

ITELLA CORPORATION STOCK EXCHANGE RELEASE October 26, 2011, AT 10:00 A.M.

## **Itella Interim Report for January–September 2011**

### **July–September 2011**

- Itella Group's net sales grew by 5% in July–September and totaled EUR 449.4 million (EUR 428.1 million in July–September 2010).
- Net sales increased in all business groups.
- The Group recorded an operating loss of EUR 21.5 million (operating profit of EUR 4.4 million), representing -4.8% (1.0%) of net sales. The operating result was weighed down by non-recurring expenses amounting to EUR 32.3 million (EUR 1.6 million), of which restructuring costs expenses related to the cost-cutting program initiated by the Group in August accounted for EUR 15.7 million and goodwill impairment for EUR 16.6 million.
- Itella Group's operating result, excluding non-recurring items, grew from the previous year and totaled EUR 10.7 million (EUR 6.0 million).
- The operating result excluding non-recurring items of Itella Mail Communications fell to EUR 7.4 million (EUR 9.7 million) and of Itella Information to EUR 0.1 million (EUR 3.1 million). Itella Logistics' operating result excluding non-recurring items turned profitable, and amounted to EUR 3.7 million (EUR -3.0 million).
- Due to the downturn in performance trends Itella introduced a three-year EUR 100 million cost-cutting program in August.
- On August 31, 2011, Itella's subsidiary Itella Bank Ltd was granted a deposit bank authorization pursuant to the Credit Institutions Act.

### **January–September 2011**

- Itella Group recorded net sales of EUR 1,382.0 million in January-September (EUR 1,332.7 million in January-September 2010). International operations accounted for 33% (32%) of net sales.
- The Group operating loss was of EUR 25.0 million (operating profit of EUR 16.5 million), representing -1.8% (1.2%) of net sales.
- The operating loss includes non-recurring expenses of EUR 32.6 million (EUR 15.5 million).
- Itella Mail Communications net sales remained stable, while profitability clearly declined.
- Itella Information's net sales increased slightly, but profitability declined.
- Itella Logistics clearly increased its net sales but operating result remained negative. Operating loss excluding non-recurring items, however, decreased compared to the previous year.
- 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.

Itella key figures	1-9 2011	1-9 2010	2010
Net sales, EUR million	1,382.0	1,332.7	1,841.6
Operating result (EBIT), EUR million	-25.0	16.5	38.1
Operating result (EBIT) percentage	-1.8	1.2	2.1
<i>Operating result (EBIT), EUR million*</i>	<i>7.6</i>	<i>31.9</i>	<i>55.4</i>
<i>Operating result (EBIT) percentage*</i>	<i>0.6</i>	<i>2.4</i>	<i>3.0</i>
Result before income tax, EUR million **)	-32.4	14.0	31.0
Return on equity, %, 12 months	-4.4	1.2	1.4
Return on investment, %, 12 months	-0.6	5.1	4.2
Equity ratio, %	47.3	49.7	50.5
Gearing, %	31.0	26.0	18.4
Gross investments, EUR million	66.9	64.0	81.9
Personnel on average	28,711	29,009	28,916
Dividend, EUR million			4.4

*\*) Excluding non-recurring items*

*\*\*\*) Continuing operations*

## Jukka Alho, President and CEO:

*"The concrete steps aiming to adapt Itella's operations to the changes affecting its business environment began in the early autumn. August saw us announcing the need to boost our efficiency with EUR 100 million. In relation to this, we commenced personnel adaptation measures concerning a total of more than 900 man-years. The purpose of the increase in efficiency is to ensure that we will continue to maintain an adequate level of service nationally.*

*The realization of these plans has run parallel to the increasingly strong signs present in the entire European economy of a probable new recession. Meanwhile, factors such as a value added tax to be levied on the print media – which could also have a considerable impact on jobs at Itella – remain as part of the planning.*

*In terms of Itella's business operations, the most positive trend is evident in Logistics, the operative business of which was profitable during the third quarter. Particular improvement is also evident in both domestic and Russian warehouse fill rates and profitability. The central aspects in the Information business area are the integration of operations and the related growth outlook following the OpusCapita acquisition in June.*

*Regarding domestic postal services, development has remained weak, with the exception of the domestic parcel business. We are in the midst of a significant structural change concerning postal operations with a global reach, and this is occurring simultaneously in most developed countries. In Finland, the decline in the volumes of the print media has been considerable.*

*It is becoming increasingly clear and unavoidable that we are in a situation where citizens find changes to the accustomed service infrastructure unwelcome but, on the other hand, the service is not considered crucial enough for there to be a willingness to pay for its full costs. From a broader perspective, the state of society at large seems similar: five-day postal delivery, for example, is considered important, but not important enough to prompt a great amount of eagerness to direct already scarce tax revenue to it. This creates a challenge; tackling it requires vision and courage. I believe that in the next few years we will see the beginning of a renewed Europe-wide dialog in which the demand for traditional postal services will be reconciled with the other models of solution offered by the information society. When the time comes, we must decide on the level of service that must truly be available everywhere – even in places where increased competition does not generate adequate services."*

