



ITELLA CORPORATION INTERIM REPORT, JANUARY–MARCH 2013
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Itella's net sales increased – operating result declined in a challenging market situation

Itella Corporation Interim Report Q1/2013

- Itella Group's net sales in January–March amounted to EUR 496.0 (485.3) million, representing growth of 2.2 percent. The growth was generated particularly by the integration of VR Transpoint's groupage logistics business and Itella Logistics.
- Net sales in Itella Mail Communications decreased by 1.2 percent and increased by 12.9 percent in Itella Logistics. Comparable net sales in Itella Information grew by 5.6 percent when accounting for the sale of the printing services business in Germany in 2012.
- Operating result before non-recurring items declined to EUR 12.4 (22.8) million, or 2.5 percent (4.7 percent) of net sales. The operating result before non-recurring items declined to EUR 21.4 (25.3) million in Itella Mail Communications and to EUR -10.3 (-1.7) million in Itella Logistics, and improved to EUR 6.4 (3.2) million in Itella Information.
- The first-quarter operating result declined and amounted to EUR 10.8 (21.0) million, representing 2.2 percent (4.3 percent) of net sales. Non-recurring items recognized during the period totaled EUR 1.6 (1.8) million.
- Cash flow from operating activities increased and totaled EUR 23.4 (20.3) million.
- The rate of decline in letter and delivery volumes is accelerating and the overall market situation is weaker. Itella launched a new performance improvement program and started cooperation negotiations on April 10. The goal of the updated program is to achieve cost savings of EUR 100 million during 2013–2014.
- In March, Itella announced its intention to sell the entire share capital of Itella Bank Ltd to Savings Banks. The corporate transaction was brought to conclusion on April 18, 2013.
- Itella is also renewing its ICT operating model and, to that end, signed an extensive partnership agreement with IBM. As part of this agreement, Itella will outsource some of its ICT operations to IBM. As of June 1, 2013, a total of 123 employees from seven countries of operation will transfer to the employment of IBM.

Key figures of Itella Group	1-3/2013	1-3/2012	2012
Net sales, MEUR	496.0	485.3	1,946.7
Operating result (Non-IFRS), MEUR *)	12.4	22.8	53.2
EBIT margin (Non-IFRS), % *)	2.5	4.7	2.7
Operating result (EBIT), MEUR	10.8	21.0	39.0
EBIT margin, %	2.2	4.3	2.0
Result before income tax	7.7	19.3	30.8
Result for the financial period, MEUR	4.7	11.6	14.1
Return on equity (12 months), %	1.0	-1.9	2.1
Return on invested capital (12 months), %	3.5	2.0	4.6
Equity ratio, %	46.7	46.7	46.2
Gearing, %	21.7	20.6	23.6
Gross capital expenditure, MEUR	11.0	21.7	134.7
Personnel on average	27,561	27,202	27,460
Dividends, MEUR	-	-	6.8

*) Non-IFRS = excluding non-recurring items

Return on equity and return on invested capital is disclosed in the table as a rolling 12-month figure.

President and CEO Heikki Malinen:

”The net sales of Itella as a whole grew during the first quarter, largely due to VR Transpoint’s groupage logistics business being integrated into Itella Logistics. Still, the company’s operating result declined to nearly half of what it was during the corresponding period in 2012. This was attributable to the declining letter and magazine volumes of Itella Mail Communications as well as the logistics market, in which competition has become increasingly fierce.

The postal sector is undergoing a transition on the global scale and there are clear indications that digitization will have a substantial impact on volumes during the current decade. Consumer confidence in terms of personal finances seems to have deteriorated during early 2013. This is reflected indirectly in freight volumes and the turnover rates in the logistics of consumables. Competition in the logistics sector has furthermore increased. The growth in internet sales continued, having a positive effect on Itella’s business. We continued our investment in the expansion of the network of automatic parcel terminals.

Itella’s financial performance must be improved for the company to be able to carry out its long-term change processes, to finance investments that are essential in terms of its competitiveness, and to maintain the level of its services. With these needs and the challenges of the economic environment in mind, Itella’s Board of Directors has specified the Group’s long-term financial goals. The main focus of operations is shifting from growth to the improvement of profitability and maintenance of Group’s good solvency.

As a related measure, we started a new performance improvement program aiming to increase efficiency in 2013 and 2014. The goal of the updated program is to achieve cost savings in the amount of EUR 100 million. A part of this program involves measures with which we strive to streamline our operations within, for instance, administration and other support functions. In addition, we are in the process of renewing our ICT operating model, in relation to which some ICT operations are being outsourced to IBM. In March, we made the decision to sell the entire share capital of Itella Bank Ltd to Savings Banks. This transaction was completed recently.”

