ITELLA CORPORATION STOCK EXCHANGE RELEASE JULY 27, 2011, AT 10:00 A.M. (EET)

Itella Interim Report for January–June 2011

January–June 2011

- The Itella Group's net sales in the first half of 2011 totaled EUR 932.6 million (EUR 904.6 million in January-June 2010). International operations accounted for 33% (31%) of net sales.
- The Group posted an operating loss of EUR 3.4 million (operating profit of EUR 12.1 million), representing -0.4% (+1.3%) of net sales.
- Itella Mail Communications recorded constant net sales, while profitability declined considerably. The most important contributing factor was the reduction in mail delivery volume.
- In Itella Information, net sales increased slightly, but profitability declined.
- Itella Logistics clearly increased its net sales but remained in the red.
- The Finnish Parliament approved the new Postal Act, which entered into force on June 1, 2011. Itella's subsidiary Itella Posti Oy has the license for universal service.

April-June 2011

- In April–June, the Itella Group recorded net sales of EUR 469.7 million (EUR 450.6 million).
- The Group recorded an operating loss of EUR 4.7 million (operating loss of EUR 6.3 million), representing -1.0% (-1.4%) of net sales. This included EUR 0.3 million (EUR 14.5 million) of restructuring costs.

Key figures of Itella Group	1-6 /2011	1-6 /2010	2010
Net sales, MEUR	932.6	904.6	1,841.6
Operating result (EBIT), MEUR	-3.4	12.1	38.1
EBIT margin, %	-0.4	1.3	2.1
Operating result (EBIT), MEUR *)	-3.1	25.9	55.3
EBIT margin, % *)	-0.3	2.9	3.0
Result before tax, MEUR **)	-8.1	11.5	31.0
Return on equity (12 months), %	-0.6	-0.2	1.4
Return on investment (12 months), %	2.4	4.7	4.2
Equity ratio, %	49.6	50.3	50.5
Gearing, %	21.7	21.8	18.4
Gross capital expenditure, MEUR	23.8	43.4	81.9
Personnel on average	28,753	28,982	28,916
Dividends, MEUR			4.4

*) Excl. restructuring costs

**) Continuing operations

Jukka Alho, President and CEO:

"Itella's profitability in January–June was clearly unsatisfactory, and the result was below the target. Compared with last year, the main difference is the sharp reduction in the profitability of basic postal operations in Itella Mail Communications.

The digitalization of communication affected the delivery volumes of magazines and newspapers faster than expected. Compared with many other countries, letter volumes are still high in Finland, but the increased popularity of second class letters has considerably reduced income and profitability. On a positive note, the continuous growth of distance selling has increased the delivery volumes of parcels.

Itella Logistics still recorded a loss, despite a good increase in net sales. Particularly in Finland, net sales and profitability have developed positively. There is a considerable need for improvement of profitability in Sweden, Denmark, and Russia. In Russia, net sales have developed well, and in the Moscow area the warehouse utilization rate is back at a healthy level. The logistics market in the Moscow area is approaching a situation where demand exceeds capacity. Other parts of Russia are only just starting to recover from the financial crisis.

Itella Information is going through a strategically significant stage of development, with the focus of business increasingly shifting to offering outsourcing solutions for financial administration. Profitability was burdened by structural changes in business and a general downward trend of printed invoices.

The structural change of postal operations will require forceful cost control measures. Therefore, we must view all operations with a critical eye and also consider divesting. In order to guarantee efficient postal services throughout Finland, we must adjust the number of personnel to match customer demand.

The question of financing universal service was left open in the new Postal Services Act, to be decided on later. Even faster than expected, we are approaching the day when today's level of nationwide postal services can no longer be maintained solely with fees paid by customers. Political decisions will be necessary then: is it acceptable to adjust the service level to the income from customers, or will the postal services partly be financed with taxes?"

APPENDICES
Itella's full Interim Report

FURTHER INFORMATION
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FINANCIAL CALENDER 2011
Interim Report for January–September on Wednesday October 26.