## APPENDICES

Itella's full Interim Report

## FURTHER INFORMATION

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## DISTRIBUTION

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Key media

<http://www.itella.fi/group/english/financials/>

## FINANCIAL CALENDER 2012

Financial Statements Bulletin 2011 to be released on February 17, 2012

## PHOTOGRAPS AND LOGOS

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

*Itella Group provides solutions for managing information and product flows. Itella operates in the fields of mail Communications, 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](http://www.itella.fi/group/english).*

# Interim Report for January–September 2011

## Operating environment

Overall economic uncertainty has increased since the summer. The uncertainty has been accompanied by a major ongoing change concerning postal operations. The importance of traditional postal services has changed and the difference in demand that is attributable to electronic communications is evident in the clear decline concerning the delivery volumes of paper communications. The nine percent value added tax on newspapers and magazines proposed by the Finnish government in the Government Program is expected to weaken volume development from next year. To adapt its operations to a changed operational environment, Itella launched a cost-cutting program in August, with the aim of cutting costs by over EUR 100 million over the next three years.

The new Postal Act entered into force on June 1, 2011. In the new Act, universal service products are specified more clearly than before, and they are now VAT-exempt. The main principles of the universal service obligation remained basically the same. The Finnish Ministry of Transport and Communication established a working group to discuss questions related to the financing of universal services. The group's work will continue until the spring of 2012. The new Act requires the infrastructure of postal operations – for the part of, for example, the postal code system and the address register – to be opened to competing postal service companies. At the moment, Itella Posti Oy is the sole operator appointed as a universal service provider in Finland.

## Net sales and financial performance, July–September 2011

In July–September, Itella Group net sales was EUR 449.4 million (EUR 428.1 million). The operating loss of continuing operations totaled EUR 21.5 million (operating profit of EUR 4.4 million), representing -4.8% (1.0%) of net sales.

The period's result is affected by non-recurring items of EUR 32.3 million (EUR 1.6 million). Of the non-recurring items, restructuring costs related to the Group's cost-cutting program account for EUR 15.7 million and goodwill impairment accounts for EUR 16.6 million. The operating result of continuing operations before non-recurring items was EUR 10.7 million in the black (EUR 6.0 million), representing 2.4% (1.4%) of net sales.

The result of continuing operations before taxes was EUR -24.3 million (EUR 2.5 million).

Result for the financial period totaled EUR -22.9 million (EUR 1.1 million).

## Net sales and financial performance, January–September 2011

In January–September, Itella Group recorded net sales of EUR 1,382.0 million (EUR 1,332.7 million). Net sales grew by 3.7%. In local currencies, the increase in net sales was 1.8%. Acquisitions did not have a notable impact on net sales performance. Net sales increased in all business groups. The increase was 1.8% in Finland and 7.7% in other countries. International operations accounted for 33% (32%) of net sales.

The Group's continuing operations posted an operating loss of EUR 25.0 million (operating profit of EUR 16.5 million), representing -1.8% (1.2%) of net sales. Operating profit decreased in all business groups.

The non-recurring items weighing down the result of the period are principally related to the cost-cutting program initiated by Itella in August 2011, as well as the goodwill impairment carried out in the business areas of Logistics and Mail Communications. The restructuring costs amounted to EUR 16.0 million (EUR 15.5 million), the goodwill impairment in Logistics was EUR 15.4 million (-), and the goodwill write-off in Mail Communications was EUR 1.2 million (-). In January–September, the operating result of the Group's continuing operations before non-recurring items was EUR 7.6 million (EUR 31.9 million), representing 0.6% of net sales (2.4%).

The Group's net financing costs were EUR -7.5 million (EUR -2.5 million). Net financing costs in 2010 were improved by a EUR 4.2 million revaluation gain from an interest rate swap. From the beginning of 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 -32.4 million (EUR 14.0 million). Income tax for continuing operations totaled EUR 4.0 million (EUR 12.1 million). The result of the reporting period includes a sales loss of assets held for sale and a change in imputed tax totaling EUR 0.7 million (-).

The Group recorded a net loss of EUR 37.1 million for the reporting period (net profit of EUR 1.8 million).

Return on equity (rolling 12 months) was -4.4% (1.2%).

## **The change program**

In August, Itella commenced a wide-ranging cost-cutting program, the aim of which is to generate savings worth more than EUR 100 million over the next three years. The goal is to help Itella tackle the major transition in the sector: digital communication means that the decrease in the amount of home-delivered mail is accelerating. Measures commenced in August–September concern the Lappeenranta post center, Itella Customer Relationship Marketing, Posti shops, Itella's administrative operations, and Itella Information.

Negotiations have yielded several different solutions in order to achieve the necessary increase in efficiency, with as few reductions in the workforce as possible. The first phase of the program finished at the beginning of October and, as an outcome of the negotiations, the need to downsize the workforce was reduced due to the divestments and voluntary severance packages. The staff reductions will be implemented by adhering to HR best practices and by using a range of methods (e.g. pension solutions, voluntary arrangements). Itella and the Finnish Post and Logistics Union (PAU) have signed a new change security agreement that is better than the statutory change security.

A presentation of the change program's impact on the results of each business group during this period is included in the report concerning the period. Furthermore, administrative functions posted personnel restructuring costs of EUR 0.5 million.

