

The deteriorating market impacted on Itella's results

Itella Corporation Interim Report January–June 2013

April–June 2013

- Itella Group's net sales grew in April–June, totaling EUR 495.1 (473.2) million. The growth was due to the integration of VR Transpoint's groupage logistics into Itella Logistics.
- Net sales in Itella Mail Communications – EUR 283.2 million – remained on par with the previous year's net sales (283.2), while the net sales of Itella Logistics grew to EUR 217.3 (188.9) million and the net sales of Itella Information declined to EUR 66.8 (67.8) million. When accounting for Itella Information's sale of the printing services business in Germany carried out in 2012, its net sales increased by 6 percent.
- Operating result before non-recurring items decreased, amounting to EUR 2.4 (5.9) million, or 0.5 (1.2) percent, of net sales. The operating result before non-recurring items in Itella Mail Communications decreased to EUR 8.5 (10.7) million and to EUR -3.3 (-1.8) million in Itella Logistics, and improved to EUR 4.5 (2.5) million in Itella Information.
- The second quarter operating result decreased impacted by non-recurring cost items totaling EUR 12.5 (9.0) million, and led to a loss of EUR -10.1 (-3.1) million, or -2.0 (-0.7) percent of net sales.
- In April, Itella announced the start of an EUR 100 million performance improvement program for 2013–2014 and the start of cooperation negotiations concerning centralized and decentralized group functions. These negotiations were concluded by the end of May and resulted in the termination of the employment of 183 people.
- Itella also announced its intention to renew its ICT operating model as part of the performance improvement program. As a result, the company signed an extensive partnership agreement with IBM, to which some of Itella's ICT operations were outsourced as of June 1, 2013.
- The corporate transaction between Itella and Savings Banks concerning the share capital of Itella Bank was finalized on April 18, 2013.

January–June 2013

- Itella Group's net sales grew by 3.4 percent, totaling EUR 991.1 (958.5) million in the first half of the year. Net sales in Itella Mail Communications declined to EUR 575.7 (579.4) million and to EUR 136.7 (142.2) million in Itella Information. The net sales of Itella Logistics increased to EUR 422.5 (370.6) million.
- Operating result decreased, totaling EUR 14.8 (28.7) million, or 1.5 (3.0) percent, of net sales without non-recurring items. Operating result before non-recurring items in Itella Mail Communications decreased to EUR 29.9 (36.0) million and to EUR -13.7 (-3.5) million in Itella Logistics, and improved in Itella Information, to EUR 10.9 (5.8) million.
- Operating result in the first half decreased from the year before and came to EUR 0.7 (18.0) million, representing 0.1 (1.9) percent of net sales. The first half's performance decreased due to non-recurring items in the amount of EUR 14.1 (10.7) million.
- Cash flow from operating activities was EUR 25.1 (43.1) million and cash used for fixed assets totaled EUR 21.2 (35.9) million.

Itella key figures	4-6/2013	4-6/2012	1-6/2013	1-6/2012	2012
Net sales, EUR million	495.1	473.2	991.1	958.5	1,946.7
Operating result (non-IFRS), EUR million*)	2.4	5.9	14.8	28.7	53.2
Operating result (non-IFRS), %*)	0.5	1.2	1.5	3.0	2.7
Operating result, EUR million	-10.1	-3.1	0.7	18.0	39.0
Operating result, %	-2.0	-0.7	0.1	1.9	2.0
Result before taxes, EUR million	-14.4	-5.7	-6.8	13.6	30.8
Result for the financial period, EUR million	-10.9	-7.5	-6.2	4.2	14.1
Return on equity, %, 12 months			0.5	-1.8	2.1
Return on invested capital (12 months), %			2.7	2.2	4.7
Equity ratio, %			46.5	46.8	46.2
Net gearing, %			25.6	22.0	23.5
Gross capital expenditure, EUR million	16.1	23.5	27.1	45.2	134.7
Employees on average			27,841	27,431	27,460
Dividends, EUR million	-	-	-	-	6.8

*) Non-IFRS = Excluding non-recurring items

President and CEO Heikki Malinen:

"The overall market situation and consumer confidence declined clearly as summer approached. In Itella's business, the weaker market situation was particularly visible in road freight, the handling of goods and postal delivery volumes. The speed of growth slowed down, particularly with regard to the consumer segment. We were nonetheless successful in winning some significant new customer accounts during the review period. The weaker market situation was also evident as lower transaction volumes in the business of Itella Information. The services under the scope of the universal service obligation accounted for 6.1 percent of Itella Group's net sales during the second quarter.