APPENDICES

Itella’s full Interim Report

FURTHER INFORMATION

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Interim Report Q3/2013, October 30

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

Market situation and business environment

The rate of digitization is gaining speed and competition in the field of addressed deliveries is expanding. The volumes of addressed letters continued to decline, dropping by -5.0 percent in comparison to 2012. The fall topped out at -3 percent during the previous year. Newspaper and magazine volumes also continued to fall, a decline accelerated by the nine percent value added tax levied on newspapers and magazines in 2012.

The market situation in the sectors of logistics, trade, and marketing is challenging and the volume of transactions is falling. Due to economic cycles, the comparable net sales of Itella Logistics are declining in terms of road freight and contract logistics and, regarding countries of operation, particularly in Finland. Economic indicators in Russia have also taken a downward turn.

The digitization of invoicing and financial management impacts Itella's business, offering business opportunities particularly to Itella Information. On the other hand, the weaker market trends are visible in the data communications between organizations.

Profit performance and net sales

Itella Group's net sales in January–March amounted to EUR 496.0 (485.3) million, representing growth of 2.2 percent. In local currencies, the increase in net sales was 2.1 percent. The Group's net sales decreased in Itella Mail Communications and Itella Information, and increased in Itella Logistics. Net sales in Finland grew by 7.4 percent, and declined by 8.7 percent in other countries. International operations accounted for 29 % (32%) of net sales.

The Group's operating result before non-recurring items decreased to EUR 12.4 (22.8) million, or 2.5 percent (4.7 percent) of net sales. Operating profit before non-recurring items declined in Itella Mail Communications and Itella Logistics, and improved in Itella Information.

First-quarter performance was strained by non-recurring items totaling EUR 1.6 (1.8) million, of which EUR 1.6 (1.6) million related to personnel restructuring and EUR (0.2) million to other items during the previous year.

The Group posted an operating result of EUR 10.8 (21.0) million, representing 2.2 percent (4.3 percent) of net sales. Operating profit declined in Itella Mail Communications and Itella Logistics, but improved in Itella Information.

The Group's net financing costs amounted to EUR 3.2 (1.7) million.

The Group's operating result after financing items amounted to EUR 7.7 (19.3) million. Income tax totaled EUR 3.0 (7.7) million.

The Group's operating result for the period was EUR 4.7 (11.6) million.

Return on equity (rolling 12 months) was 1.0 percent (-1.9 percent).

Itella Mail Communications

The net sales of Itella Mail Communications fell by 1.2 percent in the first quarter, totaling EUR 292.6 (296.2) million. The number of workdays in comparison to the corresponding period the year before was two days less.

The business group's operating result before non-recurring items amounted to EUR 21.4 (25.3) million. The percentage of operating result was 7.0 percent (8.5 percent). The decline was chiefly attributable to the declining volumes of addressed letters and lower average prices. Non-recurring cost items during the period totaled EUR 0.8 (-) million.

Operations falling under the scope of the universal service obligation accounted for 10.7 (10.5) percent of Itella Mail Communications' net sales.

In January–March, delivery volumes of mail items developed as follows compared with the corresponding period in 2012:

- Total volume of addressed letters, -5%
- Unaddressed direct marketing, +21%
- Newspapers, -5%
- Magazines, -6%
- Parcel services, +4%
- Electronic letters, +18%

The transition affecting the business environment of Itella Mail Communications and its customers continues. The decline in letter volumes has accelerated in the economic downturn and alongside the market's digitization process, while the magazine market is feeling the effects of the general economic situation and the change in value added tax, as well as digitization.

At the same time, growth in e-commerce and parcel services continued. The business group's market share in business-to-business parcel services gained strength. The same was true for unaddressed direct marketing. The volumes of addressed letters continued to decline, even more clearly than during the previous year. This trend is also partly evident in the growing volumes of electronic letters. Newspaper and magazine volumes continued to fall.

The number of Netposti users rose to 463,000 at the end March, or by 22 percent in comparison to the previous year. A year before, the number of users stood at 378,000.

The number of Posti's service outlets was 1,137 at the end of March. Since 49 new automatic parcel terminals went into service during the first quarter, their number totaled 180 by the end of March.

According to plan, EUR 4.0 (9.3) million during the first quarter was invested in projects aiming to maintain production capacity and improve profitability.

Itella Logistics

Itella Logistics' net sales grew by 12.9 percent in January–March, totaling EUR 205.2 million (EUR 181.7 million). Net sales in Finland increased with the support of a corporate transaction and in Russia particularly with regard to road, air, and sea freight. Due to economic cycles, the comparable net sales are declining in terms of road freight and contract logistics.