PHOTOGRAPHS AND LOGOS
www.itella.com/media

Itella Group provides solutions for managing information and product flows. Itella operates in mail communication, information logistics and logistics in Europe and Russia. Net sales in 2010 amounted to EUR 1,842 million. The number of staff is about 28,000. Corporate services are delivered under the Itella brand, while the Posti brand is used for services targeted at consumers in Finland. More information is available online at www.itella.fi/group/english.

Operating environment

The operating environment of Itella's business groups has been described in the financial statements for 2010. No substantial changes were seen in the operating environment during the period.

The new Postal Act entered into force in Finland on June 1, 2011. In the new Act, universal service products are specified more clearly than before, and they are now VAT-exempted. The main principles of the universal service obligation remained basically the same. The Finnish Ministry of Transport and Communication established a working group to work on questions relating to the financing of universal services. The group's work will continue until spring 2012. The new Act requires the infrastructure of postal operations to be opened to competing postal service companies, including the postal code system and the address register. Itella continues to be the only designated universal service provider in Finland, and the license is held by the subsidiary Itella Posti Oy.

Net sales and financial performance in April–June 2011

The Itella Group posted net sales of EUR 469.7 million in April–June (EUR 450.6 million in April–June 2010). The Group recorded an operating loss of EUR 4.7 million (operating loss of EUR 6.3 million), representing -1.0% (-1.4%) of net sales. The operating result included EUR 0.3 million (EUR 14.5 million) of restructuring costs. Result before taxes was EUR -6.4 million (EUR -5.6 million).

Net sales and financial performance in January–June 2011

Itella Group's net sales in the first half of 2011 rose by 3.1%, amounting to EUR 932.6 million (EUR 904.6 million in January-June 2010). In local currencies, the increase in net sales was 2.6%. Acquisitions had no impact on net sales performance. Net sales increased in all business groups. The increase was 0.9% in Finland and 7.9% in other countries. International operations accounted for 33% (31%) of net sales.

In January–June, the Group posted an operating loss of EUR 3.4 million (operating profit of EUR 12.1 million), representing -0.4% (1.3%) of net sales. In 2010, operating profit for the period was taxed by restructuring costs of EUR 13.8 million. Operating profit decreased in Itella Information and Itella Mail Communications. In Itella Logistics, operating loss remained on the level of the previous year.

The Group's net financing costs were EUR -4.6 million (EUR -0.6 million). Net financing costs in 2010 were improved by a EUR 3.4 million revaluation gain from an interest rate swap. From January 1, 2011, Itella has been applying fair value hedge accounting to this interest rate swap, which means that changes in fair value have no material effect on net financing costs.

The result of continuing operations after financial items was EUR -8.1 million (EUR 11.5 million). Income tax for continuing operations totaled EUR 5.4 million (EUR 10.7 million). The result for discontinued operations included a EUR 0.6 million impairment of assets classified as held for sale.

The Group recorded a net loss of EUR 14.2 million for the period (net profit of EUR 0.8 million).

Return on equity (rolling 12 months) was -0.6% (-0.2%).

Itella Mail Communications

Itella Mail Communications recorded net sales of EUR 566.3 million in January–June (EUR 565.9 million), up by 0.1%.

A shift from first class letters to second class letters was seen in the period, but electronic substitution caused a decrease in the total volume of addressed items. The volume of unaddressed deliveries fell, due to tough competition. However, parcel service deliveries continued to increase.

In January–June, delivery volumes of mail items developed as follows compared with the corresponding period in 2010:

- 1st class letters -13%
- 2nd class letters +8%
- Addressed direct marketing +1%
- Addressed letters, total -1%

- Unaddressed direct marketing -9%

- Newspapers -5%
- Magazines-7%

- Parcels +7%

In Itella Mail Communications, operating result fell by 47.4% to EUR 10.3 million (EUR 19.6 million). The EBIT margin was 1.8% (3.5%). In 2010, the result for the period was taxed by a restructuring provision of EUR 13.6 million. Even though the total volume of addressed letter deliveries remained nearly unchanged, profitability was weakened by a lower average price and the rigidity of the cost structure. Postal operations are largely based on fixed costs, which are not very flexible to respond to changes in demand. In January–June, fixed costs continued to rise, causing much pressure for price increases. Performance in the first part of the year was also weakened by the postponement of increases in postages. This, in turn, was partly due to the fact that the new Postal Act entered into force later than originally planned.

