2013
Financial Statements

Contents

Board of Directors’ Report 2013

Operating environment 2013

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

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

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

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

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

The postal licenses that have been granted allow for competition in addressed deliveries, but competition did not yet have an impact on Itella in 2013. The Finnish Government issued a postal delivery license to one of Itella’s competitors on January 30, 2014. Itella considers increased competition in the postal market to be a positive development. However, in the view of Itella, the decision to issue the postal license reduces its opportunities to profitably provide services that fall under the universal service obligation in accordance with the Finnish Postal Act. For this reason, the decision increases the need for efficiency measures.

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

Performance improvement program

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

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

Net sales and operating result in 2013

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

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

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

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

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

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

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

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

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

Key figures of Itella Group

	1–12/2013	1–12/2012
Net sales, MEUR	1,976.8	1,946.7
Operating result (non-IFRS), MEUR*)	50.5	53.2
Operating result (non-IFRS), %*)	2.6	2.7
Operating result (EBIT), MEUR	9.9	39.0
Operating result (EBIT), %	0.5	2.0
Result before taxes, MEUR	-2.4	30.8
Result for the period, MEUR	7.7	14.1
Return on equity, %, 12 months	1.1	2.1
Return on invested capital (12 months), %	1.3	4.7
Equity ratio, %	47.5	46.2
Gearing, %	21.1	23.5
Gross capital expenditure, MEUR	61.1	134.7
Employees on average	27,253	27,460
Dividends, MEUR	-**)	6.8

**) Non-IFRS = before non-recurring items*
***) Board proposal*

Itella Mail Communications

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

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

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

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

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

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

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

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

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

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

Itella Logistics

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

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

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

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

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

OpusCapita

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

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

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

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

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

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

Key Figures of Business Groups, MEUR	**1–12/2013**	**1–12/2012**	**Change**
Net sales			
Itella Mail Communications	1,160.2	1,167.6	-0.6%
Itella Logistics	842.3	781.5	7.8%
OpusCapita	263.4	270.1	-2.5%
Other operations	60.5	63.1	-4.1%
Intra-Group sales	-349.6	-335.6	4.2%
Itella Group	**1,976.8**	**1,946.7**	**1.5%**
Operating result (non-IFRS)*)			
Itella Mail Communications	66.7	74.0	-9.9%
Itella Logistics	-19.4	-12.0	neg
OpusCapita	22.5	15.6	44.5%
Other operations	-19.4	-24.4	neg
Itella Group	**50.5**	**53.2**	**-5.1%**
Operating result (EBIT)			
Itella Mail Communications	64.1	74.0	-13.4%
Itella Logistics	-45.9	-9.5	neg
OpusCapita	17.0	-1.1	neg
Other operations	-25.2	-24.4	neg
Itella Group	**9.9**	**39.0**	**-74.6%**
Operating result (non-IFRS), %*)			
Itella Mail Communications	5.8%	6.3%	
Itella Logistics	-2.3%	-1.5%	
OpusCapita	8.5%	5.8%	
Itella Group	**2.6%**	**2.7%**	
Operating result (EBIT), %			
Itella Mail Communications	5.5%	6.3%	
Itella Logistics	-5.5%	-1.2%	
OpusCapita	6.4%	-0.4%	
Itella Group	**0.5%**	**2.0%**	

**) Non-IFRS = before non-recurring items*

Business risks

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

Key strategic risks were related to the decline in postal delivery volumes, which progressed more rapidly than expected, as well as the economic recession and other changes related to markets or the business environment that were unexpected or more extensive than anticipated. Other strategic risks were related to Itella's competitive ability and regulation by the authorities. Operative risks were primarily related to profitability, the reform of ICT operations, and business interruptions and other disruptions.

The postal licenses that have been granted allow for competition in addressed deliveries, but competition did not yet have an impact on Itella in 2013. The Finnish Government issued a postal delivery license to one of Itella's competitors on January 30, 2014. Itella considers increased competition in the postal market to be a positive development. However, in the view of Itella, the decision to issue the postal license reduces its opportunities to profitably provide services that fall under the universal service obligation in accordance with the Finnish Postal Act. For this reason, the decision increases the need for efficiency measures.

Strategic and operational risks

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

Significant market risks include the digitization of postal services at a more rapid rate than expected and other unanticipated changes in this area, such as an unexpectedly strong decline in the volumes of letters, magazines, and newspapers. Itella strives to develop its operations continuously to minimize this risk.

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

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

Any delays in the management of acquisitions and the integration of the acquired businesses and their operations into the Group cause direct financial losses and pose a strategic risk that limits business development. Our goal is to ensure successful integration through careful monitoring. In 2013, Itella continued to integrate the groupage logistics business operations that it had acquired in the previous year into Itella Logistics.

In Russia, the development of the economic, social, legislative and other areas of the business environment may pose a strategic market risk for Itella. The fluctuation and weakening of the ruble affect shareholders' equity through changes in the value of capital employed in Russia. In accordance with Itella's financial policy, equity investments in subsidiaries are not hedged. However, Itella seeks to hedge against the transaction risk on the balance sheet in full, and against the operational transaction risk in part, in accordance with the limits determined in the financial policy. Itella Logistics' investments in Russia are substantial and continue to grow in accordance with Itella's 2020 vision. Our risk management measures include the continuous monitoring of developments and trends, the increasing monitoring of critical processes and solid establishment in the Russian market through our own companies, employees and effective networking. We seek to prevent reputation risks from materializing through enhanced internal auditing, separate local compliance operations, continuous risk assessment and regular compliance training for employees.

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

OpusCapita's capacity to develop the outsourcing of financial processes and the related processes during a period of rapid growth involves an operational risk. At the same time, it is essential to ensure profitability in outsourcing business operations. With the volume of paper-based transactions decreasing, and that of electronic transactions increasing rapidly, along with competition, it is evident that the average price of transactions will decline more than the volume of business operations will grow. This calls for continuous improvement in cost-efficiency.

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

The protection and development of key production and warehouse facilities and the continuity of the ICT infrastructure are critical in the management of operational risks related to loss and interruption. If materialized, in a fire, for example, such risks could result in substantial losses of customer accounts and value for Itella.

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

Other significant business disruption risks are related to the vulnerability of information security, networks and the production infrastructure. These risks concern both operations and the corporate image.

Other risks

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

In a labor-intensive industry, the successful management of sick leave and the effective and extensive prevention of accidents are extremely important in terms of employee well-being and productivity as well as the Group's profitability. Itella launched the Safe Workplace project in Finland to further develop the management of occupational safety risks related to employees. The project spans several years.

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

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

Changes in corporate structure

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

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

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

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

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

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

Capital expenditure

The Itella Group’s investments decreased significantly from 2012. The increase in fixed assets was EUR 61.1 (92.9) million, and EUR 0.0 (30.4) million was spent on acquisitions. Of the Group’s investments, 85% were related to Finland. The financial reports of each business group present more detailed information on investments.

Research and development

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

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

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

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

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

Environmental impacts

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

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

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

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

Financial position

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

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

Share capital and shareholding

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

Administration and auditors

Itella Corporation’s Annual General Meeting was held in Helsinki on March 26, 2013. The meeting adopted the 2012 financial statements and discharged the Supervisory Board, Board of Directors and President and CEO from liability.

It also decided that the Board of Directors be composed of eight members. Arto Hiltunen continues as Chair the of Board of Directors, and Päivi Pesola continues as its Vice Chair. Country Manager Jussi Kuutsa, Managing Director Timo Löyttyniemi, Senior Government Councilor Ilpo Nuutinen, Executive Vice President Riitta Savonlahti and President and CEO Maarit Toivanen-Koivisto continue as members of the Board. Managing Director Suvi-Anne Siimes was elected to the Board as a new member.

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

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

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

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

Employees

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

Personnel distribution was as follows:

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

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

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

Salaries and wages paid by the Group decreased by EUR 0.4 million from 2012. Personnel expenses included EUR 17.5 (3.8) million in restructuring costs. The operating result for the period included a provision of EUR 1.2 for the cost of bonuses paid to employees. In addition, it included a provision for the annual incentive plan and the management's long-term incentive plan.

The company entered into 498 new permanent employment contracts in Finland in 2013. Personnel reductions amounted to 637 person-years. Out of this total, 380 person-years were related to production and finance and 20 person-years were reduced through voluntary resignation and pension plans. In addition, 237 person-years were related to acquisitions.

Events after the financial period

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

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

Outlook for 2014

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

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

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

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

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

OpusCapita’s net sales and operating result are expected to remain at the previous year’s level.

Investments are expected to increase from 2013.

Board of Directors’ proposal for the distribution of profits

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

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

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

Helsinki, February 13, 2014

Itella Corporation

Board of Directors

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

EUR million	Note	2013	2012 restated*
Net sales	1 3	**1,976.8**	**1,946.7**
Other operating income	4	18.2	25.3
Share of associated companies' results		0.0	0.0
Materials and services	5	572.2	546.9
Employee benefits	7	885.4	885.2
Depreciation and amortization	9	92.1	88.0
Impairment losses	9	24.3	1.4
Other operating expenses	10	411.1	411.5
Operating profit (EBIT)		**9.9**	**39.0**
Financial income	11	25.2	26.4
Financial expenses	11	-37.6	-34.7
Profit before income tax		**-2.4**	**30.8**
Income tax	12	10.1	-16.7
Result for the financial period		**7.7**	**14.1**

Consolidated statement of comprehensive income

Result for the financial period	7.7	14.1
Other items of comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets	0.2	-0.3
Translation differences	-28.0	10.9
Tax effect	0.0	-
Items that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains and losses	-5.0	-2.9
Tax effect	1.0	0.7
Comprehensive income for the financial period	**-24.1**	**22.5**

*) Comparative information for 2012 has been restated due to retrospective application of revised standards and amendment of previous periods' errors. Please see accounting policies for further details.

Consolidated Statement of Financial Position

EUR million	Note	31 Dec 2013	31 Dec 2012 restated*	1 Dec 2012 restated*
Non-current assets				
Goodwill	13	180.0	186.9	171.7
Other intangible assets	13	70.1	100.3	77.5
Investment property	14	12.4	3.1	3.8
Property, plant and equipment	15	625.5	675.4	664.1
Investments in associated companies	16	0.4	0.4	0.8
Other non-current investments	19	6.0	6.0	6.4
Non-current receivables	20	12.5	13.0	12.1
Deferred tax assets	21	20.6	13.8	12.3
Total non-current assets		**927.4**	**998.9**	**948.8**
Current assets				
Inventories	22	7.8	6.7	7.7
Trade receivables and other receivables	23	311.0	329.9	299.1
Current tax assets		1.8	2.1	7.3
Financial assets available-for-sale	24	0.7	2.6	1.5
Financial assets held to maturity	24	0.0	15.2	10.9
Financial assets at fair value through profit or loss	25	85.8	56.2	58.7
Cash and cash equivalents	26	81.0	90.3	121.0
Total current assets		**488.2**	**503.0**	**506.3**
Non-current assets classified as held for sale	27	0.0	10.7	12.4
Total assets		**1,415.6**	**1,512.5**	**1,467.4**

EUR million	Note	31 Dec 2013	31 Dec 2012 restated*	1 Dec 2012 restated*
Equity				
Share capital	28	70.0	70.0	70.0
Contingency reserve		142.7	142.7	142.7
Fair value reserve		0.0	-0.2	0.1
Translation differences		-21.3	6.7	-4.2
Retained earnings		464.4	467.5	456.8
Total equity		**655.8**	**686.7**	**665.4**
Non-current liabilities				
Deferred tax liabilities	21	43.7	54.1	53.6
Non-current interest-bearing loans	31	283.6	288.3	304.9
Other non-current liabilities	32	11.5	12.2	4.0
Non-current provisions	30	12.8	18.6	20.3
Defined benefit pension plan obligations	29	11.3	8.3	8.7
Total non-current liabilities		**362.8**	**381.5**	**391.5**
Current liabilities				
Current interest-bearing loans	31	21.5	36.3	30.5
Trade payables and other liabilities	32	357.8	375.7	372.1
Current tax liabilities		2.6	1.2	3.0
Current provisions	30	15.0	30.4	4.5
Total current liabilities		**397.0**	**443.7**	**410.1**
Liabilities associated with non-current assets classified as held for sale	27	0.0	0.5	0.5
Total liabilities		**759.8**	**825.8**	**802.1**
Total equity and liabilities		**1,415.6**	**1,512.5**	**1,467.4**

*) Comparative information for 2012 has been restated due to retrospective application of revised standards and amendment of previous periods' errors. Please see accounting policies for further details.

Consolidated Statement of Cash Flows

EUR million	Note	2013	2012
Result for the financial period		**7.7**	**14.1**
Adjustments:			
Depreciation and amortization	9	92.1	88.0
Impairment losses	9	24.3	1.4
Gains on sale of intangible assets and PPE	4	-6.6	-4.8
Losses on sale of intangible assets and PPE	10	1.3	15.3
Financial income	11	-25.2	-26.5
Financial expense	11	35.6	34.7
Income tax	12	-10.1	16.7
Other adjustments		-19.4	18.3
Cash flow before change in net working capital		**99.6**	**157.3**
Change in trade and other receivables		9.0	-18.2
Change in inventories		-1.4	0.8
Change in trade payables and other liabilities		-11.3	6.4
Change in net working capital		**-3.6**	**-11.1**
Cash flow before financial items and income tax		**95.9**	**146.2**
Interests paid		-20.6	-19.8
Interests received		7.1	8.2
Other financial items		1.4	-0.1
Income tax paid		-2.4	-15.6
Cash flow from financial items and income tax		**-14.6**	**-27.3**
Cash flow from operating activities		**81.3**	**118.9**

Purchase of intangible assets		-6.2	-28.1
Purchase of property, plant and equipment		-34.6	-45.4
Proceeds from sale of intangible assets and property, plant and equipment		6.9	7.4
Acquisitions of subsidiaries and businesses (less cash acquired)	2	0.0	-41.5
Disposals of subsidiaries (less cash at disposal)	2	12.5	-14.4
Financial assets at fair value through profit or loss		-29.8	2.5
Cash flow from other investments		2.0	-3.1
Cash flow from investing activities		**-49.2**	**-122.5**
Proceeds from current loans	31	0.0	4.8
Repayment of non-current loans	31	-25.1	-23.8
Repayment of finance lease liabilities		-7.4	-6.6
Financial assets held to maturity	24	0.3	-4.2
Dividends paid		-6.8	-
Cash flow from financing activities		**-39.0**	**-29.8**
Change in cash and cash equivalents		**-6.8**	**-33.4**
Cash and cash equivalents at the beginning of the period	26	**90.3**	**121.0**
Effect of changes in exchange rates		-2.5	2.7
Cash and cash equivalents at the end of the period	26	**81.0**	**90.3**

Consolidated Statement of Changes in Equity

EUR million	Share capital	Contin-gency reserve	Fair value reserve	Translation diffe-rences	Retained earnings	Total equity
Equity 1 Jan 2012	**70.0**	**142.7**	**0.1**	**-4.2**	**456.8**	**665.4**
Result for the financial period					14.1	14.1
Other items of comprehensive income:						
Change in fair value reserve			-0.3			-0.3
Change in translation differences				10.9		10.9
Actuarial gains and losses					-2.2	-2.2
Other items*					-1.3	-1.3
Comprehensive income for the financial period			**-0.3**	**10.9**	**10.6**	**21.2**
Transactions with equity holders						
Dividend distribution						0.0
Equity 31 Dec 2012	**70.0**	**142.7**	**-0.2**	**6.7**	**467.5**	**686.7**

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

*) Adjustment on deferred tax liability arising from difference between tax base and carrying amount of non-current assets was recognized directly in equity in 2012.