Electronic substitution presents Itella with a great challenge this decade as letter and magazine volumes, in particular, continue to decline at an increasing speed. Itella is preparing for this change by adjusting its capacity to future demand. To enable future growth, Itella has established a new eCommerce unit, the objective of which is to allocate more resources and expertise in measures aiming to increase our market share in the logistics of online commerce. We are also continuing our investments in the development of parcel deliveries.

In April, we launched a EUR 100 million performance improvement program for 2013–2014. As part of this program, we sold Itella Bank, increased the efficiency of Group administration, began the outsourcing of ICT operations and started giving increased prominence to sourcing.

Improving the result of Itella Logistics, which has suffered from declining profits for quite some time now, is one of our key priorities. Enabling profitable growth in the future requires us to carry out significant changes in the entire logistics organization and delivery chain. Positive developments include the growth of business and improved profitability in Russia.

We anticipate Itella's net sales this year to show growth in comparison to last year. The operating result without non-recurring items is expected to remain at the level of 2012. The operating result for the entire year is expected to be impacted by substantial non-recurring expenses."

APPENDICES

Itella's full Interim Report

FURTHER INFORMATION

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FINANCIAL CALENDAR IN 2013:

January-September 2013, October 30

PHOTOGRAPHS AND LOGOS

www.itella.com/media

***Itella Group** provides solutions for managing information and product flows. Itella operates in the fields of mail communications, logistics, and financial management in Europe and Russia. Net sales in 2012 amounted to EUR 1,947 million. The number of employees is about 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.*

Interim Report for January–June 2013

Market situation and business environment

Electronic substitution in postal services continues and seems to be accelerating. The volume of addressed letters decreased by 5 percent in comparison to the previous year; during the corresponding period in 2012, the volume decreased by 3 percent. Addressed marketing has declined, and the postal licenses that have been granted now allow for competition in addressed deliveries. Newspaper and magazine volumes also continued to fall.

The market situation in logistics and retail is challenging. This is visible in the decline of comparable net sales in Itella Logistics' road freight business and in the lower processing volumes in contract logistics. The situation is clearly weaker than before in Finland and has remained challenging in Scandinavia. In Russia, logistics has experienced positive development, although economic growth there has slowed down.

The digitization of invoicing and financial management have an impact on Itella's business, offering opportunities in the form of outsourcing services and multi-channel solutions, particularly for Itella Information. On the other hand, the accelerating rate of digitization has an effect on the printing services business, and electronic data communications between organizations reflect the deteriorated market situation.

Net sales and financial performance in April–June 2013

Itella Group's net sales grew by 4.6 percent in April–June, totaling EUR 495.1 (473.2) million. Net sales in Itella Mail Communications, at EUR 283.2 million, remained on par with the previous year's net sales, (283.2), while the net sales of Itella Logistics grew to EUR 217.3 (188.9) million and the net sales of Itella Information declined to EUR 66.8 (67.8) million. Operating result before non-recurring items decreased, amounting to EUR 2.4 (5.9) million, or 0.5 (1.2) percent, of net sales.

The period's operating profit decreased due to non-recurring items, primarily attributable to corporate transactions, in the amount of EUR 12.5 (9.0) million. The non-recurring items of the business groups are described in more detail below, in connection with the results analysis specific to each business group. At Group level, the non-recurring items include the EUR 1.6 million gain on disposal from the sale of Itella Bank.

Operating result declined from the year before and amounted to EUR -10.1 (-3.1) million, representing -2.0 (-0.7) percent of net sales. The operating result before taxes was EUR -14.4 (-5.7) million.