The business group's operating result before non-recurring items declined, and it recorded a loss of EUR 10.3 (-1.7) million. Operating result declined, and the business group posted a loss of EUR 11.1 (-2.9) million. Results still felt the effects of a challenging business landscape in Scandinavia. They also declined due to the losses made in domestic groupage logistics and disappointing development in contract logistics with regard to Finland. The business group has initiated measures to correct the situation. Russian results indicate the seasonal nature of first-quarter performance, typically weaker than the rest. No changes in comparison to the turn of the year occurred in relation to the provision of the warehouse accident in Shushary.

Itella Logistics' investments in the logistics center located in Pennala, Orimattila, and Russian contract logistics amounted to EUR 5.1 (11.3) million. Work on the most significant investment – the new logistics center under construction in Pennala – commenced as early as in 2011. Pennala 2 was commissioned at the beginning of January 2013 and the entire facility will be completed in the summer of 2013. The aggregate investment in the center totals EUR 60 million.

In March, Jani Jolkkonen (M.Sc.Eng., EMBA) was appointed Senior Vice President, in charge of Itella Logistics' business in Finland, Scandinavia, and the Baltic countries. In his previous position, he was in charge of Itella

Mail Communications' Delivery and Marketing Services. Jolkkonen also joined Itella's Executive Board as a new member. In his new position, he will be reporting to the President and CEO of Itella, Heikki Malinen. Juhani Strömberg, Senior Vice President in charge of Strategy and Development, took on the additional responsibility of business development in Russia.

Itella Information

Itella Information's net sales in January–March amounted to EUR 69.9 (74.5) million. Due to the sale of the German printing services business, net sales declined by 6.1 percent. Comparable net sales, however, increased by EUR 3.7 million, or by 5.6 percent in comparison to the previous year – a development largely attributable to positive trends in the sales of services.

The business group's operating result before non-recurring items improved and amounted to EUR 6.4 (3.2) million. The business group did not record non-recurring cost items for the reporting period. Operating result improved thanks to the sale of the printing services business in Germany and better profitability in all business units.

Outbound and e-Services developed positively in Finland, Sweden, and Norway, especially due to the iPost and iBilling solutions. The volume of electronic transactions has clearly increased, but printing volumes are lagging behind the corresponding figures from the year before. Increasing numbers of customers are opting for the Outbound and e-Services, which include mail delivery. The profitability of payments automation services (OpusCapita) has clearly improved due to the restructuring measures carried out last spring. Profitability, although still low, has also improved in the financial management outsourcing services. This is the result of investment in growth, process development, and internationalization. Growth in the sector of cloud services continues to be robust. Net sales increased by more than 100 percent.

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

The business group's investments amounted to EUR 0.4 (0.4) million. They are largely related to activated development projects and the printing business's maintenance investments.

Key Figures of Business Groups, MEUR	1-3/2013	1-3/2012	Change
Net sales			
Itella Mail Communications	292.6	296.2	-1.2 %
Itella Logistics	205.2	181.7	12.9 %
Itella Information	69.9	74.5	-6.1 %
Other activities	15.5	15.5	-0.1 %
Intra-Group sales	-87.1	-82.5	5.6 %
Itella Group	496.0	485.3	2.2 %
Operating result (non-IFRS) *)			
Itella Mail Communications	21.4	25.3	-15.5 %
Itella Logistics	-10.3	-1.7	neg
Itella Information	6.4	3.2	99.1 %
Other activities	-5.1	-4.1	neg
Itella Group	12.4	22.8	-45.5 %
Operating result (EBIT)			
Itella Mail Communications	20.6	25.3	-18.7 %
Itella Logistics	-11.1	-2.9	neg
Itella Information	6.4	2.8	133.9 %
Other activities	-5.1	-4.1	neg
Itella Group	10.8	21.0	-48.6 %

Operating result (non-IFRS), % *)			
Itella Mail Communications	7.3 %	8.5 %	
Itella Logistics	-5.0 %	-0.9 %	
Itella Information	9.2 %	4.3 %	
Itella Group	2.5 %	4.7 %	
Operating result (EBIT), %			
Itella Mail Communications	7.0 %	8.5 %	
Itella Logistics	-5.4 %	-1.6 %	
Itella Information	9.2 %	3.7 %	
Itella Group	2.2 %	4.3 %	

*) Non-IFRS = excluding non-recurring items

Financial position and investments

The consolidated cash flow from operating activities before capital expenditure was EUR 23.4 (EUR 20.3) million.