Notes to the Consolidated Financial Statements

Company information

Itella Group provides mail communications, logistics and financial administration services and operates in 11 countries. The Group’s parent company, Itella Corporation, is domiciled in Helsinki, and the address of its registered office is Postintaival 7 A, FI-00230 Helsinki.

Accounting policies

Itella Corporation has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, while adhering to the related IFRS/IAS standards, effective on December 31, 2013, and their SIC and IFRIC interpretations. The notes to the consolidated financial statements are also in compliance with Finnish accounting and company legislation.

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

New and revised standards

The Group applies the new standard IFRS 13 and the revised standard IAS 19 as of 1 January 2013. The revised standard IAS 19 is applied retrospectively. Under the revised standard the liabilities on defined benefit pension plans are measured at present value at the end of the reporting period, and the so-called corridor method is no more permitted. There are no longer any unrecognized items and all actuarial gains and losses arising from experience based adjustments and changes in actuarial assumptions are recognized in other comprehensive income. Because of retrospective application the opening balance of the comparative period has been restated to reflect previous periods' adjustments.

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

EUR million	Previously reported figures	Change	Figures in accordance with the revised IAS 19
Statement of Financial Position 1 Jan 2012			
Deferred tax assets	12.0	0.3	12.3
Defined benefit liability	7.5	1.2	8.7
Equity	664.9	-0.9	664.0
Income Statement 1 Jan - 31 Dec 2012			
Other comprehensive income			
Actuarial gains and losses	-	-2.9	-2.9
Tax on other comprehensive income	-	0.7	0.7
Comprehensive income for the period	-	-2.2	-2.2

Other retrospective changes

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

EUR million	Previously reported figures	Change	Figures after amendment
Statement of Financial Position 1 Jan 2012			
Inventories	5.8	1.9	7.7
Equity	664.9	1.4	666.3
Deferred tax liability	53.1	0.5	53.5

Consolidation Principles

Subsidiaries

The consolidated financial statements include the accounts of the parent company, Itella Corporation, and those of all of its subsidiaries. Subsidiaries refer to companies over which the Parent company exercises control, directly or indirectly, arising from the Group holding more than half of the entity’s voting rights or in other respects having the power to govern its financial and operating policies for the purpose of profiting from its operations.

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

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

Associated companies

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

Mutual property companies

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

Foreign currency translation

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

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

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

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

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

Revenue recognition

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

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

Itella Mail Communications

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

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

Itella Logistics

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

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

OpusCapita

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

Government grants

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

Other operating income

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

Employee benefits

Pensions

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

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

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

Other operating expenses

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

Operating profit

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

Borrowing costs

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

Income taxes

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

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

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

Intangible assets

Goodwill

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

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

Research and development expenditure

Research and development costs are primarily expensed as incurred. Only development costs arising from new significant or substantially improved products and enterprise resource planning systems are capitalized as intangible assets. Asset is capitalized only if it is technically and commercially feasible and the Group has sufficient resources to complete the intangible asset and it is probable that the created asset will generate future economic benefits. The majority of Group development costs do not fulfil the criteria set for IAS 38 Intangible Assets. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives.

Other intangible assets

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

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

Property, plant and equipment

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

The expected useful lives of PPE are as follows:

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

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

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

Investment property

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

Leases

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

The Group as lessee

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

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

The Group as lessor

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

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

Inventories

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

Financial assets and liabilities

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

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

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

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

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

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

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

Derivative contracts and hedge accounting

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

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

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

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

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

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

Cash and cash equivalents

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

Provisions and contingent liabilities

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

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

Fair Value Measurement

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

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

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

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

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

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

Impairment testing

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

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

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

Critical accounting estimates and judgements in applying accounting policies

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

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

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

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

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

Application of new or amended IFRS-standards

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

IAS 1 Presentation of Financial Statements (amendment). The requirements concerning the presentation of comparative amounts have been clarified when the entity presents the third statement of financial position. In addition, IAS1 contains an amendment that changes the presentation of statement of comprehensive income. Following the amendment the Group has changed the presentation of other items of comprehensive income.

IAS 16 Property, Plant and Equipment (amendment). The amendment concerns the maintenance supplies and spare parts to be capitalized in property, plant and equipment. The amendment has not had a significant impact on the Group's financial statements.

IFRS 13 Fair Value Measurement. This entirely new standard includes regulations and disclosure requirements related to fair value measurement. The requirements concerning notes to the financial statements have been introduced.

IAS 19 Employee Benefits (amendment). The amendments to the standard concern the recognition and presentation of defined benefit plans. The Group applies the amended standard. The application of corridor method has been discontinued and actuarial gains and losses are recognized through other comprehensive income when they occur.

IAS 32 Financial Instruments: Presentation (amendment). The amendment entails that the tax effects of transaction costs concerning distributions and equity are recognized according to IAS 12. Consequently, taxes related to equity distributions are recognized in the income statement and transaction costs concerning equity are recognized in equity.

IAS 34 Interim Financial Reporting (amendment). The amended standard requires assets and liabilities to be reported per segment in interim financial reports. The Group has already earlier applied this reporting model in the interim financial reporting.

The Group will apply the following new or amended standards in 2014 financial statements:

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (revised). The new IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. The revised IAS 27 is limited to separate financial statements. IFRS 10 changes whether an entity is consolidated by revising the definition of control. The new standard requires more comprehensive assessment of control than the previous standard, and disclosures on the assessment and the conclusions which have been made. The new standard will not have an impact on the Group’s financial statements in its current structure.

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

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

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

IAS 36 Recoverable amount Disclosures for Non-Financial Assets (amendment). The amendments clarify the disclosure requirement in respect of fair value less cost of disposal. In addition, the amendment increases disclosure requirements about certain assets carried at fair value. The Group estimates that the amendments will not have material impact on Group’s financial statements.

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

1. Operating segments

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

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

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

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

Itella Mail Communications

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

Itella Logistics

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

OpusCapita

OpusCapita provides streamlining financial processes through automation solutions and business process outsourcing solutions. The aim is to help clients create even more efficient and high-quality business operations. OpusCapita has over 10,000 customers in Europe, and the solutions are used in over 50 countries. OpusCapita has operations in nine countries.

2013 EUR million	Itella Mail Commu-nications	Itella Logis-tics	Opus Capita	Seg-ments total	Other opera-tions and un-allocated	Elimi-nations	Group total
External sales	1,100.7	626.9	249.2	1,976.8			1,976.8
Inter-segment sales	59.4	215.4	14.2	289.1	60.5	-349.7	0.0
Net sales	1,160.2	842.3	263.4	2,265.9	60.5	-349.7	1,976.8
Share of associated companies' results	-	0.0	0.0	0.0	-	-	0.0
Operating result	64.1	-45.9	17.0	35.1	-25.2	-	9.9
Financial income and expense	-	-	-	0.0	-12.3	-	-12.3
Profit/loss for the period before taxes							-2.4
Shares in associated companies	-	0.3	0.0	0.4	-	-	0.4
Assets	482.7	587.3	172.6	1,242.6	210.0	-37.0	1,415.6
Non-current assets classified as held for sale	-	-	-	0.0	-	-	0.0
Liabilities	266.5	120.2	42.7	429.4	367.5	-37.0	759.8
Liabilities associated with non-current assets classified as held for sale	-	-	-	0.0	-	-	0.0
Capital expenditure	30.9	18.8	3.7	53.4	7.7	-	61.1
Depreciation and amortization	36.4	42.2	7.2	85.8	6.3	-	92.1
Impairment losses	3.3	21.0	-	24.3	-	-	24.3
Personnel at period-end	16,706	6,670	2,121	25,497	380	-	25,877

2012 EUR million	Itella Mail Commu-nications	Itella Logis-tics	Opus Capita	Seg-ments total	Other opera-tions and un-allocated	Elimi-nations	Group total
External sales	1,113.0	575.6	257.9	1,946.5	0.2		1,946.7
Inter-segment sales	54.6	205.9	12.2	272.7	62.9	-335.6	0.0
Net sales	1,167.6	781.5	270.1	2,219.1	63.1	-335.6	1,946.7
Share of associated companies' results		0.0	0.0	0.0			0.0
Operating result	74.0	-9.5	-1.1	63.4	-24.4		39.0
Financial income and expense					-8.3		-8.3
Profit/loss for the period before taxes							30.8
Shares in associated companies		0.4	0.0	0.4			0.4
Assets	464.3	689.7	179.0	1,333.0	202.7	-36.7	1,499.0
Non-current assets classified as held for sale	10.7			10.7			10.7
Liabilities	271.4	148.7	47.3	467.4	389.8	-36.7	820.5
Liabilities associated with non-current assets classified as held for sale	0.5			0.5			0.5
Capital expenditure	26.8	90.4	5.8	123.0	11.7		134.7
Depreciation and amortization	34.1	38.9	8.7	81.7	6.3		88.0
Impairment losses				0.0	1.4		1.4
Personnel at period-end	17,844	7,391	2,168	27,403	413		27,816

Geographical areas

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

2013 EUR million	**Finland**	**Scan-dinavia**	**Russia and the Baltic count-tries**	**Other count-tries**	**Total**
Net sales	1,410.6	235.9	238.6	91.6	1,976.8
Non-current assets	476.8	23.8	211.9	1.7	714.3

2012 EUR million	**Finland**	**Scan-dinavia**	**Russia and the Baltic count-tries**	**Other count-tries**	**Total**
Net sales	1,333.9	263.2	239.4	110.2	1,946.7
Non-current assets	504.3	38.8	249.7	2.9	795.6

2. Acquired business activities and business divestments

Acquired businesses 2013

No business acquisitions have been carried out during the financial period 2013.

Business divestments in 2013

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

Net assets sold

EUR million	12/31/2013
Deposit certificates and other receivables	18.3
Cash and cash equivalents	1.9
Liabilities to the public and public sector entities and other liabilities	-7.7
Net assets	**12.5**
Consideration for the divestment	14.1
Gain on disposal	**1.6**

Effect on cash flow

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

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

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

Acquired businesses 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 buyout 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.

Net assets sold

EUR million	12/31/2012
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.

3. Net sales

EUR million	2013	2012
Sales of services	1,944.4	1,920.1
Sales of goods	21.7	16.8
Sales of licenses	10.7	9.7
Total	**1,976.8**	**1,946.7**

4. Other operating income

EUR million	2013	2012
Gains on sale of property, plant and equipment	4.5	4.8
Rental income	8.3	11.7
Rents from investment property	0.8	1.0
Government grants	0.0	0.2
Gains on sale of subsidiary	2.0	-
Other operating income	2.6	7.6
Total	**18.2**	**25.3**

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

5. Materials and services

EUR million	2013	2012
Purchases	37.4	41.4
External services	534.8	505.5
Total	**572.2**	**546.9**

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

6. Non-recurring items

EUR million	2013	2012
Personnel restructuring	17.5	3.8
Impairment of goodwill	5.3	-
Impairment of purchase price allocations	12.5	-
Information - Loss on disposal of a subsidiary	-	14.3
Logistics - Purchase price adjustment	-	-7.0
Gains on disposals of subsidiaries	-2.0	-
Others	7.2	3.0
Total	**40.5**	**14.2**

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

Personnel restructuring expenses are included in employee benefit expense in the income statement. Impairment testing results are presented in Note 13. Impairment loss on goodwill is included in the impairment losses in the income statement. More information about the sales of subsidiaries can be found in Note 2 Acquired business activities and business divestments.

7. Employee benefits

EUR million	2013	2012
Wages and salaries	713.4	713.8
Pensions (defined contribution plans)	107.4	106.3
Pensions (defined benefit plans)	0.5	1.4
Other social expenses	64.1	63.7
Total	**885.4**	**885.2**

Employee benefits

More detailed information on defined benefit pension plans can be found in Note 29.
Employee benefit expense includes EUR 17.5 (3.8) million of personnel restructuring costs.

Group’s employees are involved in the Group’s profit sharing scheme. In Finland, the annual profit bonuses are transferred to the Personnel Fund, the aim of which is to increase the employees' commitment to the long-term targets and to enhance interest in the Group’s financial success. The profit share is determined on the basis of Itella’s profit. The proposed profit share to be distributed for 2013 is EUR 1.2 (3.1) million.

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

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

8. Research and development costs

EUR million	2013	2012
R&D costs charged to expenses	8.4	14.6
Amortization on development costs	2.9	0.7
Total	**11.3**	**15.3**

9. Depreciation, amortization and impairment losses

EUR million	2013	2012
Amortization on intangible assets		
Development costs	0.2	0.1
Intangible rights	21.9	20.3
Total	**22.2**	**20.3**
Impairment losses on intangible assets		
Impairment losses on goodwill	5.3	-
Impairment losses on intangible assets	10.7	-
Depreciation on tangible assets		
Buildings and structures	24.7	23.1
Investment properties	0.3	0.3
Machinery and equipment	35.9	35.9
Assets leased under finance lease	8.2	7.5
Other tangible assets	0.8	0.9
Total	**69.9**	**67.7**
Impairment losses on tangible assets		
Impairment losses on land and water	0.2	0.1
Impairment losses on buildings	8.0	1.4
Impairment losses on machinery and equipment	0.1	-
Total depreciation, amortization and impairment losses	**116.4**	**89.5**

Goodwill is not amortized on regular basis. Instead, goodwill is tested annually for impairment and whenever there are indications for impairment. In 2013 an impairment on goodwill totaling EUR 5.3 million was recognized in Itella Logistics. More information about impairment testing of goodwill is presented in Note 13.

10. Other operating expenses

EUR million	2013	2012
Rental expenses	125.3	124.9
Voluntary employee expenses	20.0	18.9
Losses on disposal of property, plant and equipment	1.3	1.0
Loss on disposal of a subsidiary	-	14.3
IT operating costs	85.7	77.6
Facility maintenance expenses	49.6	51.3
Other operating expenses	129.3	123.5
Total	**411.1**	**411.5**

Other operating expenses contain costs of administration and traveling, production equipment as well as maintenance and repairs.

