ITELLA CORPORATION FINANCIAL STATEMENTS RELEASE FEBRUARY 15, 2013, AT 9:00 A.M. (EET)

Itella improved its performance in an uncertain market situation

Itella Corporation's Financial Statements and Board of Directors' Report 2012

October–December 2012

- Itella Group's net sales grew by 4.7 percent in October–December to EUR 542.6 (518.1) million. The growth was attributable to the integration of VR Transpoint's groupage logistics business.
- In Itella Mail Communications, net sales remained nearly on par with the previous year (+ 0.2 percent), whereas the net sales of Itella Logistics grew by 17.3 percent, and the net sales of Itella Information declined by 5.1 percent.
- The operating result before non-recurring items amounted to EUR 12.8 (23.5) million, representing 2.4 percent (4.5 percent) of net sales. The operating result before non-recurring items declined to EUR 25.5 (32.1) million in Itella Mail Communications and to EUR -5.6 (-1.3) million in Itella Logistics, and grew to EUR 4.0 (-0.9) million in Itella Information.
- The operating result during the fourth quarter amounted to EUR 9.1 (19.8) million, representing 1.7 percent (3.8 percent) of net sales. Non-recurring cost items recognized during the period totaled EUR 3.6 (3.8) million.

Year 2012

- Itella Group's net sales grew by 2.4 percent, to EUR 1,946.7 (1,900.1) million. In local currencies, the increase in net sales was 1.9 percent. International operations accounted for 31 percent (33 percent). Itella Mail Communications' net sales grew slightly (1.4 percent) in comparison to the year before. Itella Logistics' net sales grew by 6.8 percent and Itella Information's net sales declined by 1.3 percent.
- The operating result before non-recurring items improved to EUR 53.2 (30.5) million, or 2.7 percent (1.6 percent) of net sales.
- The EUR 100 million cost-cutting program initiated in 2011 had a positive effect on the development of performance in 2012. The program continues.
- The operating result improved, and amounted to EUR 39.0 (-5.9) million, which represents 2.0 percent of net sales (-0.3 percent). Performance declined due to non-recurring items totaling EUR 14.2 (36.4) million, of which personnel restructuring costs amounted to EUR 3.8 million and other non-recurring adjustments to a total of EUR 10.3 million.
- The operating result before taxes was EUR 30.8 (-16.4) million.
- The Group's gearing was 23.4 percent, and its equity ratio remained at a satisfactory level of 46.4 percent.
- The Board of Directors proposes that a dividend of EUR 6.8 million be distributed.
- On July 31, Itella Logistics Oy and VR Group signed a sales contract pursuant to their previous letter of intent, with which Itella Logistics acquired VR Transpoint's groupage logistics business in Finland and the related entire capital share of PT Logistiikka Oy. The Finnish Competition Authority approved the transaction on August 23 and the deal was finalized on October 1.

Key figures of Itella Group	10-12/2012	10-12/2011	2012	2011	2010
Net sales, MEUR	542.6	518.1	1,946.7	1,900.1	1,841.6
Operating result (non-IFRS), MEUR *)	12.8	23.5	53.2	30.5	49.6
Operating result (non-IFRS), % *)	2.4	4.5	2.7	1.6	2.7
Operating result (EBIT), MEUR	9.1	19.8	39.0	-5.9	32.4
Operating result (EBIT), %	1.7	3.8	2.0	-0.3	1.8
Result before taxes, MEUR	6.9	16.7	30.8	-16.4	25.3
Result for the period, MEUR	5.0	6.4	14.1	-30.7	9.3
Return on equity, %, 12 months			2.1	-4.5	1.4
Return on investment, %, 12 months			4.8	-0.2	4.2
Equity ratio, %			46.4	46.1	50.5
Gearing, %			23.4	22.1	18.4
Gross capital expenditure, MEUR	69.9	36.1	134.7	102.9	89.5
Employees on average	27,688	27,659	27,460	28,493	28,916
Dividends, MEUR			6,8 **)	-	4.4

**) Non-IFRS = excluding non-recurring items*
**) Board of Directors´ proposal

President and CEO Heikki Malinen:

"The trend of development in Itella's business as a whole was largely positive during the year. We began to see the positive profit impact of the EUR 100 million cost-cutting program that we initiated in 2011. The improvement in performance was necessary, but we still have some way to go before achieving the target level. We will continue our efforts to increase net sales and improve profitability as well as our cost-cutting measures.

Our business environment is in the midst of a transition, and strong currents of change are affecting not only our operations, but also the operations of other companies in our industry. The trend of digitization is advancing and traditional letter traffic is being replaced with new digital services. The challenge we now face is to develop Itella according to the requirements posed by the business environment and the market situation.

The effects of earlier measures aiming to improve productivity are clearly visible in Itella Mail Communications, the operating result of which was a clearly better than the year before. The rate at which electronic services are replacing letter shipments accelerated at an expected pace – a trend evident in the declining volumes of letter shipments. Newspaper and magazine volumes continued to fall as well. This decline was accelerated by the nine percent value added tax recently levied on newspapers and magazines. Volumes in parcel services grew by five percent. Operations that fall under the scope of the universal service obligation accounted for 11.9 percent of Itella Mail Communications' net sales.

Itella Logistics' net sales increased, partly due to the acquisition of VR Transpoint, concluded between Itella Logistics and VR Group at the beginning of October. The acquisition increased Itella's net sales by about EUR 130 million, in addition to which a little over 800 employees of VR transferred to Itella. Thanks to the combination, Itella's customers have at their disposal the widest network of terminals and the highest transport capacity available in Finland. Logistics' net sales also grew due to the positive trend in Russia, where volumes and warehouse fill rates developed positively.

Itella Information's profitability improved. The improvement in performance was the result of both the sale of the German printing services business and the efforts to increase efficiency, carried out during the previous year.

The year saw us investing in the development of many new services. Itella Mail Communications, for example, opened a total of one hundred new automated parcel terminals and pick-up outlets during the year. The number of Netposti users grew beyond 400,000 in August. Itella Logistics invested in a new warehouse management system and freight operating system. Itella Information continued to develop the OpusCapita products, designed for the purposes of cash-flow automation, by introducing new mobile and cloud service solutions to the market. The development of Itella Bank also continued."

APPENDICES
Itella's Financial Statements Release and the Board of Directors' Report (PDF)
Corporate Governance Statement 2012

FURTHER INFORMATION
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FINANCIAL CALENDAR 2013
Interim Report Q1/2013, April 29
Interim Report Q2/2013, July 24
Interim Report Q3/2013, October 30

PHOTOGRAPHS AND LOGOS
www.itella.com/media

Itella Group *provides solutions for managing information and product flows. Itella operates in the fields of mail communications, logistics, and financial management in Europe and Russia. Net sales in 2012 amounted to EUR 1,947 million. The number of staff is approximately 27,500. Corporate services are delivered under the Itella brand, while the Posti brand is used for services targeted at consumers in Finland. Further information is available online at www.itella.com.*

Itella Corporation
Board of Directors' Report 2012

Business environment 2012

After a promising first quarter, the Finnish economy slipped onto a downward trend during late spring and early summer. In line with this general trend, Itella's net sales also developed positively during the first half of the year, but slowed down during the second quarter and came to a complete stop during the third. The final quarter was challenging, particularly in terms of Itella Logistics' road, air and sea freight operations.