Investments accounted for EUR 10.1 (14.9) million of total expenditure. A more detailed account of investments is available in the financial reports of each business group.

At the end of March, liquid assets totaled EUR 147.8 (169.4) million, and undrawn committed credit facilities totaled EUR 120.0 (120.0) million. The Group's interest-bearing liabilities were EUR 310.9 (324.4) million. Equity ratio stood at 46.7 percent (46.7 percent) and gearing was 21.7 percent (20.6 percent).

Human Resources

At the end of March, Itella Corporation employed 27,655 (27,263) people, of whom 21,607 (21,912) worked in Finland. The Group's average number of personnel was 27,561 (27,202). The number of personnel increased due to the personnel of VR Transpoint's groupage logistics, who transferred to Itella's employment.

Personnel distribution was as follows:

Itella Mail Communications	17,584 (17,699)
Itella Logistics	7,355 (6,857)
Itella Information	2,257 (2,305)
Group and other functions	459 (402)

The Group's personnel expenses increased by EUR 10.0 million, or by approximately 4.5 percent in comparison to the previous year. Personnel expenses included restructuring costs in the amount of EUR 1.6 (1.6) million.

Decisions adopted by the Annual General Meeting

Itella's Board of Directors consists of eight members. Arto Hiltunen, M.Sc. (Econ.), will continue as the Chairman of Itella's Board of Directors and Päivi Pesola, CFO, as the Vice Chairperson.

The AGM re-elected the following Board members: Country Director Jussi Kuutsa, Managing Director Timo Löyttyniemi, Ilpo Nuutinen from the Ownership Steering, Executive Vice President Riitta Savonlahti and General Manager Maarit Toivanen-Koivisto. The AGM elected Managing Director Suvi-Anne Siimes as a new member of the Board of Directors.

Itella's Supervisory Board consists of twelve members. Mauri Pekkarinen will continue as the Chairman of Supervisory Board and Johanna Karimäki as the Vice Chairperson.

The AGM re-elected MP Ritva Elomaa (True Finns), MP Lars-Erik Gästgivers (The Swedish People's Party), MP Susanna Huovinen (Social Democratic Party), student Sari Moisanen (the Left Alliance), MP Outi Mäkelä (National Coalition Party), entrepreneur Reijo Ojennus (True Finns), MP Raimo Piirainen (Social Democratic Party), MP Tuomo Puumala (Centre Party), Executive Manager Teuvo V. Riikonen and MP Kimmo Sasi (National Coalition Party) as members of Supervisory Board.

The AGM approved the Board of Directors' proposal regarding the payment of dividends. The distributable funds be allocated as follows:

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

PricewaterhouseCoopers Oy, a firm of authorized public accountants, was elected as Itella's new auditor, with Merja Lindh, Authorized Public Accountant, as the principal auditor.

Board of Directors will receive a monthly compensation and a meeting compensation. Supervisory Board will receive a meeting compensation.

Key short-term business risks and uncertainties

The business risks are described in the Group's 2012 Financial Statements.

Consumer confidence in Finland fell during the first quarter, a fact quickly reflected in our customers' volumes. Unless the situation improves, particularly with regard to the logistics business, there is a distinct possibility that sales and profitability in the transport business and contract logistics will continue to decline. Economic indicators in Russia are also pointing downwards and the prices of basic raw materials have declined rapidly. If this continues, it may have a negative effect on consumer demand and the market situation in Russia.

Competition in addressed deliveries in Finland has begun to expand and may continue to do so. The first signs are visible in the delivery of magazines, in which Itella's volumes are declining. The rate of digitization has furthermore accelerated. Decline in the volumes of addressed letters gained speed, dropping by -5 percent in comparison to the year before, when the decline topped out at -3 percent. The volumes of postal letters in some other EU countries have fallen even more steeply than in Finland. Newspaper and magazine volumes also continued to fall. This decline was driven by the nine percent value added tax levied on newspapers and magazines in 2012.

A large part of the shelf system in Itella Logistics' Shushary warehouse in St. Petersburg collapsed in July 2012. No changes in comparison to the turn of the year occurred in relation to the provision of the warehouse accident. The assessment of liability and the calculation of the insurance indemnity are underway, but the indemnity is yet to be paid. Thus the ultimate effects of the accident are yet to be ascertained. The relevant receivable is recognized under other receivables.

Seasonal fluctuation

The Group's business is characterized by seasonal fluctuation. Net sales and operating profit in the business groups are not accrued evenly over the year. The first and fourth quarters, in particular, are typically strong, while the second and third quarters are weaker in comparison.