## **Itella Mail Communications**

Itella Mail Communications recorded net sales of EUR 828.6 million in January–September (EUR 821.3 million), up by 0.9%. Net sales in July–September increased 2.7% due to positive development in parcel volumes.

A clear shift from first class letters to second class letters was evident during the period, and the total volume of addressed items decreased due to electronic substitution. The volume of unaddressed deliveries fell, due to tough competition. However, growth in parcel service deliveries continued.

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

- 1<sup>st</sup> class letters -13%
- 2<sup>nd</sup> class letters +8%
- Addressed direct marketing +2%
- Addressed letters, total -1%
- Unaddressed direct marketing -12%
- Newspapers -5%
- Magazines -5%
- Parcels +7%

The operating result of Itella Mail Communications fell sharply, by 85.9%, to EUR 3.9 million (EUR 27.6 million). The operating result percentage was 0.5% (3.4%). The result of the reporting period was weighed

down by non-recurring expenses amounting to EUR 13.8 million, of which personnel adaptation costs accounted for EUR 11.5 million (EUR 15.3 million), the closing of premises for EUR 0.5 million, software impairment for EUR 0.6 million (-), and goodwill impairment attributed to restructuring for EUR 1.2 million (-).

Even though the total volume of addressed letter deliveries remained largely 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 flexible and do not respond rapidly to changes in demand. In January–September, fixed costs continued to rise, causing pressure for price increases. Performance in the first part of the year was also weakened by the postponement of increases in postages, partly due to the fact that the new Postal Act entered into force later than originally planned.

If the nine percent value added tax proposed for magazines is adopted, the company's management expects it to have a significant impact on both the business group's net sales and its future results.

## **Itella Information**

In January–September, the net sales of the Itella Information business group increased by 5.2% in comparison to the corresponding period in 2010, totaling EUR 202.4 million (EUR 192.5 million). Net sales in the third quarter increased by 9.2%. Net sales increased mainly in Finland and other Nordic countries and in central Eastern Europe. Net sales fell in the Baltic countries and Germany, mostly due to the development of printing volumes. Net sales increased in all product lines, especially in financial management outsourcing services and due to the acquisition (OpusCapita).

The business group's operating result declined to EUR 2.3 million (EUR 10.5 million), representing 1.1% (5.4%) of net sales. Profitability weakened, mainly due to tough competition. The result of the reporting period was weighed down by restructuring costs of EUR 1.7 million (-), for the most part related to the extensive cost-cutting program started by Itella Group in August. In addition, there was a EUR 1.9 million one-off depreciation in the capitalized costs of development projects.

At the beginning of April, the German company NewSource GmbH was acquired, to become part of Itella Information. The Finnish OpusCapita Group Oy was integrated into Itella Information at the beginning of July. As a result of this acquisition, Itella will expand its range of services to also cover the automation of cash flows, which will support Itella's competitiveness as an innovative financial management outsourcing partner that brings added value to its customers. OpusCapita's net sales in 2010 were nearly EUR 17.5 million, and it employs 134 people. At the turn of June-July, Itella Information signed two important financial management outsourcing agreements in Sweden and Norway. Based on these agreements, a total of 51 financial management professionals will join Itella Information.

## **Itella Logistics**

In January–September, net sales in Itella Logistics rose by 10.1%, to EUR 541.7 million (EUR 492.0 million). Net sales increased in all product lines and in nearly all countries of operation. Only in Denmark did net sales fall slightly. The increase in net sales in July–September was 9.1%.

The Itella Logistics business group recorded a cumulative loss of EUR 21.5 million (EUR -11.6 million), representing -4.0% (-2.4%) of net sales. The July–September result was weakened by non-recurring items totaling EUR 16.5 million (-). Logistics' Freight and Forwarding business line realized EUR 15.4 million of goodwill impairment as a result of weaker-than-expected development in profitability and an increase in the discount rate, in particular. Due to the challenging competitive conditions, Itella Logistics decided to centralize Danish warehousing operations to Kolding and Hvidovre by the end of the year. This generated a restructuring provision of EUR 0.7 million. Furthermore, administrative functions posted personnel adaptation costs of EUR 0.4 million.

The net sales and profitability of Logistics developed favorably, particularly in Finland and – during the third quarter – also in Russia. Profitability remained positive in the Air & Sea product line and improved markedly in Contract Logistics. In Russia, net sales have also developed well, and storage space utilization in the Moscow area has returned to a healthy level. The market is approaching a situation where demand exceeds capacity. Other parts of Russia are only at an early state of recovery from the financial crisis. Profitability in

Sweden and Denmark remains in dire need of improvement and measures to turn the situation around have been undertaken.

In the second quarter, Itella started building a new service warehouse in Orimattila; the warehouse will be completed in June 2013. The total investment amounts to more than EUR 60 million, of which nearly EUR 12.8 million has been invested in projects already completed.