In respect of Itella's business environment, the integration of VR's groupage logistics into Itella Logistics constituted one of the most important changes that took place during the year. Among other things, this transaction between two strong industry operators means that Itella's customers now have at their disposal the widest network of terminals and the most comprehensive transportation capacity in Finland.

As anticipated, electronic replacement showed signs of acceleration, in addition to which the downward trend in the volumes of newspapers and magazines continued. Changes in the competitive environment are prepared for by the continuous development of Itella's own delivery network. The number of automated parcel terminals – introduced to the Finnish market in 2011 – has been increased. In 2012, the Group put into operation a total of one hundred new automated parcel terminals and pick-up outlets. Recipients' chances to route shipments addressed to them have also been improved on a continuous basis. The parcel routing service introduced to consumers during the year allows them to route their online store parcels to the Posti outlet of their choice. In addition to Posti shops, such outlets include pickup outlets managed by our partners and Posti's parcel terminals.

The volumes of addressed letters continued to decline. This trend is also evident in the growing volumes of electronic letters. Newspaper and magazine volumes continued to fall as well. This decline was accelerated by the nine percent value added tax recently levied on newspapers and magazines.

The digitization of invoicing and financial management impacts Itella's business, offering business opportunities to Itella Information, in particular.

Cost-cutting program

In August 2011, Itella initiated an extensive cost-cutting program with the objective of accruing savings in excess of EUR 100 million over the next three years. The program has proceeded according to schedule in both the business groups as well as in the Group's centralized operations. The savings achieved in 2012 were generated particularly through restructuring measures and efforts aimed at increasing efficiency and sourcing.

October–December 2012

Itella Group's net sales in the fourth quarter amounted to EUR 542.6 (518.1) million. The operating result before non-recurring items amounted to EUR 12.8 (23.5) million, or 2.4 percent (4.5 percent) of net sales. Non-recurring cost items recognized during the period totaled EUR 3.6 (3.8) million.

The operating result before taxes was EUR 6.9 (16.7) million.

Profit performance and net sales

Itella Group's net sales in 2012 totaled EUR 1,946.7 (1,900.1) million representing growth of 2.4 percent. In local currencies, the increase in net sales was 1.9 percent. Corporate acquisitions did not have a significant effect on development at the annual level, but the increase in sales during the final quarter reflected the integration of VR Transpoint's groupage logistics. The Group's net sales grew in all business groups except Itella Information. Net sales increased in Finland by 4.6 percent, and declined by 1.9 percent in other countries. International operations accounted for 31 percent (33 percent) of net sales.

The operating result before non-recurring items improved to EUR 53.2 (30.5) million, or 2.7 percent (1.6 percent) of net sales. Operating profit before non-recurring items improved in Itella Mail Communications and Itella Information, and declined in Itella Logistics.

Performance in 2012 was strained by non-recurring items in the amount of EUR 14.2 (36.4) million, of which EUR EUR 3.8 (27.0) million related to personnel restructuring, EUR 3.0 million to Logistics' lease provisions, and EUR 7.3 (9.4) million to other items. At the end of May, Itella Information sold its German subsidiary to the subsidiary's operative management. This transaction generated a non-recurring cost item of EUR 14.3 million. The additional purchase price of the Russian logistics corporation NLC acquired by Itella Logistics in 2008 was confirmed, resulting in a non-recurring positive performance impact of EUR 7.0 million.

The Group recorded an operating result of EUR 39.0 (-5.9) million, representing 2.0 percent (-0.3 percent) of net sales. Operating profit improved in all business groups.

The Group's net financing costs amounted to EUR 8.3 (10.6) million.

The Group's operating result after financial items amounted to EUR 30.8 (-16.4) million. Income tax totaled EUR 16.7 (14.2) million.

The Group's operating result for the period amounted to EUR 14.1 (-30.7) million.

Return on equity stood at 2.1 percent (-4.5 percent).

Key figures of Itella Group	**10-12/2012**	**10-12/2011**	**2012**	**2011**	**2010**
Net sales, MEUR	542.6	518.1	1,946.7	1,900.1	1,841.6
Operating result (non-IFRS), MEUR *)	12.8	23.5	53.2	30.5	49.6
Operating result (non-IFRS), % *)	2.4	4.5	2.7	1.6	2.7
Operating result (EBIT), MEUR	9.1	19.8	39.0	-5.9	32.4
Operating result (EBIT), %	1.7	3.8	2.0	-0.3	1.8
Result before taxes, MEUR	6.9	16.7	30.8	-16.4	25.3
Result for the period, MEUR	5.0	6.4	14.1	-30.7	9.3
Return on equity, %, 12 months			2.1	-4.5	1.4
Return on investment, %, 12 months			4.8	-0.2	4.2
Equity ratio, %			46.4	46.1	50.5
Gearing, %			23.4	22.1	18.4
Gross capital expenditure, MEUR	69.9	36.1	134.7	102.9	89.5
Employees on average	27,688	27,659	27,460	28,493	28,916
Dividends, MEUR			6,8 **)	-	4.4

**) Non-IFRS = excluding non-recurring items*
**) Board of Directors´ proposal

Itella Mail Communications

<u>October–December</u>

The net sales of Itella Mail Communications in October–December remained nearly on par with its net sales during the corresponding period in the previous year (+ 0.2 percent), and totaled EUR 323.7 (323.1) million. Growth was generated by parcel services and unaddressed direct marketing. The number of Christmas stamps sold declined by 1.4 million, or by 4.7 percent in comparison to the previous year.

The business group's operating result before non-recurring items amounted to EUR 25.5 (32.1) million. The decline in performance was largely attributable to the timing of costs, which differed from the timing of the previous year, as well as to rising delivery costs. At EUR 25.5 (27.5) million, the operating result remained nearly on par with the previous year. The reporting period did not include non-recurring cost items (EUR 4,6 million). As usual, Itella Mail Communications' sales during the final quarter were strong.

The volumes of parcel services clearly increased during the fourth quarter in comparison to the previous year. Throughout the entire month of December, the volume of parcels related to online commerce grew by ten percent from the previous year. During the last two weeks of the month, the growth amounted to 13 percent.

Year 2012

Itella Mail Communications' net sales increased by 1.4 percent to EUR 1,167.6 (1,151.7) million. The increase in net sales during the final quarter was largely attributable to the positive development in parcel volumes.

The share of operations subject to the universal service obligation amounted to EUR 139.1 (125.1) million, or 11.9 percent (10.9 percent) of Itella Mail Communications' net sales.