Net sales and financial performance in January–June 2013

Itella Group's net sales in January–June amounted to EUR 991.1 (958.5) million. Net sales increased by 3.4 percent. In local currencies, the increase in net sales was 3.5 percent. Net sales in Itella Mail Communications declined to EUR 575.7 (579.4) million and to EUR 136.7 (142.2) million in Itella Information. The net sales of Itella Logistics increased to EUR 422.5 (370.6) million. Net sales in Finland grew by 7.9 percent and declined by 6.1 percent in other countries. International operations accounted for 29 (32) percent of net sales.

The Group's operating result before non-recurring items declined and was EUR 14.8. (28.7) million. Operating result before non-recurring items in Itella Mail Communications declined to EUR 29.9 (36.0) million and to EUR -13.7 (-3.5) million in Itella Logistics. In Itella Information, operating result before non-recurring items improved to EUR 10.9 (5.8) million.

Operating profit declined due to non-recurring items in the amount of EUR 14.1 (10.7) million, of which EUR 14.0 million related to personnel expenses.

The Group recorded an operating result of EUR 0.7 (18.0) million, representing 0.1 (1.9) percent of net sales. The operating result declined in all business groups except Itella Information. The consolidated net financing expenses were EUR 7.5 (4.4) million, including a valuation loss of EUR -1.1 (profit 0.9) million.

The Group's operating result after financing items was EUR -6.8 (13.6) million. Income tax totaled EUR -0.5 (9.4) million.

The Group's operating result for the period was EUR -6.2 (4.2) million.

Net cash flow from operations was EUR 25.1 (43.1) million.

Return on equity (rolling 12 months) was 0.5 (-1.8) percent.

Performance improvement program for 2013–2014

To ensure its competitiveness and profitability, Itella established a new performance improvement program that covers the years 2013 and 2014. The program has started and aims to accumulate cost

savings in the amount of EUR 100 million. The savings are to be accumulated through restructuring, the elimination of unprofitable operations, and the improvement of sourcing and productivity. As part of this program, Itella sold Itella Bank, ended cooperation negotiations started in April, outsourced a part of its ICT operations, and intends to place increased emphasis on sourcing.

Itella Mail Communications

April–June

The net sales of Itella Mail Communications remained unchanged and totaled EUR 283.2 (283.2) million.

The business group's operating result before non-recurring items decreased, and amounted to EUR 8.5 (10.7) million. The percentage of operating result was 3.0 (3.8) percent. The decrease in the operating result is attributable to the decline in the volumes of addressed shipments, resulting from electronic substitution as well as the decline in average prices as customers move to lighter and more inexpensive postal shipments. The reduction in marketing materials and a partial shift from addressed to unaddressed deliveries also had an effect on the development of average prices. The parcel business continued on the growth curve, achieving an increase of 5 percent, particularly due to positive development in the segments of online commerce and consumer parcels.

Itella Mail Communications has already increased and will have to continue increasing the efficiency of its operations, to adjust its costs to the declining volumes in addressed shipments. The business group recorded non-recurring items due to personnel restructuring in the amount of EUR 3.4 (-) million during the period.

Net sales accumulated from the services that fall under the scope of the universal service obligation amounted to 10.7 (10.6) percent of Itella Mail Communications' net sales in April–June.

The most common postage fees changed on June 3, when the price of a first-class stamp increased to 85 cents (from 80 cents) and the price of a second-class stamp increased to 75 cents (from 70 cents). Finnish households spend an average of slightly less than EUR 30 per year on sending cards, letters and parcels, which means that the annual increase per household will come to about EUR 1.50–2.

January–June

The net sales of Itella Mail Communications fell by 0.6 percent in the first half of the year, totaling EUR 575.7 (579.4) million.

The business group's operating result before non-recurring items decreased, and amounted to EUR 29.9 (36.0) million. The percentage of operating result was 5.2 (6.2) percent. The business group recorded non-recurring items due to personnel restructuring in the amount of EUR 4.2 (-) million during the period.