<b>Key figures of business groups (EUR million)</b>	<b>1-9 2011</b>	<b>1-9 2010</b>	<b>Change</b>
<b>Net sales</b>			
Itella Mail Communications	<b>828.6</b>	821.3	0.9%
Itella Information	<b>202.4</b>	192.5	5.2%
Itella Logistics	<b>541.7</b>	492.0	10.1%
Other functions	<b>44.3</b>	41.6	6.4%
Internal sales	<b>-235.0</b>	-214.6	9.5%
<b>Group total</b>	<b>1,382.0</b>	1,332.7	3.7%
<b>Operating result (EBIT)</b>			
Itella Mail Communications	<b>3.9</b>	27.6	-85.9%
Itella Information	<b>2.3</b>	10.5	-78.0%
Itella Logistics	<b>-21.5</b>	-11.6	-85.5%
Other functions	<b>-9.6</b>	-10.0	3.5%
<b>Group total</b>	<b>-25.0</b>	16.5	..
<b><i>Operating result excluding non-recurring items</i></b>			
<i>Itella Mail Communications</i>	<b>17.7</b>	42.9	-58.7%
<i>Itella Information</i>	<b>4.0</b>	10.5	-61.3%
<i>Itella Logistics</i>	<b>-5.1</b>	-11.5	56.0%
<i>Other functions</i>	<b>-9.1</b>	-10.0	8.8%
<b>Group total</b>	<b>7.6</b>	31.9	..
<b>Operating result-%</b>			
Itella Mail Communications	<b>0.5%</b>	3.4%	
Itella Information	<b>1.1%</b>	5.4%	
Itella Logistics	<b>-4.0%</b>	-2.4%	
<b>Group total</b>	<b>-1.8%</b>	1.2%	
<b>Group total excluding non-recurring items</b>	<b>0.6%</b>	2.4%	

## Financial position and capital expenditure

Consolidated net cash flow from operating activities before investment activities totaled EUR 0.2 million (EUR 14.9 million).

Capital expenditure and corporate transaction expenditure amounted to EUR 58.4 million (EUR 64.0 million).

At the end of September, liquid assets stood at EUR 109.1 million (EUR 126.2 million), and undrawn committed credit facilities totaled EUR 120.0 million (EUR 120.0 million). Commercial papers issued

amounted to EUR 90.0 million. The Group's interest-bearing liabilities were EUR 310.1 million (EUR 305.6 million). The equity ratio was 47.3% (49.7%) and gearing was 31.0% (26.0%).

## Human Resources

	Finland		Other countries		In total	
	1-9 2011	1-9 2010	1-9 2011	1-9 2010	1-9 2011	1-9 2010
Personnel on average	22,155	22,078	6,616	6,931	28,771	29,009
Personnel at end of period	21,220	21,526	6,682	6,727	27,902	28,253

In comparison to the end of September 2010, the number of personnel at the end of the reporting period in Finland fell by 306 people, and by 45 outside Finland. The Group's personnel costs increased by EUR 22.0 million during the period, up 3.4% year-on-year. The personnel costs included EUR 14.1 million (EUR 15.5 million) of personnel restructuring costs.

At the end of the period, the Group's segments had personnel as follows: Itella Mail Communications 18,108, Itella Information 2,419, Itella Logistics 7,335, and other Group functions 40.

The statutory labor negotiations that started in August were concluded in September and the statutory labor negotiations that commenced in September will be concluded in October–November.

## Short-term business risks and uncertainties

The global economic uncertainty and the lowered national growth expectations constitute a significant factor, the effects of which on the result of the rest of the year and future growth expectations is difficult to estimate at this point.

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

Itella Information grew as a result of the acquisition of the entire share capital of the German NewSource GmbH on April 1, 2011 and the entire share capital of OpusCapita Group Oy on July 1, 2011. The transaction allows Itella to expand its range of services to cover the automation of cash flows, which will support Itella's competitiveness as an innovative financial management outsourcing partner which brings added value to its customers.

On August 18, 2011, Itella Corporation acquired a 5.88% minority share in Oy Samlink Ab. Oy Samlink Ab is the banking system supplier of Itella's subsidiary, Itella Bank Ltd.



Itella Real Estate Oy, focused on property management, sold the entire share capital of KOY Laitilan Postikulma on August 30, 2011 and the entire share capital of KOY Kulmakeskus on September 30, 2011.

## **Seasonal fluctuation**

The Group's business is characterized by seasonal fluctuation. Net sales and operating results 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**

As of November 1, 2011, the printing and mail services operations of the Itella Mail Communications business group will transfer to Mailhouse Oy and TP-Avuksenne Oy, in accordance with the transfer of business agreement signed on October 3, 2011. The transaction constitutes a part of Itella's change program. The new business will continue operations with the 69 professionals transferring to its employment from Itella.

In October, Itella and VR Group commissioned a report to examine the possibilities for even tighter cooperation in domestic groupage logistics. At the same time VR Group and Itella are also examining the possibility for deeper cooperation in their operations in Russia. The report is due to be ready within six months.

## **Outlook for the rest of the year**

Net sales is expected to increase moderately compared to 2010. The growth is expected to originate from both Finnish and international operations, particularly in Russia. Despite the uncertainty of economic trends, there are grounds for favorable volume development. In Finland, the development of net sales in postal operations is affected by customers' 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 expected to influence the competitive situation and Itella's net sales in 2011.

The operating result of 2011 is expected to be at loss and the operating result before restructuring costs and impairments will also remain below the corresponding operating result of the previous year. Further measures to improve productivity and efficiency will be needed in the future.