The business group's operating result improved, and totaled EUR 74.0 (31.4) million, or 6.3 percent (2.7 percent). The operating result before non-recurring items amounted to EUR 74.0 (49.8) million. The reporting period did not include non-recurring cost items (EUR 18.4 million).

In 2012, the delivery volumes of mail items developed as follows in comparison to the corresponding period in the previous year:

- Newspapers, -8 %
- Magazines, -5 %
- Total volume of addressed letters, -4 %
- Unaddressed direct marketing, +20 %
- Parcel services, +5 %
- Electronic letters, +36 %

The growth in parcel services continued to be robust, particularly in terms of online commerce. Itella increased its market share. The growth in unaddressed direct marketing also continued throughout the year, and we increased our market share despite tough competition.

The volumes of addressed letters continued to decline. This trend is also evident in the growing volumes of electronic letters. Newspaper and magazine volumes continued to fall as well. This decline was accelerated by the nine percent value added tax recently levied on newspapers and magazines.

Itella Mail Communications' business environment is subject to the effects of the new Postal Act, which opened up competition to other operators. In March, Esan kirjapaino Oy was issued a license for regional letter deliveries. Itella's readiness to respond to changes in the competitive environment is maintained through the continuous development of the delivery network's quality and productivity. In 2012, the Group put into operation a total of one hundred new automated parcel terminals and pick-up outlets. Recipients' chances to route shipments addressed to them have also been improved on a continuous basis. The parcel routing service introduced to consumers during the year allows them to route their online store parcels to the Posti outlet of their choice. At the end of 2012, there were 1,098 such outlets.

The investments of Itella Mail Communications totaled EUR 26.8 (33.3) million. The most significant of these involved the new point-of-sale system employed in Posti shops and production maintenance investments.

Itella Logistics

October–December

Itella Logistics' net sales grew by 17.3 percent in October–December, to EUR 222.7 (189.9) million. The growth was attributable to the integration of VR Transpoint's groupage logistics as well as positive development in Russia.

The business group's operating result before non-recurring items declined, and amounted to EUR -5.6 (-1.3) million. The operating result also decreased, and totaled EUR -9.3 (5.8) million. This was particularly due to the weak market situation and profitability prevalent in and afflicting the road freight sector in Denmark and Sweden, and items related to the integration of domestic groupage logistics.

The transaction between Itella Logistics Oy and VR Group, with which Itella Logistics acquired VR Transpoint's groupage logistics business in Finland and PT Logistiikka Oy, which forms a part of the aforementioned business, was carried out on October 1. In terms of net sales, the groupage logistics business covered by the acquisition is worth more than EUR 130 million. The staff numbers a little over 800.

Year 2012

Itella Logistics' net sales grew by 6.8 percent, to EUR 781.5 (731.6) million. Net sales increased, driven by the integration of VR Transpoint. Growth was furthermore spurred by positive development in Russian operations as well as contract logistics in Finland.

The business group's operating loss before non-recurring items increased from the year before, and stood at EUR 12.0 (-6.4) million. In terms of the entire year, Itella Logistics recorded an operating loss of EUR 9.5 (-15.7) million, representing -1.2 percent (-2.1 percent) of net sales. Performance declined due to the continuing business challenges in Scandinavia and the warehouse accident that occurred in Russia in July 2012. Profitability decreased in air and sea freight. On the other hand, the additional purchase price of the Russian logistics corporation NLC acquired by Itella Logistics in 2008 was confirmed, and this had a non-recurring positive performance impact of EUR 7.0 million.

A large part of the shelf system in Itella Logistics' Shushary warehouse in St. Petersburg collapsed in July 2012. The accident damaged a substantial number of customers' products, and has also necessitated environmental protection and cleanup measures. Freight operations, the office, and customers' logistics services were transferred to a temporary office in Utkina Zavod. Repair measures are underway, and we expect to have the premises back in use by April 2013. Itella has insurance policies that cover its liabilities in accidents such as these (excluding business interruption insurance). Assessments concerning liability issues and the calculation of the insurance indemnity are underway, but the indemnity is yet to be paid. The total loss is estimated to amount to EUR 31 million, of which a EUR 7.7 million expense strains performance.

Itella Logistics' investments–in the logistics center located in Pennala, Orimattila, ICT upgrades, and the integration of VR Transpoint's groupage logistics–totaled EUR 90.4 (31.0) million. The most significant of these investments is the new logistics center being built in Pennala, Orimattila. The construction of this logistics center, set to be completed in 2013, began in 2011, and the total investment amounts to more than EUR 60 million.

Itella Information

October–December

Itella Information's net sales in the fourth quarter amounted to EUR 67.6 (71.3) million. Net sales grew by 6.6 percent, excluding the sale of the printing business in Germany.

The business group's operating result before non-recurring items improved, and amounted to EUR 4.0 (-0.9) million. The business group did not record non-recurring cost items for the reporting period. The improvement in performance was largely attributable to both the sale of the German printing services business and the efforts to increase efficiency, carried out during the previous year.

On December 31, 2012, Itella Information closed down its operations in Bucharest, Romania. Following the discontinuance of local customer support, Itella Information provides its services in Romania via Poland, for the duration of the transition period.

Year 2012

Itella Information's net sales declined slightly (-1.3 percent), to EUR 270.1 (273.7) million. The decline was influenced by the sale of the printing business in Germany.

The operating result before non-recurring items improved to EUR 15.6 (3.2) million. This represents 5.8 percent (1.2 percent) of net sales. The improvement was attributable to the sale of the printing business in Germany, the efforts to increase efficiency carried out at the end of the previous year, and the increase in sales in print operations and outbound services. The business group's operating result improved to EUR -1.1 (-4.1) million.

Outbound and e-Services developed positively in Finland and Sweden due to the iPost and iBilling solutions, in particular. Financial management outsourcing services gained new customer accounts, but the business's profitability remains modest. This is the result of investment in growth, process development, and internationalization. After a challenging spring, payments automation services (OpusCapita) were back on a positive track in the second half of the year. Cloud services grew by more than 100 percent. The economic recession offers new business opportunities for Itella Information.

At the beginning of 2013, Itella Group's payroll services transferred from Silta Oy to being managed by Itella Information.

In June, Itella Information sold its German subsidiary, Itella Information GmbH, which operates in the printing services business, to the company's operative management. Due to the sale of the subsidiary, which was carried out as a management buyout, some one hundred people transferred from Itella to the employment of the new company, docsellent GmbH. The transaction is shown in the second quarter results as a non-recurring loss of EUR 14.3 million.

The business group's investments amounted to EUR 5.8 (30.0) million. The investments are largely related to activated development projects and the printing business's maintenance investments.