In the first half of 2013, the delivery volumes of mail items developed as follows in comparison to the corresponding period in the previous year:

- Total volume of addressed letters, -5 (-3) percent
- Unaddressed direct marketing +14 (+18) percent
- Newspapers -5 (-9) percent
- Magazines -7 (-4) percent
- Parcel services +5 (+6) percent

- Electronic letters +16 (+43) percent

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 electronic substitution. At the same time, growth in e-commerce and parcel services continued. The volumes of unaddressed direct marketing also continued to grow, although the growth was slightly more modest than last year.

The number of Netposti users had increased to 505,000 – or by 26 percent in comparison to the previous year – by the end of June. Netposti is the free electronic mailbox provided by Posti.

Posti's service outlets numbered 1,286 at the end of June. Of these outlets, 102 were outlets managed by Posti itself and 897 outlets managed by entrepreneurs. Posti also took 156 automatic parcel terminals into use in January–June, bringing the total number of automatic parcel terminals to 287. The goal is to increase the number of the various service outlets to 1,500 by 2016.

As planned, the business group invested EUR 12.5 (12.2) million in production-related projects and automatic parcel terminals in the first half of the year.

Itella Logistics

April–June

The net sales of Itella Logistics grew by 15.0 percent in April–June, totaling EUR 217.3 (188.9) million. Supported by a corporate transaction, net sales grew in both Finland and Russia.

The business group's operating result before non-recurring items decreased, and amounted to EUR -3.3 (-1.8) million. Profitability in Finland decreased with regard to contract logistics and road freight. The second quarter results in Russia were satisfactory. In Scandinavia, they improved in comparison to the year before.

The business group recorded non-recurring items in the amount of EUR 5.5 (-7.4) million during the period, as part of the implementation of the performance improvement program. Personnel restructuring costs recorded during the period amounted to EUR 4.9 (0.4) million and other items to EUR 0.6 million. The non-recurring items of the previous year include the additional purchase price of the Russian logistics company acquired by Itella Logistics in 2008; this had a non-recurring positive performance impact of EUR 7.0 million.

Operating result decreased due to the non-recurring items, and totaled EUR -8.8 (5.5) million.

January–June

The net sales of Itella Logistics grew by 14.0 percent in January–June, totaling EUR 422.5 (370.6) million. Net sales in Russia and Finland grew, supported by the corporate transaction.

The business group's operating result before non-recurring items decreased, and amounted to EUR -13.7 (-3.5) million. Operating result decreased, and the business group posted a loss of EUR -20.0 (2.6) million. Non-recurring items recorded during the period amounted to EUR 6.3 (income -6.1) million. Of this amount, EUR 5.7 (0.7) million consisted of personnel restructuring costs. The non-recurring items of the previous year include the additional purchase price of the Russian logistics

company, acquired by Itella Logistics in 2008, which had a non-recurring positive performance impact of EUR 7.0 million.

The investments of Itella Logistics – the most significant one of which related to the logistics center in Pennala, Orimattila and the warehouse services in Russia – amounted to EUR 9.9 (23.1) million. The new logistics center in Pennala was fully completed in June 2013. The total value of the investment in the center amounted to more than EUR 60 million.

Itella Information

April–June

The net sales of Itella Information in April–June amounted to EUR 66.8 (67.8) million. Net sales decreased by 1.4 percent. Comparable net sales nevertheless grew by 6 percent in comparison to the previous year, due to the growth in finance and accounting services and outbound and e-services business.

The business group's operating result before non-recurring items improved and amounted to EUR 4.5 (2.5) million. The improvement in performance was attributable, in particular, to the growth in finance and accounting services as well as increased efficiency in productivity and a scale advantage brought about by growth. The economic downturn is evident in the slow sales of outsourcing projects and licenses.

The business group's non-recurring items during the period totaled EUR 1.9 (16.3) million. The non-recurring items of EUR 1.9 (2.1) million were allocated to personnel restructuring. Operating result improved, amounting to EUR 2.6 (-13.8) million.

Increasing numbers of customers are opting for the outbound and printing services which include mail delivery. Outbound and printing services developed positively in Finland, Sweden, and Norway, particularly due to the iPost and iBilling solutions. The rate of growth in printing and scanning volumes nonetheless slowed down towards the end of the period under review. The profitability of financial automation solutions lagged slightly behind the profitability figures of last year during the second quarter. Profitability improved in finance and accounting outsourcing services, but continued to remain clearly below the target level. This is the result of investment in growth, process development, and internationalization.