Itella Information

In Itella Information, net sales remained stable, amounting to EUR 136.0 million (EUR 131.7 million) and showing an increase of 3.3% year-on-year. Net sales picked up in all product lines mainly in the Nordic countries and central Eastern Europe. Net sales fell in the Baltic countries and Germany, mostly due to the development of printing volume.

The business group’s operating result fell by 51.0% to EUR 3.6 million (EUR 7.3 million), representing 2.6% (5.6%) of net sales. Profitability weakened mainly because of tough competition.

At the beginning of April, the German company NewSource GmbH was acquired as part of Itella Information. Acquisition of OpusCapita Group Oy was announced at the end of the period. The acquisition took place at the beginning of July, after which OpusCapita is included in the figures of Itella Information. OpusCapita’s net sales in 2010 were nearly EUR 17.5 million, and it has 134 employees. At the turn of June-July, Itella Information signed two important financial administration outsourcing agreements in Sweden and Norway. Based on these agreements, altogether 51 financial administration professionals will join Itella Information.

Itella Logistics

In the first half of the year, net sales in Itella Logistics rose by 10.6% to EUR 357.1 million (EUR 322.8 million). Net sales increased in all product lines and nearly all countries of operation. Only in Denmark did net sales fall slightly.

Itella Logistics recorded a loss of EUR 8.8 million (a loss of EUR 8.6 million), representing -2.5% (-2.7%) of net sales. As a result of increased net sales, profitability improved, particularly in the Express and Air&Sea product lines. However, Road Freight and Contract Logistics were still in the red. Volumes developed favorably in Russia, for example, but there are still pressures for price increases and improvement of operational efficiency. The market conditions were challenging, particularly in Sweden and Denmark, where the Road Freight product line increased its losses. The Contract Logistics product line improved its performance in Finland, Estonia, and Sweden.

In the second quarter, Itella started to build a new service warehouse in Orimattila, Finland, to be completed in June 2013. The total investment amounts to more than EUR 60 million, of which nearly EUR 10 million has been invested in projects already completed.

Key Figures of Business Groups, MEUR	1-6/2011	1-6/2010	Change
Net sales			
Itella Mail Communications	566.3	565.9	0.1 %
Itella Information	136.0	131.7	3.3 %
Itella Logistics	357.1	322.8	10.6 %
Other activities	29.8	30.1	-0.9 %
Intra-Group sales	-156.6	-145.9	7.3 %
Itella Group	932.6	904.6	3.1 %
Operating result (EBIT)			
Itella Mail Communications	10.3	19.6	-47.4 %
Itella Information	3.6	7.3	-51.0 %
Itella Logistics	-8.8	-8.6	-2.6 %
Other activities	-8.6	-6.4	-35.1 %
Itella Group	-3.4	12.1	-
Operating result (EBIT) excl. restructuring costs			
Itella Mail Communications	10.3	33.2	-68.9 %
Itella Information	3.9	7.3	-46.9 %
Itella Logistics	-8.8	-8.5	-3.8 %
Other activities	-8.6	-6.3	-37.2 %
Itella Group	-3.1	25.9	-
EBIT margin, %			
Itella Mail Communications	1.8 %	3.5 %	
Itella Information	2.6 %	5.6 %	
Itella Logistics	-2.5 %	-2.7 %	
Itella Group	-0.4 %	1.3 %	
Itella Group excl. restructuring costs	-0.3 %	2.9 %	

Financial position and capital expenditure

Consolidated cash flow from operating activities before capital expenditure fell to EUR 7.4 million (EUR 19.8 million).