Key Figures of Business Groups, MEUR	**10-12/2012**	**10-12/2011**	Change	**1-12/2012**	1-12/2011	Change
Net sales						
Itella Mail Communications	**323.7**	323.1	0.2 %	**1,167.6**	1,151.7	1.4 %
Itella Logistics	**222.7**	189.9	17.3 %	**781.5**	731.6	6.8 %
Itella Information	**67.6**	71.3	-5.1 %	**270.1**	273.7	-1.3 %
Other activities	**16.2**	11.5	40.5 %	**63.1**	55.8	13.2 %
Intra-Group sales	**-87.7**	-77.7	12.9 %	**-335.6**	-312.7	7.3 %
Itella Group	**542.6**	518.1	4.7 %	**1,946.7**	1,900.1	2.4 %
Operating result (non-IFRS) *)						
Itella Mail Communications	**25.5**	32.1	-20.6 %	**74.0**	49.8	48.5 %
Itella Logistics	**-5.6**	-1.3	neg	**-12.0**	-6.4	neg
Itella Information	**4.0**	-0.9	..	**15.6**	3.2	..
Other activities	**-11.1**	-6.4	neg	**-24.4**	-16.1	neg
Itella Group	**12.8**	23.5	-45.7 %	**53.2**	30.5	74.4 %
Operating result (EBIT)						
Itella Mail Communications	**25.5**	27.5	-7.4 %	**74.0**	31.4	..
Itella Logistics	**-9.3**	5.8	..	**-9.5**	-15.7	39.5 %
Itella Information	**4.0**	-6.4	..	**-1.1**	-4.1	72.2 %
Other activities	**-11.1**	-7.2	neg	**-24.4**	-17.5	neg
Itella Group	**9.1**	19.8	-53.8 %	**39.0**	-5.9	..

Operating result (non-IFRS), % *)						
Itella Mail Communications	**7.9 %**	9.9 %		**6.3 %**	4.3 %	
Itella Logistics	**-2.5 %**	-0.7 %		**-1.5 %**	-0.9 %	
Itella Information	**6.0 %**	-1.2 %		**5.8 %**	1.2 %	
Itella Group	**2.4 %**	4.5 %		**2.7 %**	1.6 %	
Operating result (EBIT), %						
Itella Mail Communications	**7.9 %**	8.5 %		**6.3 %**	2.7 %	
Itella Logistics	**-4.2 %**	3.1 %		**-1.2 %**	-2.1 %	
Itella Information	**6.0 %**	-9.0 %		**-0.4 %**	-1.5 %	
Itella Group	**1.7 %**	3.8 %		**2.0 %**	-0.3 %	

) Non-IFRS = excluding non-recurring items

Other activities of the Group

Itella's subsidiary Itella Bank Ltd. began its operations as a deposit bank at the beginning of 2012. Itella Bank specializes in the transmission of payment and invoicing data, particularly with regard to online commerce, parcel services, and other postal affairs.

The Post Museum located in the General Post Office in Helsinki was closed. The new Post Museum will be opened in Museum Centre Vapriikki in Tampere in 2014.

Business risks

In 2012, risk management focused particularly on continuing to improve the quality and extent of the risk management process. The Group's key strategic risks involve the markets, the business environment, the ability of business operations to develop, and regulation. The principal operational risks, on the other hand, involve first and foremost the profitability of business, as well as business interruptions and other disruptive risks. Any deepening of the economic recession, acceleration in the spread of digital services, or increase of already significant competition would have an adverse effect on growth.

Strategic and operational risks

Any protraction of the economic downturn may have an impact on the activities of companies and consumers and, consequently, on the volumes of products transported by Itella. Turbulence in the financial markets and any related disturbances may also pose a risk to Itella's business operations.

Significant market risks are considered to include a faster-than-expected rate of replacement (in electronic alternatives replacing traditional postal delivery) and any unanticipated changes in this area, such as an increasingly steep decline in the volumes of letters, magazines, and newspapers. Itella strives to develop its operations continuously to minimize this risk.

Any possible protraction in the integration of the acquired companies and their operations to the Group and, consequently, in the management of corporate acquisitions, would constitute both direct financial losses as well as a strategic risk that would constrain business development. Our goal is to ensure the successful integration of corporate acquisitions through careful monitoring. The integration of VR Transpoint's groupage logistics–which Itella acquired in 2012–to the Finnish business operations of our Logistics business group is vitally important for the development of our competitiveness and the management of profitability in our home market.

In terms of Logistics, increasing international competition and the resultant decline in volumes in the Nordic countries is also considered a risk.

In Russia, the development of the social, legislative, and overall business environment may come to constitute a significant market risk for Itella. Itella Logistics' investments in Russia are substantial. Our risk management measures include the continuous monitoring of developments and trends, as well as a solid establishment in the Russian market by means of Itella's own companies and personnel and effective networking.

A large part of the shelf system in Itella Logistics' Shushary warehouse in St. Petersburg collapsed in July 2012. The accident damaged a substantial number of customers' products, and has also necessitated environmental protection and cleanup measures. Itella has insurance policies that cover its liability in such eventualities (excluding business interruption insurance). The assessment of liability and the calculation of the insurance indemnity are underway, but the indemnity is yet to be paid. Thus the ultimate effects of the accident are yet to be ascertained. An insurance receivable has been recognized under other receivables.

Itella Information's capacity to develop the outsourcing of financial processes and the processes associated with them during a period of rapid growth involves an operational risk.

Itella's position as an operator with a partially dominant market position and as a producer of universal services may introduce risks involving government regulation or supervision. At the moment, these risks relate, in particular, to Itella Posti's pricing solutions in terms of letter and parcel products–an issue that involves the interpretation of the former Postal Services Act, which remained in force until the end of May 2011. The related dispute between Itella and the Finnish Communications Regulatory Authority is pending. Should the court's findings be unfavorable from Itella's point of view, the financial repercussions for the company will be considerable.

Itella Bank's risk management measures relate to that of a credit institution and comply with the relevant regulations issued by authorities. The aforementioned risks are described in more detail in the Bank's financial statements.

The rigidity of cost structures slows the improvement of profitability, especially in Finland; and the universal service obligation presents a further constraint on the potential for increasing efficiency. As volumes decline, a new economic downturn would further complicate efforts to maintain profitability.

The protection and development of key production and warehouse facilities and the continuity of IT infrastructure are of utmost importance in the management of operational risks related to loss and interruption. Should such risks (for example a fire) materialize, they could result in a substantial loss of customer accounts and losses in value for Itella.

Regarding other business disruption risks, the most significant involve the vulnerability of information security, networks, and the production infrastructure. These risks are both operational and image-related in nature.

Other risks:

An account of financial risks and their management is available in the Notes to the Financial Statements.

Insurance has been taken out to cover all risks for which insurance is the best alternative for financial or other reasons. Insurance policies concerning business continuity, property, and liabilities as well as certain insurance policies relating to personnel are managed centrally, at Group level. Liability risks include risks arising from operations and products as well as corporate management liabilities. The determination of deductibles accounts for the Group's risk-bearing capacity.

Changes in corporate structure

On May 30, 2012, Itella sold the entire capital stock of Itella Information GmbH to the subsidiary's operative management.

Regarding associated companies, Itella sold AS Eesti Elektron Posti in Estonia on September 24, 2012 and Ageris Kontacktcenter AB, based in Sweden, on December 21, 2012.