Changes in corporate structure

No changes in the Group's structure took place during the reporting period.

Events after the reporting period

The corporate transaction between Itella and Savings Banks regarding the share capital of Itella Bank Ltd was completed on April 18, 2013.

On April 10, 2013, Itella announced its intention to launch a new performance improvement program and to start cooperation negotiations.

On that same day, Itella also announced its intention to renew its ICT operating model as part of the performance improvement program. In a related measure, the company signed an extensive partnership agreement with IBM to which some of Itella's ICT operations will be outsourced.

April 10 also marked the day on which Itella Posti announced its ongoing cooperation plans with the Netherlands postal service provider, PostNL, relating to the optical character recognition of addressed mail items. The related changes will not result in workforce reductions. Rather, the personnel will continue to work in their principal jobs within mail processing.

Outlook for the rest of the year

Groups' net sales in 2013 are expected to increase significantly due to the acquisition from VR Transpoint and the Group's result before non-recurring items is also expected to undergo clear improvement compared to previous year. Whole year's operating profit is estimated to be affected by significant non-recurring items.

The net sales of Itella Mail Communications are expected to be stable, whereas its operating result is expected to decrease due to traditional services being replaced by electronic ones, as well as due to the decline in delivery volumes.

Itella Logistics' net sales are expected to grow significantly as a result of the acquisition of VR Transpoint's groupage logistics business. The business group's operating result before non-recurring items is likewise expected to increase, but remain slightly unprofitable.

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

The amount of investment is expected to decrease in comparison to 2012.

Helsinki, April 26, 2013

Itella Oyj
Board of Directors

ATTACHMENTS

Key figures of Itella Group
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Consolidated balance sheet
Consolidated cash flow statement
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Interim Report for January-March 2013

Key figures of Itella Group

	1-3	1-3	1-12
	2013	2012	2012
Net sales, MEUR	496.0	485.3	1,946.7
Operating result (non-IFRS), MEUR *)	12.4	22.8	53.2
Operating result (non-IFRS), % *)	2.5	4.7	2.7
Operating result (EBIT), MEUR	10.8	21.0	39.0
Operating result (EBIT), %	2.2	4.3	2.0
Result before taxes, MEUR	7.7	19.3	30.8
Result for the period, MEUR	4.7	11.6	14.1
Return on equity, %, 12 months	1.0	-1.9	2.1
Return on invested capital (12 months), %	3.5	2.0	4.6
Equity ratio, %	46.7	46.7	46.2
Gearing, %	21.7	20.6	23.6
Gross capital expenditure, MEUR	11.0	21.7	134.7
Employees on average	27,561	27,202	27,460
Dividends, MEUR	-	-	6.8

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

Comprehensive Consolidated Income Statement

	1-3 2013	1-3 2012	1-12 2012
EUR million			
Net sales	496.0	485.3	1,946.7
Other operating income	3.5	4.3	25.3
Share of associated companies' results	0.0	0.0	0.0
Materials and services	137.4	130.6	546.9
Employee benefits	230.4	220.4	885.2
Depreciation and amortisation	23.5	21.8	88.0
Impairment losses	-	-	1.4
Other operating expenses	97.3	95.8	411.5
Operating result (EBIT)	10.8	21.0	39.0
% of net sales	2.2 %	4.3 %	2.0 %
Financial income and expenses	-3.2	-1.7	-8.3
Result before income tax	7.7	19.3	30.8
% of net sales	1.5 %	4.0 %	1.6 %
Income tax	-3.0	-7.7	-16.7
Result for the financial period	4.7	11.6	14.1
% of net sales	0.9 %	2.4 %	0.7 %
Result for the financial period attributable to			
Parent company shareholders	4.7	11.6	14.1
Non-controlling interest		0.0	
	4.7	11.6	14.1

Comprehensive Consolidated Income Statement

Result for the financial period	4.7	11.6	14.1
Other items of comprehensive income			
Available-for-sale financial assets	0.5	0.0	-0.3
Translation differences	4.4	15.1	10.9
Actuarial gains and losses	-	-0.7	-2.9
Taxes of other items of comprehensive income	-	0.2	0.7
Comprehensive income for the financial period	9.6	26.2	22.5
Comprehensive income attributable to			
Parent company shareholders	9.6	26.2	22.5
Non-controlling interest		0.0	
	9.6	26.2	22.5