Capital expenditure amounted to EUR 21.2 million (EUR 43.4 million). A total of EUR 2.6 million was spent on acquisitions during the period. The amount includes the advance payment for OpusCapita Group Oy (no investments in acquisitions were made in the corresponding period in 2010).

At the end of June, liquid assets stood at EUR 133.8 million (EUR 144.0 million), and undrawn committed credit facilities totaled EUR 120.0 million (EUR 200.0 million). Commercial papers issued amounted to EUR 53.8 million. The Group's interest-bearing liabilities were EUR 282.5 million (EUR 300.3 million). Equity ratio stood at 49.6% (50.3%) and gearing was 21.7% (21.8%).

Human Resources

	Finland		Other countries		In total	
	Q2/2011	Q2/2010	Q2/2011	Q2/2010	Q2/2011	Q2/2010
Personnel on average	22,138	21,850	6,615	7,132	28,753	28,982
Personnel at end of period	23,756	23,789	6,538	6,796	30,294	30,585

Compared with the end of June in 2010, the average number of personnel increased in Finland by about 300 persons and decreased outside Finland by some 500 persons. The Group's personnel costs increased by EUR 5.2 million during the period, up 1.2% year-on-year. The personnel costs included EUR 0.3 million (EUR 13.8 million) of HR restructuring costs.

At the end of the period, the Group's segments had personnel as follows: Itella Mail Communications 20,499, Itella Information 2,174, Itella Logistics 7,578 and other Group functions 43.

Short-term business risks and uncertainties

Itella Group has an established, comprehensive risk management process, which is described in more detail at Itella's website (www.itella.com/corporategovernance). Risks associated with Itella's business are described in the financial statements for 2010. In addition to these, in 2011 the considerable turbulence and serious disturbances in the finance market have become a strategic market risk which could have an effect on the implementation of Itella's business plans. Moreover, availability of IT development resources and IT competence on all organizational levels have been recognized as a business development risk, as well as the potential to adapt to the digitalization of postal operations and to grasp the business opportunities it offers.

The risks and uncertainty factors associated with Itella's performance are discussed in the interim report under "Outlook for the rest of the year".

Changes in corporate structure

The legal structure of Finnish operations changed on January 1, 2011, when postal operations in Finland were centralized into the new Itella Posti Oy subsidiary. The subsidiary belongs to Itella Mail Communications. At the same time, the Itella Real Estate Oy subsidiary was established. It is responsible for the Group's real estate management in Finland.

NewSource GmbH, acquired on April 1, 2011, and OpusCapita Group Oy, acquired on July 1, 2011, were included in Itella Information.

Seasonal fluctuation

The Group's business is characterized by seasonal fluctuation. Net sales and operating result (EBIT) do not accumulate evenly throughout the year in the business segments. The first and fourth quarters are typically strong, while the second and third quarters are weaker.

Events after the reporting period

The Finnish District Court has issued its first decision concerning Itella's contract customers' claim on returning paid VAT amounts. The Court's decision was in favor of Itella. The customers have given notice of their intent to appeal.

Outlook for the rest of the year

Net sales are expected to increase moderately compared with 2010. Growth is anticipated, particularly outside Finland. It is justified to predict favorable development of volumes, because despite the uncertain economic conditions, national economies are expected to grow in the countries where Itella operates. In Finland, the development of net sales in postal operations is affected by consumers' increasing use of electronic services. This reduces the delivery volumes of addressed items, first class letters in particular. The new Finnish Postal Act is not yet expected to influence the competitive situation and Itella's net sales in 2011.

Operating result (EBIT) for 2011 before possible structural reorganization costs will be lower than operating result for 2010 excluding structural reorganization costs and write-offs. The measures taken to improve productivity and efficiency are not enough to compensate for the cost development, which is why they will remain in focus. Price increases will also be necessary. The efficiency improvement measures to be taken will probably involve structural reorganization costs.

Net cash flow from operating activities is expected to remain below last year's level. Capital expenditure is estimated to remain at the same level as in 2010 or to increase slightly. The volume and timing of investments and acquisitions will be carefully considered.