Net cash flow from operating activities is expected to remain below last year's level. The amount of investments is expected to increase slightly from last year's level. All investments and acquisitions will be carefully considered.

Helsinki, October 25, 2011

Itella Corporation  
Board of Directors

## **ATTACHMENTS**

Itella key figures  
Comprehensive consolidated income statement  
Consolidated balance sheet  
Consolidated cash flow statement  
Statement of changes in shareholders' equity  
Notes to the Interim Report

## Itella Corporation

### Interim Report for January-September 2011

#### Key figures of Itella Group

	<b>7-9</b>	<b>7-9</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Net sales, MEUR	449.4	428.1	1,382.0	1,332.7	1,841.6
Operating result (EBIT), MEUR	-21.5	4.4	-25.0	16.5	38.1
EBIT margin, %	-4.8	1.0	-1.8	1.2	2.1
<i>Operating result (EBIT), MEUR *)</i>	<i>10.7</i>	<i>6.0</i>	<i>7.6</i>	<i>31.9</i>	<i>55.4</i>
<i>EBIT margin, % *)</i>	<i>2.4</i>	<i>1.4</i>	<i>0.6</i>	<i>2.4</i>	<i>3.0</i>
Result before tax, MEUR **)	-24.3	2.5	-32.4	14.0	31.0
Return on equity (12 months), %			-4.4	1.2	1.4
Return on investment (12 months), %			-0.6	5.1	4.2
Equity ratio, %			47.3	49.7	50.5
Gearing, %			31.0	26.0	18.4
Gross capital expenditure, MEUR	43.1	20.6	66.9	64.0	81.9
Personnel on average	28,806	29,064	28,711	29,009	28,916
Dividends, MEUR					4.4

\*) *Excl. non recurring items, see notes 2*

\*\*) *Continuing operations*

**Consolidated Income Statement**

	<b>7-9</b>	<b>7-9</b>	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
<b>EUR million</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Net sales</b>	<b>449.4</b>	<b>428.1</b>	<b>1,382.0</b>	<b>1,332.7</b>	<b>1,841.6</b>
Other operating income	3.3	3.8	11.3	10.6	14.5
Share of associated companies' results	0.0	0.1	0.1	0.2	0.1
Materials and services	138.7	128.7	404.6	367.6	504.9
Employee benefits	215.9	199.2	668.8	646.8	877.9
Depreciation and amortisation	22.2	21.8	64.7	64.4	85.4
Impairment losses	16.7	-	16.7	-	0.0
Other operating expenses	80.8	78.0	263.6	248.3	349.8
<b>Operating result (EBIT) from continuing operations</b>	<b>-21.5</b>	<b>4.4</b>	<b>-25.0</b>	<b>16.5</b>	<b>38.1</b>
% of net sales	-4.8 %	1.0 %	-1.8 %	1.2 %	2.1 %
Financial income and expenses	-2.8	-2.0	-7.5	-2.5	-7.1
<b>Result before income tax from continuing operations</b>	<b>-24.3</b>	<b>2.5</b>	<b>-32.4</b>	<b>14.0</b>	<b>31.0</b>
% of net sales	-5.4 %	0.6 %	-2.3 %	1.0 %	1.7 %
Income tax	1.4	-1.4	-4.0	-12.1	-17.5
<b>Result for the financial period from continuing operations</b>	<b>-22.9</b>	<b>1.1</b>	<b>-36.4</b>	<b>1.8</b>	<b>13.6</b>
% of net sales	-5.1 %	0.3 %	-2.6 %	0.1 %	0.7 %
Result for the financial period from discontinued operations	0.0	-	-0.7	-	-5.7
Income tax	0.0	-	0.0	-	1.5
<b>Result for the financial period from discontinued operations</b>	<b>0.0</b>	<b>-</b>	<b>-0.7</b>	<b>-</b>	<b>-4.2</b>
<b>Result for the financial period</b>	<b>-22.9</b>	<b>1.1</b>	<b>-37.1</b>	<b>1.8</b>	<b>9.3</b>
% of net sales	-5.1 %	0.3 %	-2.7 %	0.1 %	0.5 %
<b>Result for the financial period attributable to</b>					
Parent company shareholders	-22.9	1.1	-37.1	1.8	9.3
Non-controlling interest	0.0	-0.1	0.0	0.0	0.0
	<b>-22.9</b>	<b>1.0</b>	<b>-37.1</b>	<b>1.8</b>	<b>9.3</b>
<b>Comprehensive Consolidated Income Statement</b>					
<b>Result for the financial period</b>	<b>-22.9</b>	<b>1.1</b>	<b>-37.1</b>	<b>1.8</b>	<b>9.3</b>
<b>Other items of comprehensive income</b>					
Available-for-sale financial assets	-0.3	-0.1	-0.4	0.0	0.0
Translation differences	-14.8	-25.6	-14.8	12.8	20.0
<b>Comprehensive income for the financial period</b>	<b>-38.1</b>	<b>-24.6</b>	<b>-52.3</b>	<b>14.6</b>	<b>29.3</b>
<b>Comprehensive income attributable to</b>					
Parent company shareholders	-38.1	-24.5	-52.3	14.6	29.3
Non-controlling interest	0.0	-0.1	0.0	0.0	0.0
	<b>-38.1</b>	<b>-24.6</b>	<b>-52.3</b>	<b>14.6</b>	<b>29.3</b>