Consolidated Balance Sheet

EUR million	31 March 2013	31 March 2012	31 Dec 2012
Non-current assets			
Goodwill	187.8	172.1	186.9
Other intangible assets	95.8	77.2	100.3
Investment property	3.0	3.8	3.1
Property, plant and equipment	670.0	679.6	675.4
Investments in associated companies	0.4	0.9	0.4
Other non-current investments	6.1	6.3	6.0
Non-current receivables	13.8	12.7	13.0
Deferred tax assets	16.3	12.6	13.8
Total non-current assets	993.1	965.2	998.9
Current assets			
Inventories	5.1	5.4	4.9
Trade and other receivables	337.3	321.9	329.9
Current tax assets	4.5	10.6	2.1
Financial assets available-for-sale	5.5	1.4	2.6
Financial assets held until maturity	12.2	13.2	15.2
Financial assets at fair value through profit or loss	74.8	74.9	56.2
Cash and cash equivalents	70.1	95.1	90.3
Total current assets	509.5	522.6	501.1
Non-current assets classified as held for sale	10.5	12.1	10.7
Total assets	1,513.1	1,499.8	1,510.7
Equity			
Share capital	70.0	70.0	70.0
Contingency reserve	142.7	142.7	142.7
Fair value reserve	0.3	0.0	-0.2
Translation differences	11.2	10.9	6.7
Retained earnings	470.7	466.6	466.1
Equity attributable to equity holders of the parent company	694.9	690.3	685.3
Equity attributable to equity holders of the non-controlling interest		0.0	
Total equity	694.9	690.3	685.3
Non-current liabilities			
Deferred tax liabilities	53.1	53.7	53.7
Non-current interest-bearing loans	274.2	295.2	288.3
Other non-current liabilities	12.8	3.3	12.2
Non-current provisions	18.2	22.3	18.6
Defined benefit pension plan obligations	8.0	6.9	8.3
Total non-current liabilities	366.4	381.3	381.1
Current liabilities			
Current interest-bearing loans	36.6	29.1	36.3
Trade payables and other liabilities	376.8	383.9	375.7
Current tax liabilities	7.2	10.7	1.2
Current provisions	30.8	3.9	30.4
Total current liabilities	451.4	427.7	443.7
Liabilities associated with non-current assets classified as held for sale	0.5	0.5	0.5
Total liabilities	818.2	809.6	825.4
Total equity and liabilities	1,513.1	1,499.8	1,510.7

Consolidated Cash Flow Statement

EUR million	1-3 2013	1-3 2012	1-12 2012
Profit or loss for the financial period	4.7	11.6	14.1
Total adjustments	29.4	30.1	117.9
Change in net working capital	-6.8	-16.5	14.3
Cash flow before financial items and income tax	27.3	25.2	146.2
Financial items (net)	-0.8	-0.6	-11.7
Tax paid	-3.1	-4.2	-15.6
Cash flow from operating activities (net)	23.4	20.3	118.9
Purchase of intangible assets	-1.9	-2.8	-28.1
Purchase of property, plant and equipment	-8.2	-12.1	-45.4
Proceeds from sale of intangible and tangible assets	0.2	2.3	7.4
Acquisitions	-	-	-41.5
Proceeds from sale of subsidiaries less cash and cash equivalents	-	-	-14.4
Financial assets at fair value through profit or loss	-16.7	-29.9	2.5
Cash flow from other investments	-5.1	-1.5	-3.1
Cash flow from investing activities (net)	-31.7	-44.1	-122.5
Change in loans (net)	-12.5	-12.7	-19.0
Finance lease principal payments	-1.9	-1.6	-6.6
Financial assests held until maturity	3.0	-	-4.2
Cash flow from financing activities (net)	-11.3	-14.2	-29.8
Change in cash and cash equivalents	-19.6	-38.0	-33.4
Cash and cash equivalents at period-start	90.3	132.0	121.0
Effect of changes in exchange rates	-0.6	1.0	2.7
Change in fair value of cash and cash equivalents	0.0	0.0	0.0
Cash and cash equivalents at period-end	70.1	95.1	90.3

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		
Equity 1 Jan 2012	70.0	142.7	0.1	-4.2	455.4	664.1	0.0	664.0
Comprehensive income								
Result for the financial period					11.6	11.6		11.6
Other items for the Comprehensive income:								
Change in fair value reserve			0.0			0.0		0.0
Change in translation differences				15.1		15.1		15.1
Actuarial gains and losses					-0.5	-0.5		-0.5
Comprehensive income for the financial period			0.1	10.9	466.6	690.3	0.0	690.3
Transactions with equity holders								
Non-controlling interest							0.0	0.0
Transactions with equity holders, total					0.0	0.0	0.0	0.0
Equity 31 March 2012	70.0	142.7	0.1	10.9	466.6	690.3	0.0	690.3
Equity 1 Jan 2013	70.0	142.7	-0.2	6.7	466.1	685.3		685.3
Comprehensive income								
Result for the financial period					4.7	4.7		4.7
Other items for the Comprehensive income:								
Change in fair value reserve			0.5			0.5		0.5
Change in translation differences				4.4		4.4		4.4
Actuarial gains and losses					0.0	0.0		0.0
Comprehensive income for the financial period			0.3	11.2	470.7	694.9		694.9
Transactions with equity holders, total					0.0	0.0		0.0
Equity 31 March 2013	70.0	142.7	0.3	11.2	470.7	694.9		694.9