The business acquisition between Itella Logistics Oy and VR Group was finalized on October 1, 2012. The transaction transferred VR Transpoint's groupage logistics business in Finland and the related entire capital stock of PT Logistiikka Oy to the ownership of Itella Logistics.

Itella Customer Relationship Marketing Ltd. and OpusCapita Group Oy merged with their parent company Itella Corporation on December 1, 2012. In Denmark, the companies KEC A/S, Spedition Dyhr Eftf A/S, and Honold Combifragt Logistics A/S merged with Itella Logistics A/S, also on December 1, 2012.

Itella Real Estate Oy, which specializes in property management, sold the entire capital stock of KOY Sahronmaa on June 6, 2012.

Capital expenditure

The additions to Itella Group's intangible assets and PPE amounted to EUR 92.9 (72.5) million. EUR 41.8 (30.4) million was spent on business combinations. A total of 93 percent of the Group's investments were allocated to Finland. A more detailed account of investments is available in the financial reports of each business group.

Research and development

Itella Group's research and development expenditure in 2012 totaled EUR 15.2 million, or 0.8 percent of the Group's total operating expenses. The corresponding figures in 2011 and 2010 were EUR 14.0 million (0.7 percent) and EUR 9.5 million (0.5 percent), respectively.

Itella Mail Communications concluded a multi-year development and implementation project concerning the Posti shop system, and carried out a complete reform of post box services. The productization of addressed letter, magazine, and advertisement delivery services was simplified. Furthermore, the business group introduced a rerouting service to the market, with which mail recipients may route shipments to a location of their choice. The service was first introduced in relation to parcel services. The development of online services targeted at the customers of marketing services, small and medium-sized companies, and consumers was continued by way of updating, among others, the aTarget, Netposti, and Well-wisher's Address Book services and by creating the Itella Network service package for small and medium-sized companies. Computer-supported processes for the management and monitoring of operating statements, the development portfolio, and the work contribution of the company's own personnel were created to raise the productivity of development.

In Mail Communications, research focused on the spread of the use of social media and its effects on the demand for postal services, as well as on the significance of communality in the development of print and electronic media. In addition, research activities involved the advancement of the electronification of consumer invoices and the factors that have a bearing on such development, the structure and electronification of letter traffic, the importance of online shops as a channel for buying Christmas gifts, and the trends in subscriber activity regarding newspapers and magazines in the next few years.

Itella Logistics invested in a new warehouse management system and freight operating system. After VR Transpoint's groupage logistics and PT Logistiikka became a part of Itella Logistics, the development concerning the optimization and transport management systems of the domestic transport business was also continued.

Itella Information continued the development of the OpusCapita products–designed designed for the automation of cash flows—by introducing new mobile and cloud service solutions to the market and by further investment in the user-friendliness of the products.

Itella Bank's systems were also one of the focal points of development work.

Environmental impacts

The vast majority of the environmental impact attributable to Itella's operations is related to greenhouse gas emissions. Itella has made a commitment to reduce its carbon dioxide emissions by 30 percent by the year 2020 (in proportion to net sales, year of comparison 2007). This emissions target and the reporting system that supports it encompass all of Itella's business operations and countries of operation.

Our special focus in 2012 was on the energy-efficiency of our properties. Thanks to the measures carried out in Finland during 2012, the electricity consumption of our properties fell by more than three percent and standardized heat consumption by 6.8 percent. Our goal is to cut electricity consumption by two percent and heat consumption by three percent annually up until 2015.

Itella publishes a Corporate Responsibility Report in connection with the 2012 Financial Statements. This Report will contain more detailed accounts of environmental considerations and issues. The past year was the first one during which Itella commissioned a verification of the environmental responsibility data to be published for 2012 and an audit of the GRI level. The verification and audit were carried out by PricewaterhouseCoopers Oy.

Financial position

The consolidated cash flow from operating activities increased and totaled EUR 118.9 (85.7) million before investments. Expenditure on investments and corporate acquisitions amounted to EUR 115.0 (76.3) million, of which corporate acquisitions and sales accounted for EUR 55.9 (23.7) million.

The EUR 100 million domestic bond issued by Itella Corporation in December 2011 was listed on the Helsinki Stock Exchange, managed by NASDAQ OMX Helsinki, on January 16, 2012. The bond's loan period is six years and it has a fixed yield of 4.625 percent.

At the end of 2012, liquid assets amounted to EUR 148.3 (177.7) million, and undrawn committed credit facilities totaled EUR 120.0 (120.0) million. The Group's interest-bearing liabilities were EUR 324.8 (335.5) million. The equity ratio stood at 46.4 percent (46.1 percent) and gearing was 23.4 percent (22.1 percent).

Share capital and shareholding

Itella Corporation is wholly owned by the State of Finland, its share capital consisting of 40,000,000 shares of equal per-share 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 14, 2012. The General Meeting adopted the 2011 financial statements and discharged the Supervisory Board, Board of Directors, and President and CEO from liability.

The General Meeting also decided that the Board of Directors be composed of eight members in 2012. Arto Hiltunen continues to chair the Board of Directors, and Päivi Pesola continues as the Board's Vice Chairman. Ilpo Nuutinen was elected to join the Board as a new member. Hele-Hannele Aminoff, Jussi Kuutsa, Timo Löyttyniemi, Riitta Savonlahti, and Maarit Toivanen-Koivisto continued as Board members in 2012.

Itella's Supervisory Board was composed of 12 members in 2012. New members elected to the Supervisory Board were Ritva Elomaa, MP (Finns); Lars-Erik Gästgivars, MP (Swedish People' Party); Mauri Pekkarinen, MP (Centre Party); Raimo Piirainen, MP (Social Democratic Party); Tuomo Puumala, MP (Centre Party); Teuvo V. Riikonen, Executive Manager; and Kimmo Sasi, MP (National Coalition Party). Mauri Pekkarinen, MP, was elected Chairman of the Supervisory Board and Johanna Karimäki, MP, Vice Chairman of the Supervisory Board. Continuing members include Johanna Karimäki, MP (Greens of Finland); Susanna Huovinen, MP (Social Democratic Party); Sari Moisanen, student; Outi Mäkelä, MP (National Coalition Party); and Reijo Ojennus, entrepreneur (Finns).

The authorized public accountancy firm PricewaterhouseCoopers Oy was elected as Itella Corporation's auditor in 2012, with Authorized Public Accountant Merja Lindh acting as the principal auditor.

Jukka Alho (M.Sc. Tech.) served as Itella Corporation's President and CEO until December 10, 2012. He was succeeded by Heikki Malinen (M.Sc. Econ., MBA) as of December 11, 2012.

Human Resources

At the end of 2012, Itella Group employed 27,816 (27,585) people, with the average number of personnel being 27,460 (28,493). If part-time employees are converted to full-time employees, this corresponds to 23,676 (21,736) person-years, of which an average of 5,859 (6,370) work abroad.