Auditors' remuneration

Audit	0.6	0.7
Tax advisory	0.1	0.1
Other services	0.2	0.3
Total	**0.9**	**1.1**

11. Financial income and expenses

Financial income

EUR million	2013	2012
Dividends	0.1	0.2
Interest income		
Financial assets at fair value through profit or loss	5.1	6.5
Loans and receivables	1.3	1.7
Assets held to maturity	-	0.2
Financial assets available-for-sale	0.1	0.1
Gains on disposal of financial assets at fair value through profit or loss	0.0	0.0
Changes in fair value of financial assets at fair value through profit or loss		
Investments	-	2.0
Interest rate derivatives, hedge accounting	-	2.1
Exchange rate gains		
Interest-bearing receivables and liabilities	-	4.0
Currency derivatives, non-hedge accounting	16.6	9.7
Change in fair value of the hedged loan	2.1	-
Total	**25.2**	**26.4**

Financial expense

EUR million	2013	2012
Interest expense		
Financial liabilities at amortized cost	13.1	13.7
Financial liabilities at fair value through profit or loss	4.4	4.1
Other financial expenses on financial liabilities at amortized cost	0.9	1.3
Losses on disposal of financial assets at fair value through profit or loss	-	0.1
Changes in fair value of financial assets at fair value through profit or loss		
Investments	0.5	-
Interest rate derivatives, hedge accounting	2.1	-
Exchange rate losses		
Interest-bearing receivables and liabilities	8.9	0.3
Currency derivatives, non-hedge accounting	7.8	13.1
Change in fair value of the hedged loan	-	2.0
Impairment on financial assets available-for-sale	-	0.0
Total	**37.6**	**34.7**

12. Income tax expense

EUR million	2013	2012
Current tax	4.5	19.1
Tax for previous years	-0.3	-0.1
Deferred tax	-14.3	-2.4
Total	**-10.1**	**16.7**

Reconciliation of tax charge at Finnish tax rate (24,5%)		
Profit or loss before tax and associates' results	-2.4	30.8
Income tax at Parent Company's tax rate	-0.6	7.5
Effect of foreign subsidiaries' different tax rates	-0.2	-2.8
Non-deductible expenses and other differences	1.7	1.3
Tax-exempt income	-3.6	-4.0
Tax from previous years	-0.3	0.2
Effect of changes of tax rates on deferred tax	1.5	0.2
Unrecognized deferred tax asset on losses for the financial period	2.4	17.0
Changes in deferred tax assets for previous years' losses	-11.1	-1.4
Other changes - Adjustment of depreciation in excess of plan	-	-1.3
Tax charge in the consolidated income statement	**-10.1**	**16.7**
Effective tax rate	418.2%	54.3%

13. Intangible assets

2013 EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total
Cost on 1 Jan	242.7	239.9	25.8	8.6	517.0
Translation differences	-4.7	-6.7	0.1	0.3	-11.0
Acquired businesses	-	-	-	-	0.0
Sold businesses	-0.4	-0.4	-	-	-0.8
Additions	0.7	0.9	-	4.6	6.1
Disposals	-	-	-	-	0.0
Transfers between items	-	4.4	0.3	-4.4	0.3
Cost on 31 Dec	**238.3**	**238.1**	**26.1**	**9.1**	**511.6**
Accumulated amortization and impairment losses 1 Jan	-55.8	-149.2	-24.9	-	-229.8
Translation differences	2.8	2.9	-	-	5.7
Sale of businesses	-	0.3	-	-	0.3
Amortization for the financial period	-	-21.9	-0.2	-	-22.1
Impairments	-5.3	-10.5	-	-3.4	-19.1
Accumulated amortization on disposals and transfers	-	3.6	-	-	3.6
Accumulated amortization and impairment losses 31 Dec	**-58.3**	**-174.7**	**-25.1**	**-3.4**	**-261.5**
Carrying amount on 1 Jan	**186.9**	**90.8**	**0.9**	**8.6**	**287.1**
Carrying amount on 31 Dec	**180.0**	**63.4**	**1.0**	**5.7**	**250.1**

2012 EUR million	Goodwill	Intangible rights	Develop-ment costs	Advances paid and work in progress	Total
Cost on 1 Jan	228.5	216.3	24.8	2.9	472.5
Translation differences	-0.5	2.0	-	-	1.5
Acquired businesses	14.7	15.4	-	-	30.0
Sale of businesses	-	-10.3	-	-	-10.3
Additions	-	21.6	1.0	10.6	33.2
Disposals	-	-5.0	-	-	-5.0
Transfers between items	-	-	-	-5.0	-5.0
Cost on 31 Dec	**242.7**	**239.9**	**25.8**	**8.6**	**517.0**
Accumulated amortization and impairment losses 1 Jan	-56.8	-141.7	-24.8	-	-223.3
Translation differences	1.0	-1.2	-	-	-0.2
Sale of businesses	-	10.3	-	-	10.3
Amortization for the financial period	-	-20.3	-0.1	-	-20.3
Impairments	-	-	-	-	0.0
Accumulated amortization on disposals and transfers	-	3.7	-	-	3.7
Accumulated amortization and impairment losses 31 Dec	**-55.8**	**-149.2**	**-24.9**	**-**	**-229.8**
Carrying amount on 1 Jan	**171.7**	**74.6**	**0.0**	**2.9**	**249.2**
Carrying amount on 31 Dec	**186.9**	**90.8**	**0.9**	**8.6**	**287.1**

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

Goodwill allocation

Goodwill is allocated to the Group's cash-generating units (CGUs). During the third quarter the organization, control system and reporting structure of Itella Logistics was changed as part of Itella's performance improvement program published in April 2013. The management system changed from a global control into a country-specific control system. Consequently, the Group's cash-generating units were redefined.

In connection with redefining Itella Logistics' cash generating units, the goodwill formerly allocated to Road and Contract Logistics cash generating units was re-allocated to the new cash generating units. The re-allocation was made on basis of fair values of the CGUs, which were based on each CGU's recoverable cash flow. Goodwill has been allocated as follows:

EUR million	2013	2012
Itella Mail Communications	8.4	8.6
OpusCapita	100.9	101.2
Itella Logistics: Road	-	53.2
Itella Logistics: Air & Sea	-	5.3
Itella Logistics: Contract Logistics	-	18.6
Itella Logistics: Road and Air & Sea, Finland	57.8	-
Itella Logistics: Contract Logistics, Finland	12.9	-
Itella Logistics: Baltics	-	-
Itella Logistics: Scandinavia	-	-
Total	**180.0**	**186.9**

Prior to re-allocation of goodwill to the new cash generating units the Group carried out impairment tests in accordance with the previous structure. Based on the tests the Group recognized impairment losses on goodwill amounting to EUR 5.3 million and on intangible assets amounting to EUR 2.1 million in Logistics' Air & Sea business. The impairment was due to weakened outlook in the profitability and market share of the business.

The result of the goodwill impairment testing in 2013

In the third quarter of 2013, the Group performed an impairment test on every cash-generating unit containing goodwill. Testing was performed on the new cash generating units. Itella Group does not have other intangible assets with unlimited useful life. The impairment test did not result in recognition of impairment (in 2012, impairment test did not result in recognition of impairment).

Impairment testing and sensitivity analysis

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

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

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

The table below shows the key outcomes and the parameters used in testing. The corresponding figures for the previous period are given in parentheses, provided that the structure of the CGU in question has not changed.

	Value-in-use exceeds carrying amount, %	**EBIT margin average 3 year*), %**	**Terminal growth percentage per year, %**	**Discount rate, %**	**Terminal EBIT margin per year, %**
Itella Mail Communications	541 (336)	5.6 (4.5)	0.0 (0.0)	8.5 (7.0)	5.9 (4.9)
OpusCapita	209 (155)	8.7 (8.4)	2.0 (2.0)	8.8 (8.6)	8.0 (7.0)
Itella Logistics: Road and Air & Sea, Finland	185	3.7	2.0	8.9	4.8
Itella Logistics: Contract Logistics, Finland	40	13.4	2.0	8.9	16.3

*) The management forecast process has been changed permanently in 2013 and the length of the forecasted period is 3 years (in 2012 the forecast period was 5 years). 3-year forecast periods have been applied in impairment testing. The change of the forecast period is not estimated to have systematic effect in test results.

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

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

	EBIT margin average 5 year, %	**Terminal growth percentage per year, %**	**Discount rate, %**	**Terminal EBIT margin per year, %**
Itella Logistics: Contract Logistics, Finland	9.7	-0.5	10.8	11.9

14. Investment property

EUR million	2013	2012
Cost 1 Jan	7.7	7.7
Disposals	-	-
Transfers between items	9.6	-
Cost on 31 Dec	**17.3**	**7.7**
Accumulated depreciation and impairment losses 1 Jan	-4.6	-3.8
Depreciation for the financial period	-0.3	-0.3
Impairments	-	-0.5
Accumulated depreciation and impairment losses 31 Dec	**-4.9**	**-4.6**
Carrying amount on 1 Jan	**3.1**	**3.8**
Carrying amount on 31 Dec	**12.4**	**3.1**

On December 31, 2013, the fair value of investment property totaled EUR 18.7 (7.6) million. Fair values are based on an external real estate agent's appraisal. In 2013 rental income from investment property totaled EUR 0.8 (1.0) million and maintenance charges amounted to EUR 0.2 (0.3) million.

15. Property, plant and equipment

2013 EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advances paid and work in progress	Total
Cost on 1 Jan	88.5	605.3	432.6	10.9	50.0	1,187.3
Translation differences	-4.0	-24.3	-8.3	-0.1	-0.4	-37.2
Acquired businesses	-	-	-	-	-	0.0
Sold businesses	-	-	-	-	-	0.0
Additions	0.3	0.9	24.9	0.7	28.0	54.9
Disposals	-0.4	-10.0	-18.3	-0.1		-28.7
Transfers between items	-1.4	45.9	24.3	0.5	-67.5	1.6
Cost on 31 Dec	**83.0**	**617.7**	**455.2**	**11.9**	**10.1**	**1,177.9**
Accumulated amortization and impairment losses 1 Jan	-	-236.9	-267.3	-7.7	-	-511.9
Translation differences	-	5.0	7.6	0.0	-	12.6
Sold businesses	-	-	-	-	-	0.0
Amortization for the financial period	-	-24.7	-44.1	-0.8	-	-69.6
Impairment	-0.2	-7.9	-0.1		-	-8.2
Accumulated amortization on disposals and transfers	-	7.9	16.8		-	24.7
Accumulated amortization and impairment losses 31 Dec	**-0.2**	**-256.6**	**-287.2**	**-8.5**	**-**	**-552.4**
Carrying amount on 1 Jan	**88.5**	**368.4**	**165.3**	**3.2**	**50.0**	**675.4**
Carrying amount on 31 Dec	**82.8**	**361.1**	**168.0**	**3.4**	**10.1**	**625.5**

2012 **EUR million**	**Land and water**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Advances paid and work in progress**	**Total**
Cost on 1 Jan	81.4	601.1	423.0	9.0	23.8	1,138.3
Translation differences	1.3	8.0	3.4	-0.1	0.1	12.7
Acquired businesses	-	0.3	10.6	-	-	10.9
Sold businesses	-	-1.7	-13.6	-	-	-15.3
Additions	6.4	2.3	30.4	0.1	51.6	90.8
Disposals	-0.6	-4.8	-21.3	-0.1	-	-26.7
Transfers between items	-	-	-	2.0	-25.5	-23.5
Cost on 31 Dec	**88.5**	**605.3**	**432.6**	**10.9**	**50.0**	**1,187.3**
Accumulated amortization and impairment losses 1 Jan	-	-216.4	-251.3	-6.6	-	-474.2
Translation differences	-	-0.9	-2.1	-0.0	-	-3.0
Sold businesses	-	1.5	10.1	-	-	11.7
Amortization for the financial period	-	-23.1	-43.4	-0.9	-	-67.4
Impairment	-	-0.9	-	-	-	-0.9
Accumulated amortization on disposals and transfers	-	2.7	19.3	-0.1	-	21.9
Accumulated amortization and impairment losses 31 Dec	**-**	**-236.9**	**-267.3**	**-7.7**	**-**	**-511.9**
Carrying amount on 1 Jan	**81.4**	**384.7**	**171.8**	**2.4**	**23.8**	**664.1**
Carrying amount on 31 Dec	**88.5**	**368.4**	**165.3**	**3.2**	**50.0**	**675.4**

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

2013 EUR million	Machinery and equipment
Cost on 31 Dec	68.7
Accumulated depreciation 31 Dec	-29.1
Carrying amount on 31 Dec	**39.6**

2012 EUR million	Machinery and equipment
Cost on 31 Dec	57.8
Accumulated depreciation 31 Dec	-29.4
Carrying amount on 31 Dec	**28.4**

In 2013, additions to assets leased under finance leases totaled EUR 20.2 million (EUR 14.2 million in 2012).

16. Associated companies

EUR million	2013	2012
Carrying amount on 1 Jan	0.4	0.8
Translation differences	-	-0.0
Disposals	-	-0.5
Share of associated companies' results	0.0	0.0
Shares in associated companies on 31 Dec	**0.4**	**0.4**

The associated companies' carrying value does not include goodwill.