January–June

The net sales of Itella Information fell by 3.9 percent in the first half of the year, totaling EUR 136.7 (142.2) million. Comparable net sales nevertheless grew by EUR 7.5 million, or 5.8 percent, from the year before.

The operating result before non-recurring items improved to EUR 10.9 (5.8) million. Non-recurring items recorded during the period amounted to EUR 1.9 (16.8) million. Of the non-recurring items, EUR 1.9 (2.6) million related to personnel restructuring.

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

The business group's investments amounted to EUR 1.2 (1.7) million. They are largely related to activated development projects and the printing business's maintenance investments.

Key figures for business groups, EUR million	4-6/2013	4-6/2012	Change	1-6/2013	1-6/2012	Change
Net sales						
Itella Mail Communications	283.2	283.2	0.0%	575.7	579.4	-0.6%
Itella Logistics	217.3	188.9	15.0%	422.5	370.6	14.0%
Itella Information	66.8	67.8	-1.4%	136.7	142.2	-3.9%
Other operations	15.2	16.0	-5.2%	30.6	31.5	-2.7%
Intra-Group sales	-87.4	-82.7	5.6%	-174.5	-165.2	5.6%
Itella Group	495.1	473.2	4.6%	991.1	958.5	3.4%
Operating result (non-IFRS) *)						
Itella Mail Communications	8.5	10.7	-20.8%	29.9	36.0	-17.1%
Itella Logistics	-3.3	-1.8	neg	-13.7	-3.5	neg
Itella Information	4.5	2.5	77.5%	10.9	5.8	89.6%
Other operations	-7.2	-5.5	neg	-12.3	-9.6	neg
Itella Group	2.4	5.9	-59.8%	14.8	28.7	-48.5%
Operating result						
Itella Mail Communications	5.1	10.7	-52.8%	25.6	36.0	-28.8%
Itella Logistics	-8.8	5.5	..	-20.0	2.6	..
Itella Information	2.6	-13.8	..	9.0	-11.0	..
Other operations	-8.9	-5.5	neg	-14.0	-9.6	neg
Itella Group	-10.1	-3.1	neg	0.7	18.0	-96.1%
Operating result (non-IFRS), %*)						
Itella Mail Communications	3.0%	3.8%		5.2%	6.2%	
Itella Logistics	-1.5%	-1.0%		-3.2%	-0.9%	
Itella Information	6.7%	3.7%		8.0%	4.1%	
Itella Group	0.5%	1.2%		1.5%	3.0%	
Operating result, %						
Itella Mail Communications	1.8%	3.8%		4.5%	6.2%	
Itella Logistics	-4.1%	2.9%		-4.7%	0.7%	
Itella Information	3.9%	-20.4%		6.6%	-7.8%	
Itella Group	-2.0%	-0.7%		0.1%	1.9%	

*) Non-IFRS = Excluding non-recurring items

Financial position and investments

The consolidated cash flow from operating activities before investments was EUR 25.1 (43.1) million.

Capital expenditure amounted to EUR 21.2 (35.9) million.

At the end of June, liquid assets amounted to EUR 138.7 (175.8) million, and undrawn committed credit facilities totaled EUR 120.0 (120.0) million. The Group's interest-bearing liabilities were EUR 308.0 (324.4) million. The equity ratio stood at 46.5 (46.8) percent and net debt-to-equity was 25.6 (22.0) percent.

Human Resources

In January–June, Itella Group employed an average of 27,841 (27,431) people. At the end of the period under review, the amount of personnel was 29,086 (28,803), of which 23,218 (22,839) worked in Finland.

At the end of the period, the number of personnel employed in each of Itella Corporation's business groups was as follows:

- Itella Mail Communications 19,082 (19,373)
- Itella Logistics 7,361 (6,849)
- Itella Information 2,208 (2,172)
- Group's other functions 435 (409)

The Group's personnel expenses increased by EUR 19.8 million (they decreased by EUR 4.1 million during the previous year). Growth in comparison to the year before amounted to 4.4 percent. Personnel expenses included restructuring costs in the amount of EUR 14.0 (3.3) million. Expenses increased particularly as a result of the transfer of VR Transpoint groupage logistics' personnel to Itella.