Personnel distribution was as follows:

Itella Mail Communications	17,844
Itella Logistics	7,391
Itella Information	2,168
Group and other activities	413

The number of employees working outside Finland was 5,997 (6,462), and the number of employees working in Finland was 21,819 (21,123). At the end of 2012, the parent company had 386 (336) employees. The parent company's average number of employees was 379 (350).

Group personnel	2012	2011	2010
Wages and salaries, MEUR	713.8	731.8	706.3
Employees on Dec. 31	27,816	27,585	29,022
Employees on average	27,460	28,493	28,916

The Group’s personnel expenses decreased by EUR 25.5 million, or by approximately 2.8 percent in comparison to the previous year. Personnel expenses included restructuring costs in the amount of EUR 3.8 (27.0) million. The operating result for the period included a EUR 3.1 million expense provision for the purposes of the entire personnel’s bonuses. There are also provisions for the purposes of the annual incentive plan and the management’s long-term incentive plan.

At the end of the review period, the number of employees in Finland had increased by 696 in comparison to the previous year. The number increased due to the personnel of VR Transpoint’s groupage logistics and PT Logistiikka Oy, who transferred to Itella’s employment.

The company also signed 772 new full-time employment contracts in Finland in 2012. Personnel reductions amounted to a total of 435 person-years. Out of this total, 408 person-years were reduced for production-related and financial reasons, and 27 person-years were reduced via voluntary resignations and pension plans.

Events after the reporting period

At the beginning of 2013, Itella Group’s payroll services transferred from Silta Oy to being managed by Itella Information.

The first phase of the new logistics center under construction in Pennala, Orimattila, was completed at the beginning of 2013. Work on the second phase began in January 2013, and the entire facility will be completed in the summer of 2013.

Outlook for 2013

Net sales in 2013 are expected to increase significantly, partly due to the acquisition of VR Transpoint. The Group’s operating result before non-recurring items is expected to improve.

The net sales of Itella Mail Communications are expected to remain at the level of the previous year, whereas its operating result is expected to decline slightly due to traditional services being replaced by electronic ones, as well as due to the decline in delivery volumes.

Itella Logistics' net sales are expected to increase significantly as a result of the acquisition of VR Transpoint's groupage logistics business. The operating result is expected to turn positive.

The net sales of Itella Information are expected to grow, even without the effect of the sale of the printing business in Germany. The operating result is expected to increase clearly.

The amount of investment is expected to decrease in comparison to last year.

Board of Directors' proposal to the AGM

According to the financial statements, the parent company's distributable funds total EUR 623,460,452.09, of which the loss for 2012 accounts for EUR 13,437,847.83.

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 13(2) of the Finnish Limited Liability Companies Act, affect the proposed distributable profit.

The Board of Directors proposes to the General Meeting that the distributable funds be allocated as follows:

- a dividend of EUR 0.17 to be paid per share, or a total of EUR 6,800,000.00,
- retaining EUR 616,660,452.09 under shareholders' equity.

Helsinki, February 13, 2013

Itella Corporation
Board of Directors

ATTACHMENTS
Key figures of Itella Group
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Annual Report for January-December 2012

Key figures of Itella Group

	10-12 2012	**10-12 2011**	**1-12 2012**	**1-12 2011**	**1-12 2010**
Net sales, MEUR	542.6	518.1	1,946.7	1,900.1	1,841.6
Operating result (non-IFRS), MEUR *)	12.8	23.5	53.2	30.5	49.6
Operating result (non-IFRS), % *)	2.4	4.5	2.7	1.6	2.7
Operating result (EBIT), MEUR	9.1	19.8	39.0	-5.9	32.4
Operating result (EBIT), %	1.7	3.8	2.0	-0.3	1.8
Result before taxes, MEUR	6.9	16.7	30.8	-16.4	25.3
Result for the period, MEUR	5.0	6.4	14.1	-30.7	9.3
Return on equity, %, 12 months			2.1	-4.5	1.4
Return on investment, %, 12 months			4.8	-0.2	4.2
Equity ratio, %			46.4	46.1	50.5
Gearing, %			23.4	22.1	18.4
Gross capital expenditure, MEUR	69.9	36.1	134.7	102.9	89.5
Employees on average	27,688	27,659	27,460	28,493	28,916.0
Dividends, MEUR			6,8 **)	-	4.4

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

**) Board of Directors' proposal

Comprehensive Consolidated Income Statement

EUR million	10-12 2012	10-12 2011	1-12 2012	1-12 2011
Net sales	**542.6**	**518.1**	**1,946.7**	**1,900.1**
Other operating income	7.2	14.2	25.3	25.5
Share of associated companies' results	0.0	0.0	0.0	0.1
Materials and services	154.7	144.6	546.9	549.2
Employee benefits	240.9	241.9	885.2	910.7
Depreciation and amortisation	23.1	24.0	88.0	88.7
Impairment losses	1.4	1.0	1.4	18.3
Other operating expenses	120.5	101.1	411.5	364.7
Operating result (EBIT)	**9.1**	**19.8**	**39.0**	**-5.9**
% of net sales	1.7 %	3.8 %	2.0 %	-0.3 %
Financial income and expenses	-2.2	-3.1	-8.3	-10.6
Result before income tax	**6.9**	**16.7**	**30.8**	**-16.4**
% of net sales	1.3 %	3.2 %	1.6 %	-0.9 %
Income tax	-1.9	-10.3	-16.7	-14.2
Result for the financial period	**5.0**	**6.4**	**14.1**	**-30.7**
% of net sales	0.9 %	1.2 %	0.7 %	-1.6 %
Result for the financial period attributable to				
Parent company shareholders	5.0	6.4	14.1	-30.7
Non-controlling interest	0.0	0.0	0.0	0.0
	5.0	**6.4**	**14.1**	**-30.7**
Comprehensive Consolidated Income Statement				
Result for the financial period	**5.0**	**6.4**	**14.1**	**-30.7**
Other items of comprehensive income				
Available-for-sale financial assets	-0.2	0.0	-0.3	0.1
Translation differences	-2.7	11.4	10.9	-3.4
Comprehensive income for the financial period	**2.2**	**17.8**	**24.7**	**-34.0**
Comprehensive income attributable to				
Parent company shareholders	2.2	17.8	24.7	-34.0
Non-controlling interest	0.0	0.0	0.0	0.0
	2.2	**17.8**	**24.7**	**-34.0**