**Consolidated Balance Sheet**

<b>EUR million</b>	<b>30 Sept 2011</b>	<b>30 Sept 2010</b>	<b>31 Dec 2010</b>
<b>Non-current assets</b>			
Goodwill	171.2	167.6	170.9
Other intangible assets	79.4	72.4	73.5
Investment property	3.9	4.2	4.1
Property, plant and equipment	644.4	706.8	684.6
Investments in associated companies	0.8	0.8	0.7
Other non-current investments	6.8	0.6	1.4
Non-current receivables	11.2	7.0	9.7
Deferred tax assets	16.3	11.3	14.8
<b>Total non-current assets</b>	<b>934.0</b>	<b>970.7</b>	<b>959.8</b>
<b>Current assets</b>			
Inventories	6.6	6.1	5.9
Trade and other receivables	312.8	282.0	290.0
Current tax assets	20.3	18.7	5.2
Financial assets available-for-sale	1.8	2.4	2.2
Financial assets at fair value through profit or loss	52.8	58.6	58.5
Cash and cash equivalents	56.3	67.6	75.6
<b>Total current assets</b>	<b>450.7</b>	<b>435.3</b>	<b>437.4</b>
<b>Non-current assets classified as held for sale</b>	<b>13.5</b>	<b>-</b>	<b>14.9</b>
<b>Total assets</b>	<b>1,398.2</b>	<b>1,406.0</b>	<b>1,412.1</b>
<b>Equity</b>			
Share capital	70.0	70.0	70.0
Contingency reserve	142.7	142.7	142.7
Fair value reserve	0.1	0.1	0.0
Translation differences	-15.6	-7.9	-0.8
Retained earnings	449.6	484.9	492.2
<b>Equity attributable to equity holders of the parent company</b>	<b>646.8</b>	<b>689.7</b>	<b>704.1</b>
Equity attributable to equity holders of the non-controlling interest	0.0	0.0	0.0
<b>Total equity</b>	<b>646.8</b>	<b>689.7</b>	<b>704.2</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	52.9	48.8	50.4
Non-current interest-bearing liabilities	192.9	213.9	214.2
Other non-current liabilities	17.5	15.6	17.7
Non-current provisions	19.0	15.9	15.7
Defined benefit pension plan obligations	7.7	6.5	6.6
<b>Total non-current liabilities</b>	<b>290.0</b>	<b>300.7</b>	<b>304.7</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	117.3	91.6	49.4
Trade payables and other liabilities	331.3	318.0	351.2
Current tax liabilities	8.2	5.0	0.3
Current provisions	4.1	0.9	1.6
<b>Total current liabilities</b>	<b>460.8</b>	<b>415.5</b>	<b>402.6</b>
<b>Liabilities associated with non-current assets classified as held for sale</b>	<b>0.5</b>	<b>-</b>	<b>0.6</b>
<b>Total liabilities</b>	<b>751.4</b>	<b>716.3</b>	<b>707.9</b>
<b>Total equity and liabilities</b>	<b>1,398.2</b>	<b>1,406.0</b>	<b>1,412.1</b>

**Consolidated Cash Flow Statement**

	<b>1-9</b>	<b>1-9</b>	<b>1-12</b>
<b>EUR million</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Result for the financial period</b>	<b>-37.1</b>	<b>1.8</b>	<b>9.3</b>
Total adjustments	94.4	78.0	113.6
Change in net working capital	-37.1	-29.2	-7.6
<b>Cash flow before financial items and income tax</b>	<b>20.2</b>	<b>50.7</b>	<b>115.4</b>
Financial items (net)	-7.3	-5.5	-8.3
Tax paid	-12.7	-30.3	-25.1
<b>Cash flow from operating activities (net)</b>	<b>0.2</b>	<b>14.9</b>	<b>81.9</b>
Acquisition of subsidiaries less cash and cash equivalents	-23.7	-0.2	-1.4
Purchase of intangible assets and property, plant and equipment	-33.9	-63.8	-80.3
Proceeds from sale of intangible and tangible assets	-0.8	3.3	4.2
Change in financial assets at fair value through profit or loss	5.4	19.6	20.2
Cash flow from other investments	-2.7	1.4	1.2
<b>Cash flow from investing activities (net)</b>	<b>-55.8</b>	<b>-39.8</b>	<b>-56.1</b>
Change in loans (net)	45.4	17.4	-22.6
Finance lease principal payments	-4.8	-6.3	-8.3
Acquisition of non-controlling interest	-	-2.7	-2.7
Dividends paid	-4.4	-0.1	-0.1
<b>Cash flow from financing activities (net)</b>	<b>36.2</b>	<b>8.3</b>	<b>-33.7</b>
<b>Change in cash and cash equivalents</b>	<b>-19.4</b>	<b>-16.6</b>	<b>-7.9</b>
<b>Cash and cash equivalents at period-start</b>	<b>75.6</b>	<b>82.3</b>	<b>82.3</b>
Effect of changes in exchange rates	0.0	1.8	1.2
Change in fair value of cash and cash equivalents	0.0	0.0	0.0
<b>Cash and cash equivalents at period-end</b>	<b>56.3</b>	<b>67.6</b>	<b>75.6</b>

