9,0378          | 8,5798          | 8,6505         |
| NOK          | 8,2751          | 7,6588          | 7,8051         |
|              | 30 Sept<br>2014 | 30 Sept<br>2014 | 31 Dec<br>2013 |
| Closing rate |                 |                 |                |
| RUB          | 49,7653         | 43,8240         | 45,3246        |
| SEK          | 9,1465          | 8,6575          | 8,8591         |
| NOK          | 8,1190          | 8,1140          | 8,3630         |