Helsinki, July 26, 2011

Itella Corporation
Board of Directors

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Key figures of Itella Group

	4-6 2011	**4-6 2010**	**1-6 2011**	**1-6 2010**	**1-12 2010**
Net sales, MEUR	469.7	450.6	932.6	904.6	1,841.6
Operating result (EBIT), MEUR	-4.7	-6.3	-3.4	12.1	38.1
EBIT margin, %	-1.0	-1.4	-0.4	1.3	2.1
*Operating result (EBIT), MEUR *)*	*-4.4*	*8.3*	*-3.1*	*25.9*	*55.3*
*EBIT margin, % *)*	*-0.9*	*1.8*	*-0.3*	*2.9*	*3.0*
Result before tax, MEUR **)	-6.4	-5.6	-8.1	11.5	31.0
Return on equity (12 months), %			-0.6	-0.2	1.4
Return on investment (12 months), %			2.4	4.7	4.2
Equity ratio, %			49.6	50.3	50.5
Gearing, %			21.7	21.8	18.4
Gross capital expenditure, MEUR	12.7	24.6	23.8	43.4	81.9
Personnel on average	29,216	29,154	28,753	28,982	28,916
Dividends, MEUR					4.4

**) Excl. restructuring costs, see notes 2*

**) Continuing operations

Consolidated Income Statement

EUR million	4-6 2011	4-6 2010	1-6 2011	1-6 2010	1-12 2010
Net sales	**469.7**	**450.6**	**932.6**	**904.6**	**1,841.6**
Other operating income	4.2	2.5	8.0	6.8	14.5
Share of associated companies' results	0.0	0.0	0.1	0.0	0.1
Materials and services	139.1	120.7	265.9	238.8	504.9
Employee benefits	227.9	229.3	452.9	447.7	877.9
Depreciation and amortisation	21.2	21.6	42.4	42.6	85.4
Other operating expenses	90.5	87.9	182.9	170.3	349.8
Operating result (EBIT)	**-4.7**	**-6.3**	**-3.4**	**12.1**	**38.1**
% of net sales	-1.0 %	-1.4 %	-0.4 %	1.3 %	2.1 %
Financial income and expenses	-1.7	0.6	-4.6	-0.6	-7.1
Result before income tax	**-6.4**	**-5.6**	**-8.1**	**11.5**	**31.0**
% of net sales	-1.4 %	-1.2 %	-0.9 %	1.3 %	1.7 %
Income tax	-2.2	-1.9	-5.4	-10.7	-17.5
Result for the financial period from continuing operations	**-8.6**	**-7.5**	**-13.5**	**0.8**	**13.6**
% of net sales	-1.8 %	-1.7 %	-1.4 %	0.1 %	0.7 %
Result for the financial period from discontinued operations	0.0	-	-0.6	-	-5.7
Income tax	-	-	-	-	1.5
Result for the financial period from discontinued operations	**0.0**	**-**	**-0.6**	-	**-4.2**
Result for the financial period	**-8.5**	**-7.5**	**-14.2**	**0.8**	**9.3**
% of net sales	-1.8 %	-1.7 %	-1.5 %	0.1 %	0.5 %
Result for the financial period attributable to					
Parent company shareholders	-8.5	-7.6	-14.2	0.7	9.3
Non-controlling interest	0.0	0.1	0.0	0.1	0.0
	-8.5	**-7.5**	**-14.2**	**0.8**	**9.3**
Comprehensive Consolidated Income Statement					
Result for the financial period	**-8.5**	**-7.5**	**-14.2**	**0.8**	**9.3**
Other items of comprehensive income					
Available-for-sale financial assets	0.0	0.1	-0.1	0.1	0.0
Translation differences	-1.8	13.0	0.0	38.3	20.0
Comprehensive income for the financial period	**-10.3**	**5.6**	**-14.2**	**39.2**	**29.3**
Comprehensive income attributable to					
Parent company shareholders	-10.3	5.5	-14.2	39.1	29.3
Non-controlling interest	0.0	0.1	0.0	0.1	0.0
	-10.3	**5.6**	**-14.2**	**39.2**	**29.3**