Consolidated Balance Sheet

EUR million	31 Dec 2012	31 Dec 2011
Non-current assets		
Goodwill	186.9	171.7
Other intangible assets	100.3	77.5
Investment property	3.1	3.8
Property, plant and equipment	675.4	664.1
Investments in associated companies	0.4	0.8
Other non-current investments	6.0	6.4
Non-current receivables	13.0	12.1
Deferred tax assets	12.8	12.0
Total non-current assets	**997.8**	**948.5**
Current assets		
Inventories	4.9	5.8
Trade and other receivables	329.9	299.1
Current tax assets	2.1	7.3
Financial assets available-for-sale	2.6	1.5
Financial assests held until maturity	15.2	10.9
Financial assets at fair value through profit or loss	56.2	58.7
Cash and cash equivalents	90.3	121.0
Total current assets	**501.1**	**504.4**
Non-current assets classified as held for sale	**10.7**	**12.4**
Total assets	**1,509.7**	**1,465.3**
Equity		
Share capital	70.0	70.0
Contingency reserve	142.7	142.7
Fair value reserve	-0.2	0.1
Translation differences	6.7	-4.2
Retained earnings	469.2	456.3
Equity attributable to equity holders of the parent company	**688.4**	**664.9**
Equity attributable to equity holders of the non-controlling interest	0.0	0.0
Total equity	**688.4**	**664.9**
Non-current liabilities		
Deferred tax liabilities	53.7	53.1
Non-current interest-bearing loans	288.3	304.9
Other non-current liabilities	12.2	4.0
Non-current provisions	18.6	20.3
Defined benefit pension plan obligations	4.2	7.5
Total non-current liabilities	**377.0**	**389.8**
Current liabilities		
Current interest-bearing loans	36.3	30.5
Trade payables and other liabilities	375.7	372.1
Current tax liabilities	1.2	3.0
Current provisions	30.4	4.5
Total current liabilities	**443.7**	**410.1**
Liabilities associated with non-current assets classified as held for sale	**0.5**	**0.5**
Total liabilities	**821.3**	**800.4**
Total equity and liabilities	**1,509.7**	**1,465.3**

Consolidated Cash Flow Statement

EUR million	1-12 2012	1-12 2011
Profit or loss for the financial period	**14.1**	**-30.7**
Total adjustments	117.9	123.6
Change in net working capital	14.3	14.6
Cash flow before financial items and income tax	**146.2**	**107.5**
Financial items (net)	-11.7	-10.1
Tax paid	-15.6	-11.7
Cash flow from operating activities (net)	**118.9**	**85.7**
Purchase of intangible assets	-28.1	-8.8
Purchase of property, plant and equipment	-45.4	-43.8
Proceeds from sale of intangible and tangible assets	7.4	6.5
Acquisitions	-41.5	-23.7
Proceeds from sale of subsidiaries less cash and cash equivalents	-14.4	-
Financial assets at fair value through profit or loss	2.5	1.9
Cash flow from other investments	-3.1	1.1
Cash flow from investing activities (net)	**-122.5**	**-66.8**
Change in loans (net)	-19.0	53.1
Finance lease principal payments	-6.6	-7.1
Financial assests held until maturity	-4.2	-10.9
Dividends paid	-	-4.4
Cash flow from financing activities (net)	**-29.8**	**30.6**
Change in cash and cash equivalents	**-33.5**	**49.5**
Cash and cash equivalents at period-start	**121.0**	**75.6**
Effect of changes in exchange rates	2.7	-4.1
Change in fair value of cash and cash equivalents	0.0	0.0
Cash and cash equivalents at period-end	**90.3**	**121.0**

Statement of Changes in Shareholders' Equity

EUR million	Equity attributable to equity holders of the parent company							
	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2011	**70.0**	**142.7**	**0.0**	**-0.8**	**492.2**	**704.1**	**0.0**	**704.2**
Comprehensive income								
Result for the financial period					-30.7	-30.7		-30.7
Other items for the Comprehensive income:								
Change in fair value reserve			0.1			0.1		0.1
Change in translation differences				-3.4		-3.4		-3.4
Other changes					-0.7	-0.7		-0.7
Comprehensive income for the financial period			**0.1**	**-4.2**	**460.8**	**669.3**	**0.0**	**669.3**
Transactions with equity holders								
Dividends paid					-4.4	-4.4		-4.4
Non-controlling interest							0.0	0.0
Transactions with equity holders, total					**-4.4**	**-4.4**		**-4.4**
Equity 31 Dec 2011	**70.0**	**142.7**	**0.1**	**-4.2**	**456.3**	**664.9**	**0.0**	**664.9**
Equity 1 Jan 2012	**70.0**	**142.7**	**0.1**	**-4.2**	**456.3**	**664.9**	**0.0**	**664.9**
Comprehensive income								
Result for the financial period					14.1	14.1		14.1
Other items for the Comprehensive income:								
Change in fair value reserve			-0.3			-0.3		-0.3
Change in translation differences				10.9		10.9		10.9
Other changes *)					-1.3	-1.3		-1.3
Comprehensive income for the financial period			**-0.2**	**6.7**	**469.2**	**688.4**	**0.0**	**688.4**
Transactions with equity holders								
Non-controlling interest							0.0	0.0
Transactions with equity holders, total					**0.0**	**0.0**	**0.0**	**0.0**
Equity 31 Dec 2012	**70.0**	**142.7**	**-0.2**	**6.7**	**469.2**	**688.4**	**0.0**	**688.4**

*) The accumulated depreciation differences of two domestic Group companies were adjusted to correspond to the difference between the expenditure residue of taxation and accounting. The retained earnings in the Group financial statements has been respectively adjusted with the amount of deferred tax liability.

Notes

1. Accounting Principles

The Financial statements review was prepared in accordance with IAS 34 'Interim Financial Reporting' and in line with the same accounting principles as those used in Itella's financial statements for 2012. The figures shown have been rounded, which is why the sum total of individual figures may differ from that shown here.

The information presented in this report is based on the audited Itella 2012 Financial Statements.

2. Segment Information

EUR million	10-12 2012	10-12 2011	1-12 2012	1-12 2011
Net sales by business segment				
Itella Mail Communications	323.7	323.1	1,167.6	1,151.7
inter-segment sales	-14.8	-12.2	-54.6	-44.2
Itella Logistics	222.7	189.9	781.5	731.6
inter-segment sales	-53.3	-51.5	-205.9	-200.8
Itella Information	67.6	71.3	270.1	273.7
inter-segment sales	-3.5	-2.6	-12.2	-12.1
Other operations	16.2	11.5	63.1	55.8
inter-segment sales	-16.1	-11.4	-62.9	-55.5
Total eliminations (Interim sales)	-87.7	-77.7	-335.6	-312.7
Total	**542.6**	**518.1**	**1,946.7**	**1,900.1**

EUR million	10-12 2012	10-12 2011	1-12 2012	1-12 2011
Operating result by business segment (non-IFRS) *)				
Itella Mail Communications	25.5	32.1	74.0	49.8
Itella Logistics	-5.6	-1.3	-12.0	-6.4
Itella Information	4.0	-0.9	15.6	3.2
Other operations	-11.1	-6.4	-24.4	-16.1
Total	**12.8**	**23.5**	**53.2**	**30.5**
Non-recurring items by business segment				
Itella Mail Communications	-	4.6	-	18.4
Itella Logistics	3.6	-7.2	-2.5	9.3
Itella Information	-	5.5	16.7	7.3
Other operations	-	0.8	-	1.4
Total	**3.6**	**3.8**	**14.2**	**36.4**
Operating result (EBIT) by business segment				
Itella Mail Communications	25.5	27.5	74.0	31.4
Itella Logistics	-9.3	5.8	-9.5	-15.7
Itella Information	4.0	-6.4	-1.1	-4.1
Other operations	-11.1	-7.2	-24.4	-17.5
Total	**9.1**	**19.8**	**39.0**	**-5.9**
Financial income and expenses	**-2.2**	**-3.1**	**-8.3**	**-10.6**
Result for the financial period	**5.0**	**6.4**	**14.1**	**-30.7**