2013 EUR million	Assets	Liabilities	Net sales	Profit	Group's holding %
Offentliga Dokument	1.3	1.2	5.3	0.1	50.0
Porlogis-Transitos e Logistika Lda	1.5	0.6	3.3	-0.0	35.0
Total	**2.8**	**1.8**	**8.5**	**0.0**	

2012 EUR million	Assets	Liabilities	Net sales	Profit	Group's holding %
Offentliga Dokument	0.3	0.3	2.0	0.0	50.0
Porlogis-Transitos e Logistika Lda	0.5	0.2	1.0	0.0	35.0
Total	**0.9**	**0.5**	**3.0**	**0.0**	

17. Financial assets and liabilities

2013 EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and recei-vables	Assets held to maturity	Financial assets available-for-sale	Financial liabi-lities at amortized cost	Carry-ing value	Fair value
Non-current financial assets							
Non-current receivables	4.8	4.6	-	-	-	9.4	9.4
Current financial assets							
Trade receivables and other receivables	-	234.1	-	-	-	234.1	234.1
Financial assets available-for-sale	-	-	-	0.7	-	0.7	0.7
Financial assets at fair value through profit or loss	85.8	-	-	-	-	85.8	85.8
Financial assets held to maturity	-	-	-	-	-	-	-
Cash and cash equivalents	46.7	34.3	-	-	-	81.0	81.0
Total	**137.3**	**273.0**	**0.0**	**0.7**	**0.0**	**411.1**	**411.1**
Non-current financial liabilities							
Interest-bearing liabilities	-	-	-	-	283.4	283.4	296.0
Other liabilities	-	-	-	-	-	-	-
Current financial liabilities							
Interest-bearing liabilities	-	-	-	-	21.5	21.5	21.5
Trade payables and other liabilities	1.6	-	-	-	60.2	61.8	61.8
Total	**1.6**	**0.0**	**0.0**	**0.0**	**365.2**	**366.8**	**379.3**

2012 EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and recei-vables	Assets held to maturity	Financial assets available-for-sale	Financial liabi-lities at amortized cost	Carry-ing value	Fair value
Non-current financial assets							
Non-current receivables	6.9	3.2	-	-	-	10.0	10.0
Current financial assets							
Trade receivables and other receivables	-	253.3	-	-	-	253.3	253.3
Financial assets available-for-sale	-	-	-	2.6	-	2.6	2.6
Financial assets at fair value through profit or loss	56.2	-	-	-	-	56.2	56.2
Financial assets held to maturity	-	-	15.2	-	-	15.2	15.2
Cash and cash equivalents	44.8	45.6	-	-	-	90.3	90.3
Total	**107.8**	**302.0**	**15.2**	**2.6**	**.**	**427.6**	**427.6**
Non-current financial liabilities							
Interest-bearing liabilities	-	-	-	-	288.3	288.3	305.9
Other liabilities	0.3	-	-	-	-	0.3	0.3
Current financial liabilities							
Interest-bearing liabilities	-	-	-	-	36.3	36.3	36.3
Trade payables and other liabilities	1.6	-	-	-	74.5	76.1	76.1
Total	**1.9**	**-**	**-**	**-**	**399.2**	**401.1**	**418.6**

18. Fair value hierarchy of financial assets and liabilities at fair value

2013

Financial assets at fair value	**Fair values at the end of the period**			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-current receivables				
Derivatives				
Interest rate swaps, hedge accounting	4.8		4.8	
Trade and other receivables				
Derivatives				
Currency forwards, hedge accounting	0.0		0.0	
Financial assets at fair value through profit or loss				
Money market investments	69.3		69.3	
Bonds	50.5	39.6	10.8	
Derivatives				
Currency forwards, non-hedge accounting	0.3		0.3	
Electricity forwards, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Debt certificates				
Equity fund investments				0.7
Total	**124.9**	**39.7**	**85.2**	**0.7**

Financial liabilities at fair value	**Fair values at the end of the period**			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables				
Derivatives				
Currency forwards, non-hedge accounting	0.5		0.5	
Currency forwards, hedge accounting	0.0		0.0	
Electricity forwards, non-hedge accounting	1.1	1.1		
Total	**1.6**	**1.1**	**0.5**	**0.0**

No transfers between fair value hierarchy levels 1 and 2 were made during 2013 or 2012. The Group identifies and recognizes transfers between different levels as the transaction is exercised or at the moment when the parameters change materially.

2012

Financial assets at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-current receivables				
Derivatives				
Interest rate swaps, hedge accounting	6.9		6.9	
Financial assets at fair value through profit or loss				
Money market investments	46.8		46.8	
Bonds	54.1		54.1	
Derivatives				
Currency forwards, non-hedge accounting	0.1		0.1	
Electricity forwards, non-hedge accounting	0.0	0.0		
Financial assets available-for-sale				
Debt certificates	1.8		1.8	
Equity fund investments	0.8			0.8
Total	**110.4**	**0.0**	**109.6**	**0.8**

Financial liabilities at fair value	Fair values at the end of the period			
EUR million	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other payables				
Derivatives				
Currency forwards, non-hedge accounting	1.3		1.3	
Electricity forwards, non-hedge accounting	0.6	0.6		
Total	**1.9**	**0.6**	**1.3**	**0.0**

Hierarchy levels

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

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

Level 3: Fair values are based on other data than verifiable market data regarding the asset group or liability.

Investments in money markets instruments are measured at fair value by employing the market interest rate curves on the reporting date. The fair values of investments in bonds are based on the quoted market prices on the reporting date (Level 1) or a price based on observable market information (Level 2). The measurement of equity funds relies on valuations delivered by external investment managers, based on the general valuation techniques used by asset managers. The fair value of currency forward contracts is calculated by valuing forward contracts at the forward rates on the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts with the market interest rate curves on the reporting date. The fair values of electricity derivatives are based on the quoted market prices on the reporting date.

Reconciliation of Level 3 financial assets

2013 **EUR million**	**Investments in equity funds**
Carrying amount 1 Jan	0.8
Profits and losses:	
In income statement	0.0
In other comprehensive income	0.2
Exercises	-0.2
Carrying amount 31 Jan	0.7
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	0.1

2012 **EUR million**	**Investments in equity funds**
Carrying amount 1 Jan	1.5
Profits and losses:	
In income statement	
In other comprehensive income	-0.4
Exercises	-0.4
Carrying amount 31 Jan	0.8
Total profits and losses recognized on assets held at the end of the reporting period	
In financial income and expenses	-0.1

19. Other non-current investments

EUR million	2013	2012
Cost on 1 Jan	7.3	7.7
Additions	0.1	0.2
Disposals	-	-0.6
Cost on 31 Dec	**7.3**	**7.3**
Accumulated amortization and impairment losses 1 Jan	-1.3	-1.3
Accumulated amortization and impairment losses 31 Dec	**-1.3**	**-1.3**
Carrying amount on 1 Jan	6.0	6.4
Carrying amount on 31 Dec	**6.0**	**6.0**

Other non-current investments consist mainly of holdings in companies not related to main businesses of the Group.

20. Non-current receivables

EUR million	2013	2012
Derivatives, hedge accounting	4.8	6.9
Loan receivables	4.3	2.8
Finance lease receivables	0.3	0.4
Other receivables	3.1	2.9
Total	**12.5**	**13.0**

Loan receivables include loans granted to housing corporations with interest-rate of 8 per cent.
Other receivables consist mainly of regular sales accruals and prepayments.

Finance lease receivables: minimum lease income

EUR million	2013	2012
Less than 1 year	0.1	0.1
1–5 years	0.3	0.4
More than 5 years	-	-
Minimum lease income	0.4	0.5
Future interest income	-0.0	-0.1
Total	**0.3**	**0.4**

Maturity of finance lease receivables

EUR million	2013	2012
Less than 1 year	0.1	0.1
1–5 years	0.2	0.3
More than 5 years	-	-
Total	**0.3**	**0.4**

The Group has leased out a property on a finance lease contract. The interest rate is 6 per cent.

21. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2013 EUR million	1/1/2013	Trans-lation differ-ence	Trans-fers be-tween items	Acquired/ divested subsidi-aries	Rec-orded through profit or loss	Other deduc-tions	12/31/2013
Pension obligations	**2.1**				-0.8	1.0	**2.3**
Unused tax losses	**1.3**	-0.0			-0.4		**0.9**
Impairment on real estate shares	**2.6**						**2.6**
Restructuring provision	**5.1**	-0.0			-2.1		**3.0**
Other temporary differences	**2.7**	-1.0	0.0		10.1		**11.8**
Total	**13.8**	**-1.1**	**0.0**	**0.0**	**6.8**	**1.0**	**20.5**

Deferred tax liabilities 2013 EUR million	1/1/2013	Trans-lation differ-ence	Trans-fers be-tween items	Acquired/ divested subsidi-aries	Rec-orded through profit or loss	Other deduc-tions	12/31/2013
Fair value measurement of PPE and intangible assets in acquisition	**33.9**	-2.6		0.0	-7.0		**24.3**
Accumulated depreciation in excess of plan	**13.7**				0.6		**14.2**
Other temporary differences	**6.5**	-0.2		-0.1	-1.0		**5.2**
Total	**54.1**	**-2.8**	**0.0**	**-0.1**	**-7.5**	**0.0**	**43.7**

Deferred tax assets 2012 EUR million	1/1/2012	Trans-lation differ-ence	Trans-fers be-tween items	Acquired/ divested subsidi-aries	Rec-orded through profit or loss	Other deduc-tions	12/31/2012
Pension obligations	**1.7**	-	-	-0.1	-0.2	0.7	**2.1**
Unused tax losses	**0.0**	-	-	-	1.3	-	**1.3**
Impairment on real estate shares	**3.5**	-	-	-	-0.9	-	**2.6**
Restructuring provision	**5.7**	-	-	-0.2	-0.4	-	**5.1**
Other temporary differences	**1.4**	-	0.5	-	0.7	-	**2.6**
Total	**12.3**	**0.0**	**0.5**	**-0.3**	**0.5**	**0.7**	**13.8**

Deferred tax liabilities 2012

EUR million	1/1/2012	Translation difference	Transfers between items	Acquired/ divested subsidiaries	Recorded through profit or loss	Other deductions	12/31/2012
Fair value measurement of PPE and intangible assets in acquisition	**35.9**	0.9		0.5	-3.3	-	**34.0**
Accumulated depreciation in excess of plan	**11.4**	-	1.3	-	0.9	-	**13.7**
Other temporary differences	**5.8**	-	0.5	-	0.5	-0.8	**6.0**
Total	**53.1**	**0.9**	**1.8**	**0.5**	**-1.9**	**-0.8**	**53.7**

On 31 December 2013, the Group had unused tax losses for which it has not recognized deferred taxes of EUR 111.9 (161.4) million, mainly arising from businesses in Germany and Scandinavia. Deferred tax assets on unused tax losses recognized in 2013 amounted to EUR 11.2 (1.3) million.

22. Inventories

EUR million	2013	2012
Materials and supplies	1.2	1.3
Goods	5.3	4.4
Advance payments for inventories	1.3	1.0
Total	**7.8**	**6.7**

23. Trade receivables and other current receivables

EUR million	2013	2012
Finance lease receivables	-	-
Loan receivables	0.1	0.1
Trade receivables	220.8	224.5
Trade receivables from associated companies	0.8	0.9
Loan receivables from associated companies	-	0.1
Accrued income and prepayments	76.8	76.6
Other receivables	12.5	27.8
Total	**311.0**	**329.9**

More information on trade receivables is provided in note 35 Financial risk management. Other receivables include a EUR 10.1 (23.3) million insurance claim related to an accident that occurred in a warehouse in Russia. The provision for damages related to the accident is disclosed in the note 30. Other receivables mainly include credit card receivables from banks and financing companies.

The largest item under accrued income and prepayments includes EUR 27.9 (28.8) million accrued terminal rate receivables from other postal administrations. Other receivables include ordinary sales accruals and prepaid expenses.

24. Financial assets available for sale and financial assets held-to-maturity

EUR million	2013	2012
Equity fund investments	0.7	0.8
Debt certificates	-	1.8
Total	**0.7**	**2.6**

Financial assets held-to-maturity

EUR million	2013	2012
Debt certificates	-	15.2

25. Financial assets at fair value through profit or loss

EUR million	2013	2012
Derivatives, non-hedge accounting	0.3	0.1
Money market investments	35.0	2.0
Bonds	50.5	54.1
Total	**85.8**	**56.2**

26. Cash and cash equivalents

EUR million	2013	2012
Money market investments	34.3	44.8
Cash and bank	46.7	45.6
Total	**81.0**	**90.3**

27. Non-current assets classified as held for sale and associated liabilities

Non-current assets classified as held for sale

EUR million	2013	2012
Buildings and structures, land and water	-	10.4
Other current receivables	-	0.3
Total	**0.0**	**10.7**

Liabilities associated with non-current assets classified as held for sale

EUR million		
Other non-current liabilities	-	0.2
Other liabilities	-	0.4
Total	**0.0**	**0.5**

Assets classified as held for sale included a number of real estates, the location of which no longer meets the needs of Itella Mail Communications' business. These sites have previously served as sales and delivery outlets. The original estimated sale schedule has prolonged because of the weak economic situation, and therefore the real estates are no longer classified as assets held for sale.

28. Equity

Shares and shareholders

EUR million	2013	2012
Share capital	70.0	70.0

The Finnish State holds all Itella Corporation's shares totaling 40,000.000. Other reserves include assets transferred from the share premium under restricted equity to contingency reserve based on the AGM’s decision in 1998, when Finland PT Group demerged. In accordance with the Articles of Association the contingency reserve is a distributable reserve. The change of fair value of available-for-sale financial assets is recognized in the fair value reserve. Translation differences include the differences resulting from the translation of foreign units' financial statements and net investments in foreign currencies. Statement of Changes in Shareholders' Equity contains additional information on equity.

29. Pension liabilities

Main characteristics of the reported plans

The Group applies several pension plans in different countries, managed according to the local regulations and practice effective in each country. The Group's defined benefit pension schemes are related to Finnish insured voluntary pension plans. The plans are voluntary final average pay plans supplementing statutory pensions. Funded plans are insurance policies and the assets of the plan are part of the investment assets of the insurance company. The insurance covers the old-age pension, and the level of benefits provided depends on the employee's salary at retirement age and the length of service.

The Group is exposed to the various risks of the defined benefit plans. As the discount rates applied in measuring the defined benefit obligation are determined based on yields of corporate bonds, the Group is exposed to the related interest-rate risk. Since the majority of plans entail life time benefits to the members, the increase in the life expectancy for pensioners increases the Group's liability. The plans are also adjusted to inflation and higher inflation increases the present value of the plan. The majority of the plan assets are not affected by the inflation; consequently higher inflation increases the deficit of the plan.

Defined benefit pension liabilities in the balance sheet:

EUR million	2013	2012
Present value of funded obligations	78.0	74.7
Fair value of plan assets	-66.8	-66.5
Deficit/Surplus	**11.3**	**8.3**

Defined benefit pension expenses in the income statement and statement of comprehensive income:

Income statement

EUR million	2013	2012
Current service costs	0.2	1.1
Interest costs	0.2	0.3
Total	**0.5**	**1.4**

Statement of comprehensive income

EUR million	2013	2012
Actuarial gains (-) and losses (+)	5.0	2.9

Changes in the present value of the pension obligation:

EUR million	2013	2012
Obligation at the beginning of the period	74.7	76.2
Current service costs	0.2	0.3
Interest costs	0.4	0.5
Curtailments	-0.2	-3.9
Paid benefits	-1.8	0.0
Actuarial gains (-) and losses (+) on changes in actuarial assumptions	2.3	2.6
Experience-based adjustments	2.3	-1.0
Obligation at the end of the period	**78.0**	**74.7**

Changes in the fair value of the plan assets:

EUR million	2013	2012
Fair value of the plan assets at the beginning of the period	66.5	67.9
Return on plan assets	0.2	0.3
Paid benefits	-1.8	0.0
Employer contributions	2.5	2.1
Curtailment	-0.2	-1.7
Actuarial gains and losses	-0.4	-2.0
Fair value of the plan assets at the end of the period	**66.8**	**66.5**

Estimated contributions payable to the defined benefit plans during the next financial period total EUR 2.2 million. The average duration of the defined benefit plan obligation at the end of the reporting period is 11.2 years.