Consolidated Balance Sheet

EUR million	30 June 2011	30 June 2010	31 Dec 2010
Non-current assets			
Goodwill	170.4	167.0	170.9
Other intangible assets	69.5	77.6	73.5
Investment property	4.0	4.2	4.1
Property, plant and equipment	669.0	724.9	684.6
Investments in associated companies	0.8	0.6	0.7
Other non-current investments	1.4	1.9	1.4
Non-current receivables	11.2	7.5	9.7
Deferred tax assets	15.0	15.4	14.8
Total non-current assets	**941.3**	**999.2**	**959.8**
Current assets			
Inventories	6.6	6.1	5.9
Trade and other receivables	287.3	284.1	290.0
Current tax assets	13.7	9.5	5.2
Financial assets available-for-sale	2.1	2.5	2.2
Financial assets at fair value through profit or loss	56.0	62.8	58.5
Cash and cash equivalents	77.8	81.2	75.6
Total current assets	**443.5**	**446.3**	**437.4**
Non-current assets classified as held for sale	**13.9**	**-**	**14.9**
Total assets	**1,398.7**	**1,445.5**	**1,412.1**
Equity			
Share capital	70.0	70.0	70.0
Contingency reserve	142.7	142.7	142.7
Fair value reserve	0.0	0.1	0.0
Translation differences	-0.8	17.6	-0.8
Retained earnings	472.4	484.4	492.2
Equity attributable to equity holders of the parent company	**684.4**	**714.7**	**704.1**
Equity attributable to equity holders of the non-controlling interest	0.0	1.8	0.0
Total equity	**684.4**	**716.6**	**704.2**
Non-current liabilities			
Deferred tax liabilities	51.5	51.3	50.4
Non-current interest-bearing liabilities	200.0	229.3	214.2
Other non-current liabilities	17.6	15.7	17.7
Non-current provisions	15.7	15.8	15.7
Defined benefit pension plan obligations	7.5	6.5	6.6
Total non-current liabilities	**292.4**	**318.5**	**304.7**
Current liabilities			
Current interest-bearing liabilities	82.5	71.1	49.4
Trade payables and other liabilities	332.0	321.3	351.2
Current tax liabilities	5.8	4.0	0.3
Current provisions	1.0	14.1	1.6
Total current liabilities	**421.4**	**410.4**	**402.6**
Liabilities associated with non-current assets classified as held for sale	**0.5**	**-**	**0.6**
Total liabilities	**714.3**	**728.9**	**707.9**
Total equity and liabilities	**1,398.7**	**1,445.5**	**1,412.1**

Consolidated Cash Flow Statement

EUR million	1-6 2011	1-6 2010	1-12 2010
Result for the financial period	**-14.2**	**0.8**	**9.3**
Total adjustments	53.8	53.4	113.6
Change in net working capital	-19.2	-10.4	-7.6
Cash flow before financial items and income tax	**20.4**	**43.8**	**115.4**
Financial items (net)	-5.0	0.8	-8.3
Tax paid	-8.1	-24.8	-25.1
Cash flow from operating activities (net)	**7.4**	**19.8**	**81.9**
Acquisition of subsidiaries less cash and cash equivalents	-2.6	-0.1	-1.4
Purchase of intangible assets and property, plant and equipment	-21.2	-43.4	-80.3
Proceeds from sale of intangible and tangible assets	0.1	1.5	4.2
Change in financial assets at fair value through profit or loss	2.7	15.3	20.2
Cash flow from other investments	1.2	0.0	1.2
Cash flow from investing activities (net)	**-19.8**	**-26.7**	**-56.1**
Change in loans (net)	22.2	11.2	-22.6
Finance lease principal payments	-3.3	-4.1	-8.3
Acquisition of non-controlling interest	-	-	-2.7
Dividends paid	-4.4	-	-0.1
Cash flow from financing activities (net)	**14.5**	**7.1**	**-33.7**
Change in cash and cash equivalents	**2.2**	**0.3**	**-7.9**
Cash and cash equivalents at period-start	**75.6**	**82.3**	**82.3**
Effect of changes in exchange rates	0.1	-1.3	1.2
Change in fair value of cash and cash equivalents	0.0	0.0	0.0
Cash and cash equivalents at period-end	**77.8**	**81.2**	**75.6**