Changes in corporate structure

The entire share capital of Itella Bank was sold to the Savings Bank on April 18, 2013. Success in the banking sector would have required clear expansion into product areas which do not have synergy with Itella's core business.

Short-term business risks and uncertainties

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

Consumer confidence declined during the first half of the year, especially in Finland. This was clearly evident in the volumes of our customers.

The rate of electronic substitution in postal services has accelerated. The 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. In addition, the growth in parcel services has slowed down.

Due to the weak overall economy, our logistics business, in particular, is faced with measures aiming to improve profitability. Possible risks include the inadequacy of such measures should the market situation become increasingly challenging. The state of the economy in Russia has also deteriorated. Should this state of affairs continue, it may have adverse effects on consumer demand and the market situation in Russia, and on Itella's growth opportunities there.

The collective agreement made with the Finnish Post and Logistics Union PAU will expire in October 2013. The agreement covers a significant portion of Itella's employees in Finland. Any protraction of the

negotiations concerning the renewal of this pivotal agreement may have an impact on Itella's operations.

A large part of the shelf system at Itella Logistics' warehouse in Shushary, St. Petersburg, collapsed in July 2012. The assessment of liability and the calculation of the insurance indemnity are under way, but the full amount of the indemnity is yet to be confirmed. Thus the ultimate effects of the accident are yet to be ascertained. The indemnity is posted under other receivables in the balance sheet and debts include a short-term loss provision.

Seasonal fluctuation

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

Outlook for the rest of the year

The Group's net sales for 2013 are expected to show growth. Operating result without non-recurring items is expected to remain at the level of 2012. The operating result for the entire year is expected to be impacted by substantial non-recurring items.

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

Itella Logistics' net sales are expected to grow significantly as a result of the acquisition of VR Transpoint's groupage logistics business. The Group is expected to post a loss in the operating result before non-recurring items.

The net sales of Itella Information are expected to show clear growth, 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, July 23, 2013

Itella Corporation
Board of Directors

APPENDICES

Key figures of Itella Group
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Statement of changes in shareholders' equity
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Interim Report for January-June 2013

Key figures of Itella Group

	4-6	4-6	1-6	1-6	1-12
	2013	2012	2013	2012	2012
Net sales, MEUR	495.1	473.2	991.1	958.5	1,946.7
Operating result (non-IFRS), MEUR *)	2.4	5.9	14.8	28.7	53.2
Operating result (non-IFRS), % *)	0.5	1.2	1.5	3.0	2.7
Operating result (EBIT), MEUR	-10.1	-3.1	0.7	18.0	39.0
Operating result (EBIT), %	-2.0	-0.7	0.1	1.9	2.0
Result before taxes, MEUR	-14.4	-5.7	-6.8	13.6	30.8
Result for the period, MEUR	-10.9	-7.5	-6.2	4.2	14.1
Return on equity, %, 12 months			0.5	-1.8	2.1
Return on invested capital (12 months), %			2.7	2.2	4.7
Equity ratio, %			46.5	46.8	46.2
Gearing, %			25.6	22.0	23.5
Gross capital expenditure, MEUR	16.1	23.5	27.1	45.2	134.7
Employees on average			27,841	27,431	27,460
Dividends, MEUR	-	-	-	-	6.8