Key actuarial assumptions were as follows:

	2013	2012
Discount rate	3.25	3.5
Expected return on plan assets	3.25	3.5–4.3
Future salary increase assumption	0–2	0–2.5
Future pension increase expectation	2.1	2.1

		Change in DBO			
	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	0.25%	-276,464	-2.46%	269,643	2.40%
Inflation	0.25%	441,151	3.93%	-404,617	-3.60%
Salary increase rate	0.25%	33,507	0.30%	-33,097	-0.29%
Pension increase rate	0.25%	407,644	3.63%	-397,082	-3.54%

	Increase by one year		Decrease by one year	
Life expectancy at birth	455,637	4.06%	-437,752	-3.90%

The above analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation using the above assumptions the same method has been applied as when measuring the defined benefit obligation on the statement of financial position.

30. Provisions

2013 EUR million	Restructuring provision	Provision for damage	Other	Total
Carrying amount on 1 Jan	18.6	28.7	1.7	48.9
Translation difference	-	-3.2	-	-3.2
Increase in provisions	3.2	-	0.2	3.4
Used provisions	-6.2	-11.1	-1.1	-18.4
Acquired / sold businesses	-2.9	-	-	-2.9
Carrying amount on 31 Dec	**12.6**	**14.4**	**0.7**	**27.8**

2012 EUR million	Restructuring provision	Provision for damage	Other	Total
Carrying amount on 1 Jan	23.6	-	1.1	24.7
Translation difference	0.0	-	-	0.0
Increase in provisions	2.4	28.7	0.6	31.6
Used provisions	-3.9	-	0.0	-3.9
Acquired / sold businesses	-3.5	-	-	-3.5
Carrying amount on 31 Dec	**18.6**	**28.7**	**1.7**	**48.9**

EUR million	2013	2012
Long-term provisions	12.8	18.6
Short-term provisions	15.0	30.3
Total	**27.8**	**48.9**

Restructuring provisions are primarily related to the cooperation negotiations conducted during 2009–2011 and 2013. A significant portion of the long-term personnel expense provisions in the Group's Finnish companies is made up of the employer's liability component within the unemployment insurance contribution towards the Unemployment Insurance Fund. Approximately 50% is expected to be realized during 2014, and another 50% in 2015–2016.

A large part of the shelf system in Itella Logistics' Shushary warehouse in St. Petersburg collapsed in July 2012. A large number of customers' products were damaged, in addition to which environmental protection and cleanup measures were required. Itella has insurance policies that cover its liability in such cases. An assessment concerning the liability for damages is pending, and the outcome is as yet unclear. Related insurance claim of EUR 10.1 million is included other receivables disclosed in the Note 23.

31. Interest-bearing loans

EUR million	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Non-current				
Bonds	252.0	296.0	253.9	271.0
Loans from financial institutions	-	-	0.6	0.6
Pension loans	-	-	12.5	13.0
Finance lease liabilities	31.4	31.4	21.3	21.3
Liabilities associated with non-current assets classified as held for sale	0.1	0.1	0.2	0.2
Total	**283.6**	**327.5**	**288.5**	**306.0**
Current				
Loans from financial institutions				
Pension loans	12.5	12.5	25.0	25.0
Finance lease liabilities	9.0	9.0	6.5	6.5
Other	-	-	4.8	4.8
Total	**21.5**	**21.6**	**36.3**	**36.3**

Finance lease liabilities: minimum lease payments

EUR million	2013	2012
Less than 1 year	10.6	7.5
1–5 years	31.1	21.6
More than 5 years	1.8	0.7
Minimum lease payments total	43.6	29.8
Future interest expenses	-3.1	-1.9
Total	**40.5**	**27.9**

Present value of minimum lease payments:

EUR million	2013	2012
Less than 1 year	9.5	6.8
1–5 years	30.9	20.7
More than 5 years	0.0	0.4
Total	**40.5**	**27.9**

Finance leases consist mainly of leased transport, production and IT equipment. Duration of leasing contracts is typically 3–10 years.

32. Trade payables and other non-interest-bearing liabilities

Other non-current liabilities

EUR million	**2013**	**2012**
Other liabilities	7.2	7.9
Other accrued expenses	4.3	4.3
Total	**11.5**	**12.2**

Trade payables and other current liabilities

EUR million	**2013**	**2012**
Financial liabilities measured at fair value:		
Derivative contracts, non-hedge accounting	1.6	1.6
Derivative contracts, hedge accounting	0.0	-
Financial liabilities at amortized cost:		
Trade payables	63.2	74.5
Advances received	33.7	27.2
Accrued personnel expenses	149.0	155.5
Other accrued expenses and deferred income	46.8	47.7
Other liabilities	63.5	69.1
Current non-interest-bearing liabilities	**357.8**	**375.7**

The most significant item within other accrued expenses and deferred income includes estimated payables for terminal payments to other Postal administrations, totaling EUR 15.0 (17.5) million. The remaining items comprise accruals of ordinary expenses.

33. Operating leases

Maturity of minimum lease payments:

EUR million	2013	2012
Less than 1 year	82.7	96.9
1–5 years	151.2	220.4
More than 5 years	54.2	63.9
Total	**288.1**	**381.1**

The income statement includes EUR 125.3 (124.9) million expenses for operating lease agreements. Itella Group has leased e.g. premises, office equipment and vehicles. The lease period for office equipment and vehicles varies between 2 and 5 years and that for premises until 10 years.

Maturity of lease payment receivables:

EUR million	2013	2012
Less than 1 year	2.2	2.2
1–5 years	0.3	0.6
More than 5 years	1.6	2.1
Total	**4.2**	**4.9**

Itella Group leases out premises in its possession. The notice period of leases generally varies between 1 and 12 months. The lease of As Oy Kirjekyyhky's site will expire in 2050.

34. Pledges, commitments and other liabilities

EUR million	2013	2012
Pledges given on own behalf:		
Bank guarantee	8.3	13.6
Guarantee	4.9	5.2
Pledges	0.1	0.1
Total	**13.2**	**18.9**

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.

In accordance with the secured environmental permit, the Group is subject to environmental liability regarding the cleanup of land in the Pohjois-Pasila office lot. The liability amounts to approximately EUR 19.9 million and it will be realized over 10 to 15 years in the costs, provided that the purpose of use of the lot is changed from the current purpose of use. Itella has assigned 34,745 square meters of the area to the City of Helsinki for street, park, and recreational use, and agreed to pay EUR 4.2 million of the planning and building costs related to public utility construction to the City of Helsinki in exchange for the area's zoning. A provision of EUR 4.2 million related to the construction costs and a provision of EUR 2.2 million related to the expenses of the cleanup of the assigned land areas has been recognized on the balance sheet. A corresponding capitalization has been recognized in land and water areas on the balance sheet.

35. Financial risk management

Principles of risk management

The target of financial risk management is to secure adequate and competitive financing for executing the Group’s operative businesses and strategy and to minimize the effects of market risks in Group’s financial results, financial position and cash flows. The Group aims to identify risk concentrations and hedge against them to necessary extent. The Group’s business involves financial risks, such as market, liquidity, credit and counterparty risks. Of Group's commodity risks, the price risk related to electricity is monitored actively, and managed with electricity derivatives.

Risk management organization

Group Treasury is responsible for the centralized management of finances and financial risks in line with the financing guidelines approved by the Board of Directors. Group Treasury is responsible for the entire Group's currency, interest rate, liquidity and refinancing risk management in close co-operation with the business groups. The business groups are responsible for the identification, management and reporting of the financial risks associated with their operations to Group Treasury. Credit risk related to customer receivables is managed by the sales organizations of the business groups.The Group's sourcing unit is responsible for managing the price risk of electricity.

Market risks

Currency risks

The goal of currency risk management is to reduce the Group’s currency risk to an optimal level as well as improve the transparency of profitability and predictability of financial results. The Group’s transaction risk primarily consists of currency-denominated receivables, payables and commitments. The key principle is to achieve full hedging against the transaction risks related to the balance sheet. Unhedged exposure is permitted within the limits specified in the Group’s financing policy. Loans granted by the parent company to subsidiaries are primarily in the subsidiary’s domestic currency, in which case the subsidiary has no currency risk arising from financial agreements. On the balance sheet date, Itella had external currency derivatives with a nominal value of EUR 105.5 million used to hedge against the currency risk associated with loans, receivables and other currency denominated commitments. The Group is exposed to translation risk in connection with investments in subsidiaries outside the euro zone. The objective of translation risk management is to ensure exchange rate fluctuations do not cause any material changes in the Group’s gearing. On the balance sheet date, the Group did not hedge against translation risk.

Major transaction risk positions on the balance sheet date

2013	EUR-companies					RUB-companies
EUR million	**RUB**	**SEK**	**NOK**	**PLN**	**USD**	**USD**
Trade receivables and payables	0.0	-0.1	-0.4	-0.7	0.0	-1.0
Loans and bank accounts*)	32.1	14.0	5.4	2.4	0.3	0.1
Derivatives**)	-32.1	-14.1	-5.4	-2.3	0.0	9.6
Open position	0.0	-0.2	-0.4	-0.6	0.2	8.7

2012 EUR million	EUR-companies RUB	SEK	NOK	PLN	USD	RUB-companies USD
Trade receivables and payables	0.1	1.0	1.0	1.2	-0.5	-0.7
Loans and bank accounts*)	41.6	22.5	5.7	2.8	-41.8	0.0
Derivatives**)	-41.5	-22.7	-6.1	-2.7	41.7	0.0
Open position	0.1	0.8	0.6	1.3	-0.6	-0.7

*) Includes cash and cash equivalents, interest-bearing receivables and liabilities
**) Including derivatives for hedging purposes

The sensitivity analysis on currency risk is based on financial instruments in other than functional currencies of the group companies on the balance sheet date. Based on the analysis, strengthening of the euro by 10 per cent against all other currencies would have an impact of EUR 0.2 million (2012: EUR -0.1 million) on the Group's profit before tax. Correspondingly, the strengthening of the USD against RUB by 10 per cent would have an impact of EUR 0.9 million (2012: -0.1 million) on the Group's profit before tax.

Major translation risk positions on the balance sheet date

2013 EUR million	RUB	SEK	NOK	DKK
Net investment	193.7	28.8	16.1	44.0
Hedging	-	-	-	-
Open position	193.7	28.8	16.1	44.0

2012 EUR million	RUB	SEK	NOK	DKK	USD
Net investment	204.2	27.6	21.3	55.4	42.1
Hedging	-	-	-	-	-
Open position	204.2	27.6	21.3	55.4	42.1

Interest rate risk

The Group is exposed to interest rate risks through its investments and interest bearing liabilities. The goal of interest rate risk management is to minimize financing costs and decrease the uncertainty that interest rate movements cause for the Group's financial result. The average interest-rate fixing period for the debt portfolio is determined in the financing policy. The objective of interest rate risk management related to liquid funds is to minimize the effect of interest rate movements on the fair value of the funds. In addition to diversification, interest rate risks associated with interest-bearing receivables and liabilities can be hedged through interest rate swaps, interest rate options and forward rate agreements.

On the balance sheet date, the Group's interest-bearing liabilities amounted to EUR 305.1 million and interest-bearing receivables to EUR 166.5 million. On the balance sheet date, all of the Group’s interest-bearing loans were subject to fixed interest rates. The loans were partly hedged by an interest-rate swap. The interest rate risk of the fixed rate bond issued by Itella Oyj for nominal value EUR 70 million is hedged by an interest rate swap. The Group applies fair value hedge accounting to the interest-rate swap hedging the loan. The hedge effectiveness is monitored every quarter. During financial year 2013 the hedging has been effective.

Net interest-bearing receivables and debt according to interest rate fixing

2013 **EUR million**	**Less than** **1 year**	**1–5 years**	**More than** **5 years**	**Total**
Interest-bearing receivables	-125.5	-38.7	-2.3	-166.5
Bond	-	252.0	-	252.0
Pension loans	12.5	-	-	12.5
Finance lease liabilities	9.0	29.6	1.8	40.5
Other liabilities	-	0.1	-	0.1
Net debt	-103.9	243.0	-0.5	138.6
Impact of interest-rate swaps	70.0	-70.0	-	0.0
Total	**-33.9**	**173.0**	**-0.5**	**138.6**

2012 **EUR million**	**Less than** **1 year**	**1–5 years**	**More than** **5 years**	**Total**
Interest-bearing receivables	-113.3	-40.8	-9.3	-163.4
Bond	-	253.9	-	253.9
Loans from financial institutions	-	0.6	-	0.6
Pension loans	-	37.5	-	37.5
Finance lease liabilities	6.8	21.1	-	27.9
Other liabilities	5.1	-	-	5.1
Net debt	-101.4	272.3	-9.3	161.4
Impact of interest-rate swaps	70.0	-70.0	-	0.0
Total	**-31.4**	**202.3**	**-9.3**	**161.4**

A change of 1 percentage point in the interest rate and the end of the financial period would affect the Group's profit before taxes for the next 12 months by EUR -1.1 million (2012: EUR -1.6 million).

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs electricity derivatives to reduce the price risk related to electricity procurement. The Group uses standardized listed derivative products as hedging instruments. The derivatives are used for hedging purposes only, but hedge accounting as defined in the IFRS is not applied.
The Group has prepared a sensitivity analysis on open electricity derivatives at reporting date. A fluctuation of 10 percentage points in electricity price would have an impact of EUR 0.5 (0.2) million on the Group's profit before taxes.

Derivative contracts

2013 **EUR million**	**Nominal value**	**Net fair value**	**Positive fair value**	**Negative fair value**
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	95.6	-0.2	0.3	-0.5
Currency forward contracts, hedge accounting	9.8	0.0	0.0	0.0
Interest rate derivatives:				
Interest rate swaps, hedge accounting	70.0	4.8	4.8	-
Electricity derivatives:				
Electricity forwards, non-hedge accounting	6.5	-1.0	0.0	-1.1

2012 **EUR million**	**Nominal value**	**Net fair value**	**Positive fair value**	**Negative fair value**
Foreign currency derivatives:				
Currency forward contracts, non-hedge accounting	121.4	-1.3	0.1	-1.3
Interest rate derivatives:				
Interest rate swaps, hedge accounting	70.0	6.9	6.9	-
Electricity derivatives:				
Electricity forwards, non-hedge accounting	8.0	-0.5	0.0	-0.5

Derivative instruments are used to hedge against currency, interest rate and electricity price risk. Currency forward contracts are measured at fair value using the forward rates at the reporting date. The fair values of interest rate swaps are calculated by discounting the forecasted cash flows of the contracts. The fair value of electricity derivatives is based on market prices on the reporting date.