## Statement of Changes in Shareholders' Equity

EUR million	Equity attributable to equity holders of the parent company						Non-controlling interest	Total equity
	Share capital	Contingency reserve	Fair value reserve	Translation differences	Retained earnings	Total		
<b>Equity 1 Jan 2010</b>	<b>70.0</b>	<b>142.7</b>	<b>0.0</b>	<b>-20.7</b>	<b>483.6</b>	<b>675.6</b>	<b>1.6</b>	<b>677.2</b>
Dividends paid					-	-	-0.1	-0.1
Acquisition of non-controlling interest					-0.7	-0.7	-2.0	-2.7
Result for the financial period					1.8	1.8	0.5	2.4
Change in fair value reserve			0.1			0.1		0.1
Change in translation differences				12.8		12.8		12.8
<b>Equity 30 Sept 2010</b>	<b>70.0</b>	<b>142.7</b>	<b>0.1</b>	<b>-7.9</b>	<b>484.9</b>	<b>689.7</b>	<b>0.0</b>	<b>689.7</b>
<b>Equity 1 Jan 2011</b>	<b>70.0</b>	<b>142.7</b>	<b>0.0</b>	<b>-0.8</b>	<b>492.2</b>	<b>704.1</b>	<b>0.0</b>	<b>704.2</b>
Dividends paid					-4.4	-4.4		-4.4
Result for the financial period					-37.1	-37.1		-37.1
Other change					-1.1	-1.1		-1.1
Change in fair value reserve			0.1			0.1		0.1
Change in translation differences				-14.8		-14.8		-14.8
<b>Equity 30 Sept 2011</b>	<b>70.0</b>	<b>142.7</b>	<b>0.1</b>	<b>-15.6</b>	<b>449.6</b>	<b>646.8</b>	<b>0.0</b>	<b>646.8</b>

## 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.

<b>EUR million</b>	<b>7-9 2011</b>	<b>7-9 2010</b>	<b>1-9 2011</b>	<b>1-9 2010</b>	<b>1-12 2010</b>
<b>Net sales by business segment</b>					
Itella Mail Communications	262.3	255.4	828.6	821.3	1,141.8
inter-segment sales	-11.4	-9.4	-32.0	-30.9	-41.6
Itella Information	66.4	60.8	202.4	192.5	259.7
inter-segment sales	-3.0	-2.6	-9.5	-8.1	-11.2
Itella Logistics	184.6	169.2	541.7	492.0	677.3
inter-segment sales	-49.5	-44.3	-149.4	-134.2	-184.6
Other operations	14.4	11.4	44.3	41.6	55.0
inter-segment sales	-14.5	-12.5	-44.1	-41.4	-54.8
Total eliminations (Interim sales)	-78.4	-68.7	-235.0	-214.6	-292.2
<b>Total</b>	<b>449.4</b>	<b>428.1</b>	<b>1,382.0</b>	<b>1,332.7</b>	<b>1,841.6</b>

EUR million	7-9 2011	7-9 2010	1-9 2011	1-9 2010	1-12 2010
<b>Operating result (EBIT) by business segment from continuing operations</b>					
Itella Mail Communications	-6.4	8.0	3.9	27.6	53.3
Itella Information	-1.3	3.1	2.3	10.5	12.8
Itella Logistics	-12.8	-3.0	-21.5	-11.6	-10.7
Other operations	-1.0	-3.6	-9.6	-10.0	-17.2
<b>Total</b>	<b>-21.5</b>	<b>4.4</b>	<b>-25.0</b>	<b>16.5</b>	<b>38.1</b>
<b>Non recurring items by business segment</b>					
Itella Mail Communications	13.8	1.8	13.8 *	15.3	15.9
Itella Information	1.4	0.0	1.7	0.0	1.2
Itella Logistics	16.5	0.0	16.5 **	0.1	0.1
Other operations	0.5	-0.1	0.5	0.0	0.0
<b>Total</b>	<b>32.3</b>	<b>1.6</b>	<b>32.6</b>	<b>15.5</b>	<b>17.3</b>
<b>Operating result (EBIT) by business segment excl. non recurring items from continuing operations</b>					
Itella Mail Communications	7.4	9.7	17.7	42.9	69.2
Itella Information	0.1	3.1	4.0	10.5	14.0
Itella Logistics	3.7	-3.0	-5.1	-11.5	-10.6
Other operations	-0.5	-3.8	-9.1	-10.0	-17.2
<b>Total</b>	<b>10.7</b>	<b>6.0</b>	<b>7.6</b>	<b>31.9</b>	<b>55.4</b>
<b>Financial income and expenses</b>	<b>-2.8</b>	<b>-2.0</b>	<b>-7.5</b>	<b>-2.5</b>	<b>-7.1</b>
<b>Result before income tax</b>	<b>-24.3</b>	<b>2.5</b>	<b>-32.4</b>	<b>14.0</b>	<b>31.0</b>
<b>EUR million</b>			<b>30 Sept 2011</b>	<b>30 Sept 2010</b>	<b>31 Dec 2010</b>
<b>Assets</b>					
Itella Mail Communications			483.6	468.4	471.3
Itella Information			192.2	160.2	167.0
Itella Logistics			574.2	616.1	621.7
Other operations and unallocated			166.5	169.1	160.3
Eliminations			-18.3	-7.8	-8.2
<b>Total</b>			<b>1,398.2</b>	<b>1,406.0</b>	<b>1,412.1</b>
<b>Liabilities</b>					
Itella Mail Communications			214.2	216.5	251.4
Itella Information			49.2	35.6	39.3
Itella Logistics			120.4	96.5	100.3
Other operations and unallocated			385.9	375.5	325.1
Eliminations			-18.3	-7.8	-8.2
<b>Total</b>			<b>751.4</b>	<b>716.3</b>	<b>707.9</b>
<b>Personnel at period-end</b>					
Itella Mail Communications			18,108	18,497	19,314
Itella Information			2,419	2,015	1,942
Itella Logistics			7,335	7,700	7,724
Other operations			40	41	42
<b>Total</b>			<b>27,902</b>	<b>28,253</b>	<b>29,022</b>