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

Comprehensive Consolidated Income Statement

EUR million	4-6 2013	4-6 2012	1-6 2013	1-6 2012	1-12 2012
Net sales	495.1	473.2	991.1	958.5	1,946.7
Other operating income	4.4	10.9	7.8	15.2	25.3
Share of associated companies' results	0.0	0.0	0.0	0.0	0.0
Materials and services	144.0	132.6	281.4	263.2	546.9
Employee benefits	238.2	228.4	468.7	448.8	885.2
Depreciation and amortisation	23.4	21.8	46.9	43.6	88.0
Impairment losses	3.0	-	3.0	-	1.4
Other operating expenses	100.9	104.4	198.2	200.2	411.5
Operating result (EBIT)	-10.1	-3.1	0.7	18.0	39.0
% of net sales	-2.0 %	-0.7 %	0.1 %	1.9 %	2.0 %
Financial income and expenses	-4.3	-2.7	-7.5	-4.4	-8.3
Result before income tax	-14.4	-5.7	-6.8	13.6	30.8
% of net sales	-2.9 %	-1.2 %	-0.7 %	1.4 %	1.6 %
Income tax	3.5	-1.8	0.5	-9.4	-16.7
Result for the financial period	-10.9	-7.5	-6.2	4.2	14.1
% of net sales	-2.2 %	-1.6 %	-0.6 %	0.4 %	0.7 %
Result for the financial period attributable to					
Parent company shareholders	-10.9	-7.5	-6.2	4.2	14.1
Non-controlling interest	-	0.0	-	0.0	-
	-10.9	-7.5	-6.2	4.2	14.1

Comprehensive Consolidated Income Statement

Result for the financial period	-10.9	-7.5	-6.2	4.2	14.1
Other items of comprehensive income					
Available-for-sale financial assets	0.1	-0.1	0.5	-0.1	-0.3
Change in fair value of cash flow hedges	0.4	-	0.4	-	-
Translation differences	-9.1	-9.0	-13.6	6.1	10.9
Actuarial gains and losses	-	-0.7	-	-1.5	-2.9
Taxes of other items of comprehensive income	-0.1	0.2	-0.1	0.4	0.7
Comprehensive income for the financial period	-19.7	-17.1	-19.0	9.0	22.5
Comprehensive income attributable to					
Parent company shareholders	-19.7	-17.1	-19.0	9.0	22.5
Non-controlling interest	-	0.0	-	0.0	-
	-19.7	-17.1	-19.0	9.0	22.5

Consolidated Balance Sheet

EUR million	30 June 2013	30 June 2012	31 Dec 2012
Non-current assets			
Goodwill	186.4	172.0	186.9
Other intangible assets	86.9	83.7	100.3
Investment property	2.9	3.7	3.1
Property, plant and equipment	649.8	658.8	675.4
Investments in associated companies	0.4	0.8	0.4
Other non-current investments	6.1	6.4	6.0
Non-current receivables	12.7	13.0	13.0
Deferred tax assets	21.6	15.9	13.8
Total non-current assets	966.8	954.4	998.9
Current assets			
Inventories	7.4	7.0	6.7
Trade and other receivables	316.7	295.3	329.9
Current tax assets	7.0	14.5	2.1
Financial assets available-for-sale	0.7	1.3	2.6
Financial assets held until maturity			15.2
Financial assets at fair value through profit or loss	71.7	91.0	56.2
Cash and cash equivalents	68.2	85.5	90.3
Total current assets	471.6	494.7	503.0
Non-current assets classified as held for sale	10.3	11.5	10.7
Total assets	1,448.7	1,460.6	1,512.5
Equity			
Share capital	70.0	70.0	70.0
Contingency reserve	142.7	142.7	142.7
Fair value reserve	0.7	0.0	-0.2
Translation differences	-6.9	1.9	6.7
Retained earnings	454.4	459.9	467.5
Equity attributable to equity holders of the parent company	661.0	674.5	686.7
Equity attributable to equity holders of the non-controlling interest	-	0.0	-
Total equity	661.0	674.4	686.7
Non-current liabilities			
Deferred tax liabilities	50.5	52.1	54.1
Non-current interest-bearing loans	276.3	294.7	288.3
Other non-current liabilities	12.7	10.2	12.2
Non-current provisions	19.4	19.1	18.6
Defined benefit pension plan obligations	7.3	7.8	8.3
Total non-current liabilities	366.2	383.9	381.5
Current liabilities			
Current interest-bearing loans	31.5	29.6	36.3
Trade payables and other liabilities	357.7	356.8	375.7
Current tax liabilities	8.5	13.8	1.2
Current provisions	23.4	1.7	30.4
Total current liabilities	421.1	401.9	443.7
Liabilities associated with non-current assets classified as held for sale	0.5	0.5	0.5
Total liabilities	787.8	786.3	825.8
Total equity and liabilities	1,448.7	1,460.6	1,512.5