Liquidity risk

The liquidity and refinancing risk means that the Group's liquidity reserve is insufficient to cover the Group's commitments and investment possibilities or that the cost of the refinancing or additional financing need is exceptionally high. The Group places a considerable emphasis on accurate cash management and liquidity planning in order to minimize liquidity risks generated by large daily fluctuations in the Group's cash flows. In addition to cash and cash equivalents, the Group aims to secure sufficient financing in all circumstances, and has as financial reserves, a syndicated credit facility (committed) of EUR 120 million, maturing in 2015, and a non-binding commercial paper program of EUR 200 million.

On the balance sheet date, the Group had liquid funds and an unused committed credit facility of EUR 286.5 million (2012: EUR 268.3 million). Liquid funds include cash and cash equivalents and investments tradable on the secondary market whose tradability is secured by the liquid size of the issue and the creditworthiness of the issuer. In addition, the Group had an unused commercial paper program of EUR 200 million (2012: EUR 200 million).

Contractual cash flows from financial liabilities, including interests

2013

EUR million	**2014**	**2015**	**2016**	**2017**	**2018–**	**Total**
Bonds	11.2	11.2	161.2	104.6	-	**288.2**
Pension loans	12.7	-	-	-	-	**12.7**
Finance lease liabilities	10.6	31.0	0.1	0.0	1.8	**43.6**
Other liabilities	-	0.1	-	-	-	**0.1**
Trade payables	60.2	-	-	-	-	**60.2**
Derivatives:						
Interest rate derivatives, cash flows payable	1.1	1.1	1.1	-	-	**3.3**
Interest rate derivatives, cash flows receivable	-3.1	-3.1	-3.1	-	-	**-9.2**
Currency derivatives, cash flows payable	0.7	-	-	-	-	**0.7**
Currency derivatives, cash flows receivable	-0.1	-	-	-	-	**-0.1**
Electricity derivatives, cash flows payable	2.9	2.4	1.2			**6.5**
Total	**96.2**	**42.7**	**160.5**	**104.6**	**1.8**	**405.9**

2012

EUR million	**2013**	**2014**	**2015**	**2016**	**2017–**	**Total**
Bonds	11.2	11.2	11.2	161.2	104.6	**299.4**
Loans from financial institutions	0.2	0.1	0.1	0.1	-	**0.6**
Pension loans	25.9	12.7	-	-	-	**38.5**
Finance lease liabilities	7.5	21.3	0.1	0.1	0.7	**29.8**
Other liabilities	4.8	-	-	-	-	**4.8**
Trade payables	74.5	-	-	-	-	**74.5**
Derivatives:						
Interest rate derivatives, cash flows payable	1.1	1.1	1.1	1.1	-	**4.5**
Interest rate derivatives, cash flows receivable	-3.1	-3.1	-3.1	-3.1	-	**-12.3**
Currency derivatives, cash flows payable	1.6	-	-	-	-	**1.6**
Currency derivatives, cash flows receivable	0.0	-	-	-	-	**0.0**
Electricity derivatives, cash flows payable	3.3	2.2	1.7	-	-	**7.2**
Total	**127.0**	**45.6**	**11.2**	**159.5**	**105.3**	**448.6**

Pension loans are secured with bank guarantees. Other loans have no security. Finance lease liabilities are in fact secured liabilities since, in default of payment, rights to leased property transfer back to the lessor.

Credit and counterparty risk

Pursuant to authorizations given by the Board of Directors, the Group invests its liquid funds in debt instruments and bonds issued by companies, banks and states with a high credit rating, as well as bank deposits. Itella concludes derivative contracts only with solvent banks and credit institutions. The book value of investments and derivative contracts corresponds to the maximum amount of the associated credit risk. Financing operations did not incur any credit losses during the financial year.

Trade receivables are subject to only minor credit risk concentrations due to the Group's extensive customer base. The book value of trade receivables corresponds to the maximum amount of the credit risk associated with them. Credit losses recognized for 2013 were EUR 0.7 million (2012 EUR 3.4 million).

Aging of trade receivables:

EUR million	2013	2012
Not yet due	191.8	187.6
1–30 days overdue	21.5	27.7
31–60 days overdue	3.7	4.4
61–90 days overdue	1.2	1.2
91–180 days overdue	1.5	2.6
181–365 days overdue	1.1	1.0
Total	**220.8**	**224.5**

Offsetting of financial instruments

2013 EUR million	Gross amount	Financial instru- ments*)	Net amount
Derivative assets	5.2	-0.3	4.8
Derivative liabilities	1.6	-0.3	1.3

2012 EUR million	Gross amount	Financial instru- ments*)	Net amount
Derivative assets	7.0	-0.1	6.9
Derivative liabilities	1.9	-0.1	1.8

*) Related amounts not set off in the balance sheet

Derivative agreements are subject to offsetting in the case of default, insolvency or bankruptcy of the counterparty.

Capital management

The target of the Group's capital management is to secure financing required by businesses and the Group’s ability to operate in capital markets under all circumstances. Although the Group has no public credit rating issued by a credit rating agency, it seeks to maintain a capital structure that would be required for investment grade rating. The Board of Directors assesses the capital structure on regular basis. The covenants associated with the Group's loan agreements are standard terms and conditions that feature limitations on securities given, material changes in business activities, and changes in majority holdings. The Group has met the conditions of the covenants in 2013 and 2012. The Group’s loan agreements do not contain financial covenants.

The Group monitors its capital structure by assessing equity ratio and gearing.

Group's total capital	**2013**	**2012**
Interest-bearing liabilities	305.1	324.8
./. Interest-bearing receivables	166.5	163.4
= Interest-bearing net liabilities	138.6	161.4
Total equity	**655.8**	**686.7**
Equity ratio, %	47.5	46.2
Gearing, %	21.1	23.5

36. Related party transactions

The Group's related party consists of bodies that hold authority within the Group or are under the Group's authority. Such authority or other significant control is associated with financial or operational decision-making. Itella Group's related party consists of the Board of Directors, President & CEO, Itella Corporation's Management Team, and the next of kin of the aforementioned. In addition, the related party includes the joint ventures, affiliates, mutual real estate companies, and the State of Finland, which owns 100% of Itella Corporation's shares.

The upper management consists of the members of the Board of Directors, President & CEO and members of the Management Team. No financial loans have been granted to the upper management. Business transactions with related party companies, such as joint-ownership companies and other state-owned companies, are subject to market terms. Itella did not have significant business transactions with the upper management or their related party. Itella Group has business relations with associations tied to its state-owner. During the financial period, the Group did not have any business operations that, reviewed singly or jointly, are significant financially or qualitatively.

Business transactions with related party

Net sales and purchases, as well as the receivables and payables consist of business transactions with related party.

EUR million	2013	2012
Net sales	3.6	3.6
Purchases	0.1	0.5
Trade receivables and other receivables	0.8	1.0
Trade payables	-	0.0

Management remuneration

EUR million	2013	2012
Wages and salaries and other employee benefits	2.8	2.9
Pensions-defined benefit plans	0.5	1.4

Salaries and fees of the management

EUR million	2013	2012
President & CEO	0.5	0.5
Executive Board (excl. CEO)	2.0	2.0
Board of Directors	0.3	0.3
Supervisory Board	0.0	0.0
Total	**2.8**	**2.9**

The management's pension commitments

Persons appointed to the Management Team before September 22, 2009, are within the scope of a benefit-based pension scheme. Their retirement age is 60 years but the employer may postpone the retirement up to the maximum age of 62. Persons appointed to the Management Team after September 22, 2009, are within a defined contribution pension scheme, and their retirement age is in accordance with the Employees Pensions Act (TyEL). The retirement age of Managing Directors of Group companies has been agreed to be 60–65 years.

The Board of Directors' salaries and fees

EUR thousand	2013	2012
Arto Hiltunen (chairman)	56.4	54.6
Päivi Pesola (vice chairman)	41.4	40.2
Ilpo Nuutinen	37.8	28.5
Maarit Toivanen-Koivisto	38.4	35.4
Riitta Savonlahti	36.6	36.0
Jussi Kuutsa	38.4	34.8
Timo Löyttyniemi	37.2	36.6
Suvi-Anne Siimes**)	27.7	0.0
Hele-Hannele Aminoff*)	8.4	34.2
Kalevi Alestalo	-	6.9
Total	**322.3**	**266.1**

*) Board member until 26 March 2013

**) Board member from 26 March 2013

37. Group companies

The Group's parent company is Itella Corporation.

Subsidiaries 31 Dec 2013	Group holdings %	Country	Business group
Centerfin Ltd	100	Cyprus	Itella Logistics
Fastighets AB Vindtunneln	100	Sweden	Itella Logistics
Global Mail FP Oy	100	Finland	Itella Logistics
GSB Logistics Ltd	100	Cyprus	Itella Logistics
Itella Holding GmbH	100	Germany	Other operations
Itella Information GmbH	100	Austria	Other operations
Itella Information Kft	100	Hungary	Other operations
Itella Information S.R.L	100	Romania	Other operations
Itella Information s.r.o.	100	Czech Republic	Other operations
Itella Logistics A/S	100	Denmark	Itella Logistics
Itella Logistics AB	100	Sweden	Itella Logistics
Itella Logistics AS	100	Norway	Itella Logistics
Itella Logistics Oy	100	Finland	Itella Logistics
Itella Logistics OÜ	100	Estonia	Itella Logistics
Itella Logistics SIA	100	Latvia	Itella Logistics
Itella Logistics UAB	100	Lithuania	Itella Logistics
Itella Posti Oy	100	Finland	Itella Mail Communications
Itella Real Estate Oy	100	Finland	Other operations
Itella SmartPOST OÜ	100	Estonia	Itella Mail Communications
KEC GmbH	100	Germany	Itella Logistics
KEC UAB	100	Lithuania	Itella Logistics
KH Fur Oy	100	Finland	Itella Logistics
NLC Development Ltd	100	Cyprus	Itella Logistics
NLC International Corporation Ltd	100	Cyprus	Itella Logistics
OOO Itella	100	Russia	Itella Logistics
OOO Itella Connexions	100	Russia	Itella Mail Communications
OOO Kapstroymontazh	100	Russia	Itella Logistics
OOO NLC-Bataisk	100	Russia	Itella Logistics
OOO NLC-Ekaterinburg	100	Russia	Itella Logistics
OOO NLC-Samara	100	Russia	Itella Logistics
OOO NLC-Trans	100	Russia	Itella Logistics
OOO RED-Krekshino	100	Russia	Itella Logistics
OOO Rent-Center	100	Russia	Itella Logistics
OOO Terminal Lesnoy	100	Russia	Itella Logistics
OOO Terminal Sibir	100	Russia	Itella Logistics
OpusCapita AB	100	Sweden	OpusCapita
OpusCapita AS	100	Norway	OpusCapita

OpusCapita AS	100	Estonia	OpusCapita
OpusCapita AS	100	Latvia	OpusCapita
OpusCapita Competence Center OÜ	100	Estonia	OpusCapita
OpusCapita Competence Center SIA	100	Latvia	OpusCapita
OpusCapita GmbH	100	Germany	OpusCapita
OpusCapita Group Oy	100	Finland	OpusCapita
OpusCapita s.r.o.	100	Slovakia	OpusCapita
OpusCapita Services GmbH	100	Germany	OpusCapita
OpusCapita Sp. z o.o.	100	Poland	OpusCapita
OpusCapita UAB	100	Lithuania	OpusCapita

The Group's joint ventures 31 Dec 2013	Group holdings %	Country	Business group
KOY Säästösaku	58.5	Finland	Other operations

Associated companies 31 Dec 2013	Group holdings %	Country	Business group
Offentliga Dokument	50	Sweden	OpusCapita
Porlogis-Transitos e Logistika Lda	35	Portugal	Itella Logistics

Parent Company's Financial Statements, FAS

Income Statement

EUR	Note	2013	2012
Net sales	1	**81,356,891.73**	**63,477,268.23**
Other operating income	2	7,675,631.63	9,332,071.27
Materials and services	3	-65,833.95	-193,982.52
Personnel expenses	4	-38,561,069.63	-40,470,082.78
Depreciation, amortization and impairment losses	5	-5,294,953.10	-5,112,925.26
Other operating expenses	6	-91,048,321.15	-80,521,620.24
Operating profit/loss		**-45,937,654.47**	**-53,489,271.30**
Financial income and expenses	8	-45,309,278.65	-40,906,974.29
Profit / loss before extraordinary items		**-91,246,933.12**	**-94,396,245.59**
Extraordinary items	9	44,600,000.00	97,000,000.00
Profit / loss before appropriations and income tax		**-46,646,933.12**	**2,603,754.41**
Income tax	10	-336,273.25	-16,041,602.24
Profit / loss for the financial period		**-46,983,206.37**	**-13,437,847.83**

Balance Sheet

EUR	Note	12/31/2013	12/31/2012
ASSETS			
Non-current assets			
Intangible assets	11	7,899,051.13	11,572,958.25
Tangible assets	12	6,947,459.35	6,720,961.88
Investments	13	701,689,474.45	751,013,503.22
Total non-current assets		**716,535,984.93**	**769,307,423.35**
Current assets			
Inventories	14	204,111.28	81,027.47
Non-current receivables	15	187,858,695.61	202,965,508.47
Current receivables	16	133,985,715.61	153,655,629.77
Current investments		120,517,164.87	101,666,312.93
Cash and bank		49,807.67	17,708.59
Total current assets		**442,615,495.04**	**458,386,187.23**
Total assets		**1,159,151,479.97**	**1,227,693,610.58**

EQUITY AND LIABILITIES			
Equity	18		
Share capital		70,000,000.00	70,000,000.00
Fair value reserve		-48,336.89	-175,130.35
Other reserves		142,703,761.93	142,703,761.93
Retained earnings		473,956,690.16	494,194,537.99
Profit / loss for the financial period		-46,983,206.37	-13,437,847.83
Total equity		**639,628,908.83**	**693,285,321.74**
Provisions	19	**1,176,541.87**	**942,334.45**
Liabilities			
Non-current	21	256,138,158.17	270,312,861.40
Current	22	262,207,871.10	263,153,092.99
Total liabilities		**518,346,029.27**	**533,465,954.39**
Total equity and liabilities		**1,159,151,479.97**	**1,227,693,610.58**