Statement of Changes in Shareholders' Equity

EUR million	Equity attributable to equity holders of the parent company							
	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2010	**70.0**	**142.7**	**0.0**	**-20.7**	**483.6**	**675.6**	**1.6**	**677.2**
Result for the financial period					0.7	0.7	0.1	0.8
Change in fair value reserve			0.1			0.1		0.1
Change in translation differences				38.3		38.3		38.3
Equity 30 June 2010	**70.0**	**142.7**	**0.1**	**17.6**	**484.4**	**714.7**	**1.8**	**716.6**
Equity 1 Jan 2011	**70.0**	**142.7**	**0.0**	**-0.8**	**492.2**	**704.1**	**0.0**	**704.1**
Dividends paid					-4.4	-4.4		-4.4
Result for the financial period					-14.2	-14.2		-14.2
Other change					-1.1	-1.1		-1.1
Change in translation differences				0.0		0.0		0.0
Equity 30 June 2011	**70.0**	**142.7**	**0.0**	**-0.8**	**472.4**	**684.4**	**0.0**	**684.4**

Notes

1. Accounting Principles

The Financial statements review was prepared in accordance with IAS 34 'Interim Financial Reporting' and in line with the same accounting principles as those used in Itella's financial statements for 2010. Itella has applied the currently valid IFRS standards and interpretations in the preparation of this interim report. The figures shown have been rounded, which is why the sum total of individual figures may differ from that shown here.

From January 1, 2011 Itella Group's accounting principles of certain financial instruments has been changed and Itella has started to apply fair value hedge accounting according to the IAS 39 for the interest rate swap hedging the fixed rate loan. The hedged item is Itella's fixed rate EUR 150 million bond of which EUR 70 million amount is in hedging relationship and the hedging instrument is the interest rate swap of EUR 70 million. The hedge is effective and it meets the IAS 39 criteria for fair value hedge accounting.

The information presented in this report is unadited.

2. Segment Information

The reorganization of the parent company's legal structure implemented on January 1, 2011, and certain transactions previously handled as internal cost allocation between business operations will now be recorded as net sales charged by one Group company to another. This change will result in an increase in intra-group net sales and eliminations. These transactions are for example group's internal freight service and ICT service.

At the beginning of January 2011 electronic mailbox and archive service (Itella's service offered to consumers called Netposti) and also the payment service center in Kouvola relocated to Itella Mail Communications.

Comparative figures have been adjusted accordingly.

EUR million	**4-6 2011**	**4-6 2010**	**1-6 2011**	**1-6 2010**	**1-12 2010**
Net sales by business segment					
Itella Mail Communications	283.8	280.8	566.3	565.9	1,141.8
inter-segment sales	-9.9	-10.9	-20.6	-21.5	-41.6
Itella Information	65.4	63.4	136.0	131.7	259.7
inter-segment sales	-3.4	-2.8	-6.5	-5.5	-11.2
Itella Logistics	182.9	166.4	357.1	322.8	677.3
inter-segment sales	-49.1	-46.9	-99.8	-89.9	-184.6
Other operations	14.9	16.3	29.8	30.1	55.0
inter-segment sales	-14.7	-15.6	-29.6	-28.9	-54.8
Total eliminations (Interim sales)	-77.1	-76.2	-156.6	-145.9	-292.2
Total	**469.7**	**450.6**	**932.6**	**904.6**	**1,841.6**