EUR million	31 Dec 2012	31 Dec 2011
Assets		
Itella Mail Communications	475.0	491.8
Itella Logistics	689.7	598.3
Itella Information	179.0	188.3
Other operations and unallocated	202.7	225.3
Eliminations	-36.7	-38.5
Total	**1,509.7**	**1,465.3**
Liabilities		
Itella Mail Communications	271.9	276.7
Itella Logistics	148.7	107.5
Itella Information	47.3	49.6
Other operations and unallocated	390.0	405.0
Eliminations	-36.7	-38.4
Total	**821.3**	**800.4**
Personnel at period-end		
Itella Mail Communications	17,844	17,883
Itella Logistics	7,391	7,088
Itella Information	2,168	2,259
Other operations	413	355
Total	**27,816**	**27,585**

*) Non-IFRS = excluding non-recurring items

3. Acquired business activities and business divestments

Acquired businesses in 2012

On October 1, 2012, Itella Group's subsidiary Itella Logistics Oy acquired the VR Transpoint's groupage logistics business and entire capital stock of PT Logistiikka Oy. PT Logistiikka Oy operates in warehousing services. In acquisition, Itella Logistics seeks to become the market leader in its service segment. Following the deal, Itella can offer its customers the most comprehensive network of terminals and transportation capacity in the country. Indeed, the business combination makes Itella an increasingly interesting partner as well as a substantial employer in terms of the Finnish logistics industry.

The transaction price - which totaled EUR 41.8 million - was paid in cash. The expenses of the consultation and value appraisement services related to the preparatory phases of the transaction are recognized under other operating expenses. More than 800 employees transferred to Itella's employment.

Goodwill is generated by the substantial cost synergies to be gained as the production systems are combined. A significant part of the goodwill is tax deductible. Had the business acquisition carried out during the period been combined in the consolidated financial statements as of the beginning of the 2012 period, the Group's net sales in 2012 would have totaled EUR 2,046.6 million and its results EUR 9.9 million.

Analysis of net assets acquired

Effect on assets

EUR million	**Fair value**
Intangible assets	15.4
Property, plant and equipment	10.9
Receivables	15.5
Cash and cash equivalents	0.3
Effect on assets	42.1

Effect on liabilities

EUR million	
Deferred tax liability	0.5
Non-current interest-bearing liabilities	-
Current interest-bearing liabilities	-
Trade payables and other liabilities	14.5
Effect on liabilities	15.1
Net assets acquired	27.1

Components of acquisition cost

EUR million	
Purchase price paid in cash	41.8
Purchase price owed	-
Total cost of acquisition	41.8
Fair value of net assets acquired	27.1
Goodwill	14.7

Effect of acquisition on cash flow

EUR million	
Purchase price paid in cash	41.8
Cash and cash equivalents of the acquired subsidiary	0.3
Cash flow	41.5

The final additional purchase price (EUR 0.4 million) of the Russian logistics group acquired by Itella Logistics in 2008 was confirmed. A positive, non-recurring item of EUR 7.0 million was recognized in the Group earnings, since the final additional purchase price was significantly lower than the preliminary estimate.

Business divestments in 2012

On May 30, 2012, Itella sold all shares of Itella Information GmbH in Germany. Subsidiary operating in printing business has been divested through management boyout arrangement and approximately 100 employees have transferred from Itella to new company called docsellent GmbH. Loss on disposal EUR 14.3 million is recognized through income statement in other operating expenses. In order to ensure the future operational condition of the company, Itella capitalized it before the disposal.

Analysis of net assets business divestments

EUR million	31 Dec 2012
Intangible assets	0.1
Property, plant and equipment	3.6
Inventories	0.2
Trade and other non-interest bearing receivables	17.4
Cash and cash equivalents	4.0
Trade payables and other non-interest bearing liabilities	-10.9
Net assets	**14.3**
Consideration for the divestment	0.0
Loss on disposal	**-14.3**

Effect on cash flow **EUR million**	
Consideration paid in cash	-10.6
Cash and cash equivalents for divestments company	-4.0
Debt of the purchase price	-
Effect on cash flow	**-14.5**

The associated company AS Eesti Elektron Posti, which operates in the printing services and postal services sector, was sold on September 24, 2012. The transaction yielded a profit of EUR 0.1 million. On December 20, 2012, Itella sold its ownership in its Swedish associated company Ageris Kontaktcenter AB. This transaction resulted in a sales loss of EUR 0.1 million.

4. Net Sales by Geographical Location

EUR million	10-12 2012	10-12 2011	1-12 2012	1-12 2011
Finland	388.2	350.0	1333.9	1,275.3
Scandinavia	64.6	73.9	263.2	276.7
Baltic countries and Russia	63.3	61.4	239.4	221.0
Other countries	26.6	32.9	110.2	127.2
Total	**542.6**	**518.1**	**1946.7**	**1,900.1**

5. Changes in Property, Plant and Equipment

EUR million	31 Dec 2012	31 Dec 2011
Carrying amount on 1 Jan	664.1	684.6
Additions	76.3	63.7
Disposals and transfers between items	-6.9	-9.8
Depreciation and Impairment	-67.3	-69.1
Translation differences	9.2	-5.3
Carrying amount at period-end	**675.4**	**664.1**

6. Consolidated Contingent Liabilities

EUR million	31 Dec 2012	31 Dec 2011
Pledges for own behalf	18.9	19.4
Lease commitments	381.1	328.3

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 decision given by the Helsinki District Court in summer 2011 was positive to Itella. The decision was however nullified by the Helsinki Court of Appeal and thus returned to the district court in which the proceedings began in 2012. Itella considers the customers' claims to be unfounded in their entirety.

Derivative Contracts

EUR million	31 Dec 2012	31 Dec 2011
Currency derivatives		
Currency forward contracts, non-hedge accounting		
Fair value	-1.3	1.3
Nominal value	121.4	126.8
Interest rate derivates		
Interest rate swaps, hedge accounting		
Fair value	6.9	4.8
Nominal value	70.0	70.0
Electricity derivatives		
Electricity forwards, non-hedge accounting		
Fair value	-0.5	
Nominal value	8.0	

Derivative instruments were used to hedge against currency risk, interest rate risk and electricity price risk. Currency forward contracts were measured at fair value by using the market prices on the closing day, and the fair values of interest rate swaps are the present values of forecast future cash flows. The fair value of electricity derivatives are based on market prices on the closing day.