Notes

1. Accounting Principles

The interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting' and in line with the same accounting principles as those used in Itella's financial statements for 2012. 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.

New and revised IFRS standards

As of January 1, 2013 the Group applies the following new and revised standards:

- IFRS 13

As of January 1, 2013 the Group applies the following new and revised standards retrospectively:

- IAS 19 (Amendment)

Due to the amendment in the Standard commitments relating to defined benefit pension plans are valued according to the present value at the end of the reporting period, corridor approach is no more permitted. Remeasurement component needs to be presented immediately among other comprehensive income items when they do occur. Because of retrospective application the opening balance for comparison season needs to be restated so that all prior changes are taken into account. In table below, the changes to the opening balance 1 January 2012 as well as the changes recognized in the comparison period's income statement figures are presented.

EUR million	Previously reported figures	Change	Revised figures according IAS 19
Balance Sheet 1 of Jan 2012			
Deferred tax assets	12.0	0,3	12.3
Defined benefit pension plan obligations	7.5	1.2	8.7
Equity	664.9	-0.9	664.0
Comprehensive Consolidated Income Statement 1.1.2012 - 31.3.2012			
Previously reported figures Change Revised figures according IAS 19			
Other items of comprehensive income			
Actuarial gains and losses	-	-0.7	-0.7
Taxes of other items of comprehensive income	-	0.2	0.2
Comprehensive income for the financial period	-	-0.5	-0.5

The information presented in this report is unaudited.

2. Segment Information

EUR million	1-3 2013	1-3 2012	1-12 2012
Net sales by business segment			
Itella Mail Communications	292.6	296.2	1,167.6
inter-segment sales	-15.4	-13.4	-54.6
Itella Logistics	205.2	181.7	781.5
inter-segment sales	-52.3	-50.5	-205.9
Itella Information	69.9	74.5	270.1
inter-segment sales	-4.0	-3.2	-12.2
Other operations	15.5	15.5	63.1
inter-segment sales	-15.4	-15.4	-62.9
Total eliminations (Interim sales)	-87.1	-82.5	-335.6
Total	496.0	485.3	1,946.7
Operating result by business segment (non-IFRS) *)			
Itella Mail Communications	21.4	25.3	74.0
Itella Logistics	-10.3	-1.7	-12.0
Itella Information	6.4	3.2	15.6
Other operations	-5.1	-4.1	-24.4
Total	12.4	22.8	53.2
Non-recurring items by business segment			
Itella Mail Communications	0.8	-	-
Itella Logistics	0.8	1.3	-2.5
Itella Information	-	0.5	16.7
Other operations	-	-	-
Total	1.6	1.8	14.2
Operating result (EBIT) by business segment			
Itella Mail Communications	20.6	25.3	74.0
Itella Logistics	-11.1	-2.9	-9.5
Itella Information	6.4	2.8	-1.1
Other operations	-5.1	-4.1	-24.4
Total	10.8	21.0	39.0
Financial income and expenses	-3.2	-1.7	-8.3
Result for the financial period	4.7	11.6	14.1

*) Non-IFRS = excluding non-recurring items

EUR million	31 March 2013	31 March 2012	31 Dec 2012
Assets			
Itella Mail Communications	476.5	503.4	475.0
Itella Logistics	687.9	618.7	689.7
Itella Information	177.9	190.3	179.0
Other operations and unallocated	208.4	223.4	203.7
Eliminations	-37.6	-36.0	-36.7
Total	1,513.1	1,499.8	1,510.7
Liabilities			
Itella Mail Communications	273.1	273.3	276.0
Itella Logistics	151.7	111.9	148.7
Itella Information	45.7	54.9	47.3
Other operations and unallocated	385.3	406.1	390.0
Eliminations	-37.6	-36.6	-36.7
Total	818.2	809.6	825.4
Personnel at period-end			
Itella Mail Communications	17,584	17,699	17,844
Itella Logistics	7,355	6,857	7,391
Itella Information	2,257	2,305	2,168
Other operations	459	402	413
Total	27,655	27,263	27,816

3 Acquired business activities and business divestments

There has been no business acquisitions or divestments during the reporting period.