EUR million	4-6 2011	4-6 2010	1-6 2011	1-6 2010	1-12 2010
Operating result (EBIT) by business segment					
Itella Mail Communications	4.8	-2.2	10.3	19.6	53.3
Itella Information	-1.2	1.6	3.6	7.3	12.8
Itella Logistics	-3.7	-2.0	-8.8	-8.6	-10.7
Other operations	-4.7	-3.8	-8.6	-6.4	-17.2
Total	**-4.7**	**-6.3**	**-3.4**	**12.1**	**38.1**
Restructuring costs by business segment					
Itella Mail Communications	-	13.7	-	13.6	15.9
Itella Information	0.3	0.0	0.3	0.0	1.2
Itella Logistics	-	0.1	-	0.1	0.1
Other operations	-	0.7	-	0.1	0.0
Total	**0.3**	**14.5**	**0.3**	**13.8**	**17.3**
Operating result (EBIT) by business segment excluding restructuring cost					
Itella Mail Communications	4.8	11.6	10.3	33.2	69.2
Itella Information	-0.9	1.6	3.9	7.3	14.0
Itella Logistics	-3.7	-1.9	-8.8	-8.5	-10.6
Other operations	-4.7	-3.0	-8.6	-6.3	-17.2
Total	**-4.4**	**8.3**	**-3.1**	**25.9**	**55.4**
Financial income and expenses	**-1.7**	**0.6**	**-4.6**	**-0.6**	**-7.1**
Result before income tax	**-6.4**	**-5.6**	**-8.1**	**11.5**	**31.0**

EUR million	30 June 2011	30 June 2010	31 Dec 2010
Assets			
Itella Mail Communications	480.7	460.5	471.3
Itella Information	163.1	162.6	167.0
Itella Logistics	617.9	647.1	621.7
Other operations and unallocated	173.6	183.3	160.3
Eliminations	-36.8	-7.9	-8.2
Total	**1,398.7**	**1,445.5**	**1,412.1**
Liabilities			
Itella Mail Communications	248.1	238.4	251.4
Itella Information	40.9	36.7	39.3
Itella Logistics	108.5	92.9	100.3
Other operations and unallocated	353.6	368.7	325.1
Eliminations	-36.8	-7.9	-8.2
Total	**714.3**	**728.9**	**707.9**
Personnel at period-end			
Itella Mail Communications	20,499	20,754	19,314
Itella Information	2,174	1,937	1,942
Itella Logistics	7,578	7,852	7,724
Other operations	43	42	42
Total	**30,294**	**30,585**	**29,022**

3. Net Sales by Geographical Location

EUR million	4-6 2011	4-6 2010	1-6 2011	1-6 2010	1-12 2010
Finland	317.4	310.6	629.3	623.4	1,255.8
Scandinavia	67.9	64.5	135.3	128.9	262.2
Baltic countries and Russia	52.8	45.7	102.7	90.1	202.0
Other countries	31.6	29.9	65.3	62.2	121.6
Total	**469.7**	**450.6**	**932.6**	**904.6**	**1,841.6**

4. Changes in Property, Plant and Equipment

EUR million	30 June 2011	30 June 2010	31 Dec 2010
Carrying amount on 1 Jan	684.6	688.4	688.4
Additions	17.6	39.9	166.2
Disposals and transfers between items	-1.7	-1.0	-119.1
Depreciation and Impairment	-33.3	-32.0	-65.1
Translation differences	2.0	29.6	14.2
Carrying amount at period-end	**669.0**	**724.9**	**684.6**

5. Consolidated Contingent Liabilities

EUR million	30 June 2011	30 June 2010	31 Dec 2010
Pledges for own behalf	18.8	18.1	18.4
Lease commitments	343.1	361.4	357.0

Derivative Contracts

EUR million	30 June 2011	30 June 2010	31 Dec 2010
Currency forward contracts (not in hedge accounting)			
Fair value	-0.3	3.2	-2.0
Nominal value	113.5	110.6	105.4
Interest rate swaps (in hedge accounting)			
Fair value	1.1	3.4	1.9
Nominal value	70.0	70.0	70.0

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

6. Related Party Transactions

Related party transactions were insignificant and there have been no material changes since the financial year 2010.