\*) Non-recurring items include restructuring costs EUR 12.6 million and goodwill impairment EUR 1.2 million

\*\*\*) Non-recurring items include restructuring costs EUR 1.1 million and goodwill impairment EUR 15.4 million



### 3. Acquired business activities and business divestments in 2011

#### Acquired business activities

Business group Itella Information acquired 1 April 2011 all shares of German company Newsource GmbH and through another transaction at 1 July 2011 all shares of OpusCapita Group Oy were acquired. As a result of the transaction Itella will be able to expand the service offering to contain also cash flow automation solutions, which strengthen Itella's competence as provider of innovative and added-value financial management outsourcing partner.

#### Analysis of net assets acquired

<b>Effect on assets</b>	Carrying amounts before consolidation	Allocation of fair value	Fair value Fair value total
EUR million			
Intangible assets	5.7	14.4	20.1
Property, plant and equipment	0.2	0.0	0.2
Receivables	2.9	0.0	2.9
Cash and cash equivalents	1.8	0.0	1.8
Effect on assets	10.5	14.4	24.9

#### *Effect on liabilities*

EUR million			
Deferred tax liability	0.0	3.7	3.7
Non-current interest-bearing liabilities	2.5	0.0	2.5
Current interest-bearing liabilities	0.4	0.0	0.4
Trade payables and other liabilities	5.5	0.0	5.5
Effect on liabilities	8.4	3.7	12.1
Net assets acquired	2.1	10.7	12.8

#### Components of acquisition cost

EUR million	
Purchase price paid in cash	25.4
Purchase price owed	-
Total cost of acquisition	25.4
Fiat value of net assets acquired	12.8
Goodwill	12.6

#### Effect of acquisition on cash flow

Purchase price paid in cash	-25.4
Cash and cash equivalents of the acquired subsidiary	1.8
Cash flow	-23.6

#### Business divestments

Real estate management company Itella Real Estate Oy sold all shares in KOY Laitilan Postikulma 30 August 2011 and KOY Kulmakeskus 30 September 2011. These divestments had no material impact on the Itella Group's financial figures.

#### 4. Net Sales by Geographical Location

	7-9 2011	7-9 2010	1-9 2011	1-9 2010	1-12 2010
<b>EUR million</b>					
Finland	296.0	285.3	925.3	908.7	1,255.8
Scandinavia	67.6	68.0	202.8	196.9	262.2
Baltic countries and Russia	57.0	48.7	159.6	138.8	202.0
Other countries	28.9	26.1	94.3	88.3	121.6
<b>Total</b>	<b>449.4</b>	<b>428.1</b>	<b>1,382.0</b>	<b>1,332.7</b>	<b>1,841.6</b>

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

	30 Sept 2011	30 Sept 2010	31 Dec 2010
<b>EUR million</b>			
Carrying amount on 1 Jan	684.6	688.4	688.4
Additions	27.6	57.9	166.2
Disposals and transfers between items	-4.5	-1.8	-119.1
Depreciation and Impairment	-49.2	-48.1	-65.1
Translation differences	-14.1	10.5	14.2
<b>Carrying amount at period-end</b>	<b>644.4</b>	<b>706.8</b>	<b>684.6</b>

#### 6. Consolidated Contingent Liabilities

	30 Sept 2011	30 Sept 2010	31 Dec 2010
<b>EUR million</b>			
Securities for own behalf	24.1	17.8	18.4
Lease commitments	343.5	332.3	357.0

The district court has given its decision on the claim made by some Itella contract customers. According to the claim Itella should refund value added taxes for about 56 million euro. The court decision was positive to Itella but it has been appealed against in the court of appeal, the next court level. This application suggests to cancel the decision and demand the issue to be returned back to the district court process. The decision of the court of appeal is estimated to be given during the springtime 2012.

**Derivative Contracts**

<b>EUR million</b>	<b>30 Sept 2011</b>	<b>30 Sept 2010</b>	<b>31 Dec 2010</b>
<b>Currency forward contracts (not in hedge accounting)</b>			
Fair value	3.5	-1.5	-2.0
Nominal value	120.5	117.6	105.4
<b>Interest rate swaps (in hedge accounting)</b>			
Fair value	4.0	4.1	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.

**7. Related Party Transactions**

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