4. Net Sales by Geographical Location

EUR million	1-3 2013	1-3 2012	1-12 2012
Finland	353.5	329.3	1,333.9
Scandinavia	62.5	68.7	263.2
Baltic countries and Russia	55.4	54.9	239.4
Other countries	24.5	32.4	110.2
Total	496.0	485.3	1,946.7

5. Changes in Property, Plant and Equipment

EUR million	31 March 2013	31 March 2012	31 Dec 2012
Carrying amount on 1 Jan	675.4	664.1	664.1
Additions	9.1	18.9	76.3
Disposals and transfers between items	-0.2	-0.4	-6.9
Depreciation and Impairment	-17.5	-17.1	-67.3
Translation differences	3.2	14.0	9.2
Carrying amount at period-end	670.0	679.6	675.4

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

EUR million	Fair values at the end of the reporting period			
	Total	Level 1	Level 2	Level 3
31 March 2013				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	6.1		6.1	
Electricity forward contracts, non-hedge accounting	0.0	0.0		
Financial assets at fair value through profit and loss				
Money market investments	42.9		42.9	
Bonds	51.2	40.0	11.2	
Derivative contracts				
Currency forward contracts, non-hedge accounting	1.7		1.7	
Electricity forward contracts, non-hedge accounting	0.1	0.1		
Available-for-sale financial assets				
Debt certificates	4.8		4.8	
Equity fund investments	0.7			0.7
Total	107.6	40.1	66.8	0.7
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
Derivative contracts				
Currency forward contracts, non-hedge accounting	1.1		1.1	
Electricity forward contracts, non-hedge accounting	0.4	0.4		
Total	1.5	0.4	1.1	

EUR million	Fair values at the end of the reporting period			
	Total	Level 1	Level 2	Level 3
31 Dec 2012				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	6.9		6.9	
Financial assets at fair value through profit and loss				
Money market investments	46.8		46.8	
Bonds	54.1	42.9	11.2	
Derivative contracts				
Currency forward contracts, non-hedge accounting	0.1		0.1	
Electricity forward contracts, non-hedge accounting	0.0	0.0		
Available-for-sale financial assets				
Debt certificates	1.8		1.8	
Equity fund investments	0.8			0.8
Total	110.4	43.0	66.7	0.8
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss				
Derivative contracts				
Currency forward contracts, non-hedge accounting	1.3		1.3	
Electricity forward contracts, non-hedge accounting	0.6	0.6		
Total	1.9	0.6	1.3	

During the reporting periods no transfers were made between the fair value hierarchy levels. The Group identifies and recognizes transfers between different levels on the basis of exercised transaction dates or the moment during which the selection of entry data undergoes a material change. The Group has specified the class of financial instruments in terms of fair value hierarchy levels; a part of investments in bonds is disclosed in the Interim Financial Report of March 31, 2013 at Level One and a part at Level Two, whereas previously they were all disclosed at Level Two.

Hierarchy levels:

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

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

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

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

Reconciliation of financial assets measured at fair value in accordance with level 3

EUR million	Available-for-sale equity fund investments
2013	
Carrying amount on 1 Jan	0.8
Total profits and losses	
In the statement of comprehensive income	
Available-for-sale financial assets	0.6
Exercises	-0.7
Carrying amount on 31 March	0.7

Total profits and losses recorded on assets held at the end of the reporting period

In financial income and expenses	-0.5
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7. Consolidated Contingent Liabilities

EUR million	31 March 2013	31 March 2012	31 Dec 2012
Pledges for own behalf	16.9	19.4	18.9
Lease commitments	369.6	301.0	381.1

Itella has received claims from its contract customers to refund the value added taxes they have paid amounting to a total of EUR 94 million. The decision given by the Helsinki District Court in summer 2011 was positive to Itella. The decision was however nullified by the Helsinki Court of Appeal and thus returned to the district court in which the proceedings began in 2012. Itella considers the customers' claims to be unfounded in their entirety.

Derivative Contracts

EUR million	31 March 2013	31 March 2012	31 Dec 2012
Currency derivatives			
Currency forward contracts, non-hedge accounting			
Fair value	0.7	-0.3	-1.3
Nominal value	124.6	111.6	121.4
Interest rate derivatives			
Interest rate swaps, hedge accounting			
Fair value	6.1	5.1	6.9
Nominal value	70.0	70.0	70.0
Electricity derivatives			
Electricity forwards, non-hedge accounting			
Fair value	-0.3	-	-0.5
Nominal value	7.3	-	8.0