Cash Flow Statement

EUR	2013	2012
Cash flow from operations		
Result before extraordinary items	-91,246,933.12	-94,396,245.69
Adjustments:		
Depreciation and amortization	5,294,953.10	5,112,925.26
Gains or losses on disposal of fixed assets	13,373,908.83	-274,118.67
Financial income (-) and expense (+)	3,517,532.16	-3,564,905.43
Impairment losses on non-current investments	41,791,746.49	47,224,576.84
Gain on merger	0.00	-616,942.59
Loss on merger	0.00	19,670,423.11
Other adjustments	330,060.00	-209,486.43
Cash flow before change in working capital	**-26,938,732.54**	**-27,053,773.60**
Interest-free current receivables, increase (-), decrease (+)	-21,872,655.87	-2,925,728.33
Interest-free non-current receivables, increase (-), decrease (+)	-400,151.97	-99,858.74
Inventories, increase (-), decrease (+)	-123,083.81	119,285.54
Interest-free current liabilities, increase (+), decrease (-)	6,598,862.44	3,193,285.58
Interest-free non-current liabilities, increase (+), decrease (-)	217,756.50	0.00
Change in working capital	**-15,579,272.71**	**286,984.05**
Cash flow from operating activities before financial items and taxes	**-42,518,005.25**	**-26,766,789.55**
Interests paid	-19,038,217.76	-16,992,245.75
Interests received	16,429,616.01	12,186,096.58
Other financial items	1,562,919.69	-124,968.89
Income tax paid	-409,119.61	-13,903,955.61
Cash flow from financial items and taxes	**-1,454,801.67**	**-18,835,073.67**
Cash flow from operating activities (A)	**-43,972,806.92**	**-45,601,863.22**

Investments in tangible and intangible assets	-5,205,415.74	-10,371,885.03
Proceeds from sale of tangible and intangible assets	3,346,073.96	24,940.00
Other investments	-3,200,000.00	-39,814,110.73
Proceeds from sale of other investments	38,722,228.83	406,281.20
Loans granted	-43,640,354.40	-87,358,340.27
Repayments of loan receivables	10,367,257.28	83,703,923.50
Dividends received	5,154,522.75	3,028,139.46
Other cash flow from investing activities	0.00	-815,196.05
Cash flow from investing activities (B)	**5,544,312.68**	**-51,196,247.92**
Repayment of current loans	598,865.09	326,592.48
Drawings of non-current loans	0.00	199,359.20
Repayment of non-current loans	-25,000,000.00	-25,000,000.00
Dividends paid	-6,800,000.00	-
Group contributions received and paid	97,000,000.00	58,600,000.00
Cash flow from financing activities (C)	**65,798,865.09**	**34,125,951.68**
Change in cash and cash equivalents before business transfers (A+B+C)	**27,370,370.85**	**-62,672,159.46**
Change in group cash pool	-8,487,419.83	30,540,263.13
Cash and cash equivalents received in merger	0.00	767,867.51
Change in cash and cash equivalents	**18,882,951.02**	**-31,364,028.82**
Cash and cash equivalents at the beginning of the financial period	**101,684,021.52**	**133,048,050.34**
Cash and cash equivalents at the end of the financial period	**120,566,972.54**	**101,684,021.52**

Notes to the financial statements of the parent company, FAS

Accounting Policies

Itella Corporation has prepared its financial statements in accordance with Finnish Accounting legislation.

Revenue recognition and net sales

Offering services of short duration generates a major part of Itella Corporation's revenues. Revenue is recognized when the service is rendered as agreed. Net sales derive from revenue based on the sale services net of indirect taxes, discounts and exchange rate differences.

Other operating income

Other operating income includes capital gains on sale of assets and income other than generated by the sale of services, such as income from administration services. Government grants mainly refer to product and business development grants and low-wage support, which are recognized as other operating income.

Valuation of fixed assets

Tangible and intangible assets are carried at historical acquisition cost less accumulated depreciation.

Fixed assets are depreciated on a straight-line basis according to plan. The depreciations are based on expected useful lives, starting from the time items are in use. The expected useful lives of PPE in Itella Corporation are as follows:

Immaterial rights and other long-term expenses 3–5 years
Machinery and equipment 3–5 years
Land and water are not subject to depreciation.

Non-current investments are valued at their original acquisition cost. If it is probable that the future revenue on the investment is permanently smaller than the acquisition cost, the difference is recognized as an impairment loss.

Research and development expenditure

Research costs are expensed as incurred. Only development costs arising from significant new or substantially improved products and enterprise resource planning systems are capitalized as intangible assets provided that they are technically feasible and it is probable that the created asset will generate future economic benefits and development expenses can be measured reliably. Development costs which have been expensed once will not be capitalized later. Amortizations on intangible assets are recognized as of the date asset has been taken in use. Capitalized development costs are recognized as intangible assets and amortized over the assets' useful lives, which are three to five years. The value of the intangible asset is the original acquisition cost less any accumulated depreciation and impairment losses. If the previous criteria are not fulfilled, the development cost is expensed as incurred.

Maintenance and renovation expenditure

Normal repair, maintenance and servicing costs are expensed as incurred with the exception of large renovation expenditures which have been capitalized as part of the acquisition cost.

Leasing

Lease payments are expensed in the income statement and leased assets are not included in the fixed assets.

Inventory
Inventories are measured at acquisition cost, average acquisition cost or probable realization value, whichever is lower.

Cash in hand and at banks
Cash in hand and at banks include bank accounts and other cash equivalents.

Pension schemes
Itella Corporation's statutory pension coverage is provided by Ilmarinen Mutual Pension Insurance Company. Supplementary pension coverage (for those in the long-time service for Post and Telecommunications) is provided by OP Life Assurance Company Ltd.

Extraordinary income and expenses
Extraordinary income and expenses include transactions that do not specifically belong in the scope of the business activity of the company but are notable in size, incl. group contributions.

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

Income taxes
Income tax includes tax calculated on the profit for the current financial year as well as tax adjustments for previous financial years.

Deferred taxes are calculated using the tax rate effective on the balance sheet date. A deferred tax asset is recognized to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilized.

Foreign currency transactions
Transactions denominated in foreign currencies are translated into euros at the exchange rate quoted on the transaction date.

Receivables and liabilities in foreign currencies are translated into euros using the average exchange rate quoted on the balance sheet date by the European Central Bank. The exchange rate gains or losses arising from the business operations are recognized as adjustments of net sales and purchases. The exchange rate gains and losses arising from financial instruments are included in the financial income and expenses.

Measurement of financial instruments
Investments in bonds and commercial papers have been measured at fair value at the market rates quoted on the balance sheet date. The fair values of currency forward contracts are based on the forward prices quoted on the balance sheet date. The fair value of interest-rate swaps equals the present value of future interest cash flows. Other investments are equity fund investments measured at the fair value on the balance sheet date notified by the fund manager or the latest available fair value.

Derivative contracts and hedge accounting
Derivative contracts are initially recognized at the fair value of the date the derivative contract was concluded. Subsequently, they are measured at fair value on the balance sheet date. Profit or loss arising from valuation at fair value is recognized in accordance with the derivative contract's purpose of use. The effect of the value changes of derivative contracts, which

constitute effective hedging instruments and which are subject to hedge accounting, is shown consistently with the hedged item. The company recognizes derivative contracts as hedges (fair value hedge) of either assets or fixed liabilities recorded on the balance sheet or as derivative contracts, which do not meet the conditions for applying hedge accounting.

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

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

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

1. Net sales by geographical area

	2013	2012
Finland	78,289,518.81	56,941,784.98
Scandinavia	1,511,489.77	3,727,530.67
Russia and the Baltic countries	1,548,875.15	1,703,684.10
Other countries	7,008.00	1,104,268.48
Total	**81,356,891.73**	**63,477,268.23**

2. Other operating income

	2013	2012
Gains on sale of fixed assets	1,620.13	297,732.83
Rental income	70,632.67	69,299.13
Gain on merger	0.00	616,942.59
Other operating income	7,603,378.83	8,348,096.72
Total	**7,675,631.63**	**9,332,071.27**

3. Materials and services

	2013	2012
Purchases during the financial period	2,594.35	23,547.76
Change in inventories	0.00	147,672.46
External services	63,239.60	22,762.30
Total	**65,833.95**	**193,982.52**

4. Personnel expenses

	2013	2012
Wages and salaries	31,384,206.28	33,466,851.35
Pension expenses	5,083,462.99	5,076,150.31
Other social expenses	2,093,400.36	1,927,081.12
Total	**38,561,069.63**	**40,470,082.78**

Management remuneration		
President and CEO	471,446.00	542,194.00
Executive Board (excl. CEO)	1,553,063.00	1,205,115.52
Board of Directors	322,267.74	307,267.75
Supervisory Board	22,500.00	30,535.49
Total	**2,369,276.74**	**2,085,112.76**

Average number of personnel during the financial period		
Administrative employees	410	381
Employees	7	6
Total	**417**	**387**

5. Depreciation, amortization and impairment losses

	2013	2012
Intangible rights	2,573,924.52	2,401,774.23
Machinery and equipment	2,721,028.58	2,711,151.03
Total	**5,294,953.10**	**5,112,925.26**

6. Other operating expenses

	2013	2012
Rents and leases	4,011,086.65	4,609,796.64
Losses on sale of fixed assets	13,375,528.96	23,614.16
Personnel related costs	1,011,531.07	1,088,245.75
Traveling expenses	993,046.09	1,391,226.11
Marketing expenses	5,776,044.19	1,824,728.52
Entertainment expenses	192,526.65	333,830.37
Facility maintenance expenses	79,229.85	136,393.47
Security expenses	6,330.23	32,978.60
Office and administrative expenses	8,125,898.40	7,273,325.12
IT operating costs	53,475,907.27	40,997,310.10
Loss on merger	0.00	19,670,423.11
Other operating expenses	4,001,191.79	3,139,748.29
Total	**91,048,321.15**	**80,521,620.24**

7. Auditors' remuneration

	2013	2012
Audit	146,013.00	140,164.36
Tax advisory	68,439.99	53,385.00
Other services	60,227.61	72,046.29
Total	**274,680.60**	**265,595.65**

8. Financial income and expenses

Dividends received	2013	2012
From Group companies	5,086,661.75	2,895,193.98
From associated companies	0.00	29,006.48
From others	67,861.00	103,939.00
Total	**5,154,522.75**	**3,028,139.46**
Other interest and financial income		
From Group companies	5,587,406.03	11,047,492.25
Gains from currency exchange	16,168,640.30	15,588,236.32
Other interest income from others	5,302,871.69	6,694,701.75
Other financial income from others	2,103,655.14	4,112,732.71
Total	**29,162,573.16**	**37,443,163.03**
Total financial income	**34,317,095.91**	**40,471,302.49**
Interest and other financial expenses		
To Group companies	852,065.95	1,092,729.46
Losses on currency exchange	17,503,721.80	13,158,557.19
Other interest expenses to others	16,168,486.37	16,643,062.57
Other financial expenses to others	3,310,353.95	3,224,375.91
Total	**37,834,628.07**	**34,118,725.13**
Impairment losses on non-current assets		
Impairment losses on group interests/receivables on Group companies	41,791,746.49	47,224,576.84
Impairment losses on financial securities	-	34,974.81
Total	**41,791,746.49**	**47,259,551.65**
Total financial expenses	**79,626,374.56**	**81,378,276.78**
Total financial income and expenses	**-45,309,278.65**	**-40,906,974.29**
Financial income and expenses including gains and losses on currency exchange (net)	**-1,335,081.50**	**2,429,679.13**

9. Extraordinary items

	2013	2012
Group contributions received	62,100,000.00	98,200,000.00
Group contributions distributed	-17,500,000.00	-1,200,000.00
Total	**44,600,000.00**	**97,000,000.00**

10. Income tax

	2013	2012
Income tax on extraordinary items	10,927,000.00	23,765,000.00
Income tax on business activities	-10,808,890.48	-7,612,615.51
Income tax from previous years	-163,189.09	257,994.27
Change in deferred tax assets	381,352.82	-368,776.52
Total	**336,273.25**	**16,041,602.24**

11. Intangible assets

Development costs	2013	2012
Cost 1 Jan	4,131,567.00	4,131,567.00
Cost 31 Dec	**4,131,567.00**	**4,131,567.00**
Accumulated amortization 1 Jan	4,131,567.00	4,131,567.00
Accumulated amortization 31 Dec	**4,131,567.00**	**4,131,567.00**
Book value 31 Dec	**0.00**	**0.00**

Intangible rights		
Cost 1 Jan	28,576,783.03	25,676,592.69
Additions	1,001,257.57	2,680,929.64
Disposals	-729,380.84	-131,960.86
Transfers between items	199,304.09	351,221.56
Cost 31 Dec	**29,047,963.85**	**28,576,783.03**
Accumulated amortization 1 Jan	22,494,644.01	20,215,268.18
Accumulated amortization on disposals	-726,139.00	-122,398.40
Amortization for the financial period	2,573,924.52	2,401,774.23
Accumulated amortization 31 Dec	**24,342,429.53**	**22,494,644.01**
Book value 31 Dec	**4,705,534.32**	**6,082,139.02**

Prepayments		
Cost 1 Jan	5,490,819.23	1,031,221.56
Additions	1,090,366.32	4,810,819.23
Disposals	-3,188,364.65	0.00
Transfers between items	-199,304.09	-351,221.56
Cost 31 Dec	**3,193,516.81**	**5,490,819.23**
Book value 31 Dec	**3,193,516.81**	**5,490,819.23**
Total intangible assets	**7,899,051.13**	**11,572,958.25**

12. Tangible assets

Land and water	2013	2012
Cost 1 Jan	891,396.01	891,396.01
Cost 31 Dec	**891,396.01**	**891,396.01**
Book value 31 Dec	**891,396.01**	**891,396.01**

Machinery and equipment		
Cost 1 Jan	22,360,855.58	20,951,608.89
Additions	3,071,305.85	2,796,511.99
Disposals	-1,151,833.90	-1,387,265.30
Cost 31 Dec	**24,280,327.53**	**22,360,855.58**
Accumulated depreciation 1 Jan	17,729,387.84	16,369,440.69
Accumulated depreciation on disposals and transfers	-1,060,063.10	-1,351,203.88
Depreciation for the financial period	2,721,028.58	2,711,151.03
Accumulated depreciation 31 Dec	**19,390,353.32**	**17,729,387.84**
Book value 31 Dec	**4,889,974.21**	**4,631,467.74**

Other tangible assets		
Cost 1 Jan	1,191,007.90	1,179,998.73
Additions	-	11,009.17
Disposals	-1,880.00	-
Cost 31 Dec	**1,189,127.90**	**1,191,007.90**
Accumulated depreciation 1 Jan	65,524.77	65,524.77
Accumulated depreciation 31 Dec	**65,524.77**	**65,524.77**
Book value 31 Dec	**1,123,603.13**	**1,125,483.13**

Work in progress		
Cost 1 Jan	72,615.00	-
Additions	42,486.00	72,615.00
Disposals	-72,615.00	-
Cost 31 Dec	**42,486.00**	**72,615.00**
Book value 31 Dec	**42,486.00**	**72,615.00**
Total intangible assets	**6,947,459.35**	**6,720,961.88**

13. Non-current investments

Shares in Group companies	2013	2012
Cost 1 Jan	960,415,671.04	930,148,743.51
Additions	69,361,183.86	58,185,259.99
Disposals	-113,478,643.17	-27,918,332.46
Cost 31 Dec	**916,298,211.73**	**960,415,671.04**
Accumulated impairment losses 1 Jan	258,491,602.94	214,003,390.88
Impairment losses	39,553,465.73	46,278,212.06
Reversals of impairments	-32,776,836.97	-1,790,000.00
Book value 31 Dec	**651,029,980.03**	**701,924,068.10**

Shares in associated companies		
Cost 1 Jan	513,245.14	624,723.79
Disposals	-	-111,478.65
Cost 31 Dec	**513,245.14**	**513,245.14**
Share of profits or losses 1 Jan	1,310,984.87	1,310,984.87
Accumulated impairment losses 1 Jan	-1,097,739.73	-1,097,739.73
Book value 31 Dec	**300,000.00**	**300,000.00**

Other shares and holdings		
Cost 1 Jan	6,660,424.13	6,660,424.13
Disposals	-117.73	-
Cost 31 Dec	**6,660,306.40**	**6,660,424.13**
Accumulated impairment losses 1 Jan	660,676.07	660,676.07
Book value 31 Dec	**5,999,630.33**	**5,999,748.06**

Receivables from Group companies

Capital loan receivables		
Cost 1 Jan	93,181,287.06	94,050,147.12
Disposals	-	-868,860.06
Cost 31 Dec	**93,181,287.06**	**93,181,287.06**
Accumulated impairment losses 1 Jan	51,891,600.00	52,760,460.06
Reversals of impairment losses	-	-868,860.06
Book value 31 Dec	**41,289,687.06**	**41,289,687.06**

Receivables from others		
Capital loan receivables		
Cost 1 Jan	1,500,000.00	-
Additions	1,570,177.03	1,500,000.00
Cost 31 Dec	**3,070,177.03**	**1,500,000.00**
Book value 31 Dec	**3,070,177.03**	**1,500,000.00**
Total investments	**701,689,474.45**	**751,013,503.22**

14. Inventories

	2013	**2012**
Materials and consumables	0.00	12,205.63
Prepayments	204,111.28	68,821.84
Total	**204,111.28**	**81,027.47**

15. Non-current receivables

Receivables from Group companies	2013	2012
Loan receivables	180,810,318.50	193,834,199.64
Total	**180,810,318.50**	**193,834,199.64**

Receivables from others		
Loan receivables	861,122.19	861,122.19
Other receivables	500,010.71	99,858.74
Deferred tax assets	890,030.68	1,316,129.66
Other accrued income and prepayments	4,797,213.53	6,854,198.24
Total	**7,048,377.11**	**9,131,308.83**
Total non-current receivables	**187,858,695.61**	**202,965,508.47**

16. Current receivables

Receivables from Group companies	2013	2012
Trade receivables	23,825,559.32	6,285,585.88
Loan receivables	19,040,000.00	19,040,000.00
Interest receivables	18,440,453.26	23,366,742.54
Other receivables	0.00	7,383.31
Prepayments and accrued income	67,637,514.57	98,262,155.17
Total	**128,943,527.15**	**146,961,866.90**

Receivables from others		
Trade receivables	40,286.27	20,606.76
Other receivables	306,504.50	692,916.48
Prepayments and accrued income	4,695,397.69	5,980,239.63
Total	**5,042,188.46**	**6,693,762.87**
Total current receivables	**133,985,715.61**	**153,655,629.77**

Key items in prepayments and accrued income		
Interest receivables	1,667,754.26	2,280,803.27
Tax assets	5,482.67	119,283.25
Other prepayments and accrued income	3,022,160.76	3,580,153.11
Total	**4,695,397.69**	**5,980,239.63**

17. Fair value and change in fair value by financial instrument

	2013	2012
Investments in bonds and notes	50,465,735.52	54,138,340.52
Change in fair value recognized in the income statement	-468,065.72	2,025,841.26
Investments in commercial papers	69,305,940.79	46,750,726.17
Change in fair value recognized in the income statement	-105.89	-15,230.50
Currency derivatives	-200,976.62	-1,251,430.31
Change in fair value recognized in the income statement	-1,050,453.69	2,549,946.58
Interest rate derivatives	4,797,213.52	6,854,198.24
Change in fair value recognized in the income statement	2,056,984.71	-2,072,388.61
Other investments	745,488.59	777,246.23
Change in fair value recognized in the fair value reserve	171,539.62	-368,801.18
for which deferred tax	-34,307.92	90,356.29

18. Equity

	2013	2012
Share capital 1 Jan	70,000,000.00	70,000,000.00
Share capital 31 Dec	**70,000,000.00**	**70,000,000.00**
Fair value reserve and other reserves 1 Jan	-175,130.35	103,314.54
Profit or loss at fair value, other current investments	126,793.46	-278,444.89
Fair value reserve 31 Dec	**-48,336.89**	**-175,130.35**
Restricted equity total	**69,951,663.11**	**69,824,869.65**
Unrestricted equity		
Other reserves 1 Jan	142,703,761.93	142,703,761.93
Other reserves 31 Dec	**142,703,761.93**	**142,703,761.93**
Retained earnings 1 Jan	480,756,690.16	494,194,537.99
Dividend distribution	-6,800,000.00	
Retained earnings 31 Dec	**473,956,690.16**	**494,194,537.99**
Profit/loss for the financial year 31 Dec	**-46,983,206.37**	**-13,437,847.83**
Total unrestricted equity	**569,677,245.72**	**623,460,452.09**
Total equity	**639,628,908.83**	**693,285,321.74**

Calculation of distributable equity 31 Dec		
Other reserves	142,703,761.93	142,703,761.93
Retained earnings	473,956,690.16	494,194,537.99
Profit/loss for the financial period	-46,983,206.37	-13,437,847.83
Total	**569,677,245.72**	**623,460,452.09**

19. Provisions for liabilities and charges

	2013	2012
Pension provision	315,242.00	315,575.00
Restructuring provision	861,299.87	626,759.45
Total	**1,176,541.87**	**942,334.45**

20. Deferred tax liability and assets

Deferred tax assets	2013	2012
From provisions for liabilities and charges	235,308.39	230,872.37
From impairments	159,242.64	245,207.22
From temporary differences	495,479.65	840,050.07
Total	**890,030.68**	**1,316,129.66**

21. Non-current liabilities

	2013	2012
Bonds	252,012,283.33	253,904,743.06
Pension liabilities	-	12,500,000.00
Deferred tax liability	-	-
Other non-current liabilities	4,125,874.84	3,908,118.34
Total	**256,138,158.17**	**270,312,861.40**

Liabilities, maturity more than 5 years		
Bonds	-	-
Total	**0.00**	**0.00**

22. Current liabilities

Amounts owed to Group companies	2013	2012
Trade payables	683,697.69	883,964.29
Interest liabilities	123,920.96	1,834,267.64
Other liabilities	202,307,378.02	210,188,549.45
Accruals and deferred income	17,554,106.50	2,782,974.83
Total	**220,669,103.17**	**215,689,756.21**
Amounts owed to others		
Pension liabilities	12,500,000.00	25,000,000.00
Trade payables	7,183,570.96	5,512,512.25
Other liabilities	4,951,107.05	2,389,627.01
Accruals and deferred income	16,904,089.92	14,561,197.52
Total	**41,538,767.93**	**47,463,336.78**
Total current liabilities	**262,207,871.10**	**263,153,092.99**
Key items in other liabilities		
Payroll and related social costs	942,616.71	961,553.02
VAT-liability	3,498,242.34	-
Other liabilities	510,248.00	1,428,073.99
Total	**4,951,107.05**	**2,389,627.01**
Key items in accruals and deferred income		
Employee related costs	8,689,889.82	10,411,290.82
Accrued interests	1,494,006.44	1,801,325.20
Tax liabilities	105,558.39	718,304.31
Other accruals and deferred income	6,614,635.27	1,630,277.19
Total	**16,904,089.92**	**14,561,197.52**
Interest-bearing liabilities		
Non-current liabilities	252,012,283.33	266,404,743.06
Current liabilities	62,727,023.38	74,628,158.29
Total	**314,739,306.71**	**341,032,901.35**

23. Assets pledged, commitments and other liabilities

Pledges given for Group companies	2013	2012
Guarantees	135,168,257.00	120,558,504.00
Total	**135,168,257.00**	**120,558,504.00**

Pledges given for others		
Guarantees	-	21,917.00
Others	100,000.00	100,000.00
Total	**100,000.00**	**121,917.00**

Lease contracts unpaid amounts		
Payable within one year	515,073.67	1,305,247.07
Payable in later years	348,301.38	906,024.58
Total	**863,375.05**	**2,211,271.65**
Rental liabilities	**815.00**	**815.00**
Other commitments	**181,741.00**	**181,741.00**

Derivative contracts

Currency forward contracts		
Fair value	-200,976.62	-1,251,430.31
Nominal value	95,646,067.09	121,426,933.76

Interest rate swaps		
Fair value	4,797,213.52	6,854,198.24
Nominal value	70,000,000.00	70,000,000.00

Derivative instruments are used for hedging the foreign exchange rate risk and they are valued at the market rates available on the balance sheet date. Currency forward contracts are used to hedge against currency-denominated receivables and payables. Generally, transaction positions arising from subsidiary financing are hedged fully. A portion of the company’s fixed-interest loan has been converted to variable-interest loan with an interest-rate swap.

Other commitments

Itella corporation and Itella Posti 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.

24. Shares and holdings of Itella Corporation

Company name and domicile Group companies	Number of shares	Owner- ship (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	93,177,729.14
Itella Holding GmbH, Frankfurt am Main		100.00	50,000.21
Itella Information GmbH, Vienna		100.00	50,000.00
Itella Information Kft, Budapest		100.00	50,000.00
OpusCapita Group Oy, Helsinki	1,847	100.00	110,975,397.77
Itella Information S.R.L., Bucharest		99.00	28,582.19
Itella Information s.r.o., Prague		100.00	47,101.45
Itella Logistics AB, Stockholm	4,000	100.00	37,586.03
Itella Logistics AS, Oslo	6	100.00	12,584,498.52
Itella Logistics A/S, Hvidovre	1,000,000	100.00	20,000.22
Itella Logistics Oy, Vantaa	454	100.00	64,541,547.38
Itella Logistics SIA, Riga	20	100.00	66,251.45
Itella Logistics UAB, Vilnius	1,000	100.00	53,225.21
Itella Real Estate Oy, Helsinki		100.00	192,730,895.55
Itella SmartPOST OÜ, Tallinn		100.00	750,000.00
NLC International Corporation, Limassol	57,667,410	100.00	133,749,674.59
Itella Posti Oy, Helsinki	2,423,000	100.00	42,117,490.32
Total			**651,029,980.03**
Associated companies			
KOY Heliposti, Kotka	4,253	28.35	300,000.00
Total			**300,000.00**
Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	132,292.00
As. Oy Rovaniemen Viirikankaant. 2–4, Rovaniemi	1,584	15.84	200,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
KOY Elimäen Matkakaari, Elimäki	2,700	11.09	70,000.00
Cooperative Vereiniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Kouvola Innorail Oy			5,080.00
Master Golf Course Oy/Ab, Espoo	3		44,103.92
Vierumäki Golf Oy, Helsinki	7	0.06	96,516.41
Oy Samlink Ab	8,590	5.88	5,000,067.20
Total			**5,999,630.33**

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

According to the financial statements for 2013, the parent company’s distributable profits total EUR 569,677,245.72 of which net loss for the financial year accounts for EUR 46,983,206.37.

No material changes in the company’s financial standing since the end of the financial period, nor does the solvency test, as referred to in Section 13(2) of the Finnish Limited Liability Companies Act, affect the proposed distributable profits.

The Board of Directors proposes to the Annual General Meeting that no dividend to be distributed and EUR 569,677,245.72 retain in the shareholders' equity.

Signatures of the Board of Directors’ Report and the Financial Statements

Helsinki, 13 February 2014

Arto Hiltunen
Chairman

Heikki Malinen
President & CEO

Päivi Pesola
Vice Chairman

Jussi Kuutsa

Timo Löyttyniemi

Ilpo Nuutinen

Riitta Savonlahti

Suvi-Anne Siimes

Maarit Toivanen-Koivisto

Our auditor’s report has been issued today.

Helsinki, 13 February 2014

PricewaterhouseCoopers Oy

Merja Lindh, Authorized Public Accountant

Auditor’s Report

(Translation from the Finnish Original)

To the Annual General Meeting of Itella Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Itella Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Supervisory Board and the Board of Directors as well as the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, 13 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

Statement by the Supervisory Board

At its meeting today, the Supervisory Board of Itella Corporation has considered Itella Corporation’s Board of Directors’ Report , Financial Statements and the Auditors' Report for 2013.

The Supervisory Board proposes to the 2014 Annual General Meeting that the Income Statement and Balance Sheet for 2013 be adopted, and concurs with the proposal made by the Board of Directors on disposal of the profit.

Helsinki, 13 February 2014

Mauri Pekkarinen
Chairman of the Supervisory Board

Investor information

Our financial reports follow the International Financial Reporting Standards. As an issuer of two publicly listed bonds, we are obligated to disclose periodic information to a limited extent.

The first bond (EUR 150 million) was issued in November 2009 and listed on NASDAQ OMX Helsinki in December 2009. The second bond (EUR 100 million) was issued in November 2011 and listed on NASDAQ OMX Helsinki in January 2012.

This disclosure obligation is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd.

We fulfill our obligation to disclose periodic information by publishing our financial statements and quarterly interim reports as stock exchange releases.

Our financial communications policy is available in full at ▸ www.itella.com/financials.

Financial calendar in 2014

Financial Statements for 2013: February 14
January–March: April 30
April–June: July 18
July–September: November 3

Silent period

Itella has a silent period of 21 days before each quarterly financial report announcement. During the silent period Itella refrains from making any contacts or comments to investors, analysts and the media about the company's business prospects or financial results.

Annual General Meeting

Itella Corporation's Annual General Meeting was held on March 26, 2013. Itella deviates from the Finnish Corporate Governance Code in that notices concerning its Annual General Meeting and the related notes are not published on its website because Itella is a state-owned company and therefore has only one shareholder.

The tasks and resolutions of the Annual General Meeting are available at ▸ www.itella.com/agm.

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