Consolidated Cash Flow Statement

EUR million	1-6 2013	1-6 2012	1-12 2012
Profit or loss for the financial period	-6.2	4.2	14.1
Total adjustments	54.8	63.3	117.9
Change in net working capital	-15.3	-12.7	14.3
Cash flow before financial items and income tax	33.2	54.8	146.2
Financial items (net)	-0.7	-1.4	-11.7
Tax paid	-7.4	-10.4	-15.6
Cash flow from operating activities (net)	25.1	43.1	118.9
Purchase of intangible assets	-3.6	-16.1	-28.1
Purchase of property, plant and equipment	-17.6	-19.8	-45.4
Proceeds from sale of intangible and tangible assets	1.1	2.6	7.4
Acquisitions	-	-0.4	-41.5
Proceeds from sale of subsidiaries less cash and cash equivalents	12.2	-10.4	-14.4
Financial assets at fair value through profit or loss	-14.8	-32.9	2.5
Cash flow from other investments	0.8	2.1	-3.1
Cash flow from investing activities (net)	-22.0	-74.8	-122.5
Change in loans (net)	-12.1	-11.5	-19.0
Finance lease principal payments	-3.8	-3.0	-6.6
Financial assets held until maturity	0.3	-	-4.2
Dividends paid	-6.8	-	-
Cash flow from financing activities (net)	-22.4	-14.5	-29.8
Change in cash and cash equivalents	-19.3	-46.2	-33.4
Cash and cash equivalents at period-start	90.3	132.0	121.0
Effect of changes in exchange rates	-2.8	-0.2	2.7
Change in fair value of cash and cash equivalents	0.0	-	0.0
Cash and cash equivalents at period-end	68.2	85.5	90.3

Statement of Changes in Shareholders' Equity

5

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	456.8	665.4	0.0	665.4
Comprehensive income								
Result for the financial period					4.2	4.2		4.2
Other items for the Comprehensive income:								
Change in fair value reserve			-0.1			-0.1		-0.1
Change in translation differences				6.1		6.1		6.1
Actuarial gains and losses					-1.1	-1.1		-1.1
Comprehensive income for the financial period			0.0	1.9	459.9	674.5	0.0	674.4
Transactions with equity holders								
Non-controlling interest							0.0	0.0
Transactions with equity holders, total					0.0	0.0	0.0	0.0
Equity 30 June 2012	70.0	142.7	0.0	1.9	459.9	674.5	0.0	674.4
Equity 1 Jan 2013	70.0	142.7	-0.2	6.7	467.5	686.7		686.7
Comprehensive income								
Result for the financial period					-6.2	-6.2		-6.2
Other items for the Comprehensive income:								
Change in fair value reserve			0.9			0.9		0.9
Change in translation differences				-13.6		-13.6		-13.6
Actuarial gains and losses						0.0		0.0
Comprehensive income for the financial period			0.7	-6.9	461.2	667.8		667.8
Transactions with equity holders								
Dividends paid					-6.8	-6.8		-6.8
Transactions with equity holders, total					-6.8	-6.8		-6.8
Equity 30 June 2013	70.0	142.7	0.7	-6.9	454.4	661.0		661.0

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. The information presented in this report is unaudited.

As of May 1, 2013, the Group launched the hedging of specific currency-denominated facility rents in Itella Logistics. The entry of derivative contracts in accounting is subject to the cash flow hedge accounting according to IAS 39. In the period under review, the hedging has been effective and has met the IAS 39 application preconditions for the hedge accounting of cash flow hedging.

Changes in 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.- 30.6.2012			
Other items of comprehensive income			
Actuarial gains and losses	-	-1.5	-1.5
Taxes of other items of comprehensive income	-	0.4	0.4
Comprehensive income for the financial period	-	-1.1	-1.1

Other retrospective changes

A mistake has been noted relating to the valuation of inventories. The mistake is connected to earlier accounting periods and is corrected retrospectively as presented in the table below.

	Previously reported figures	Change	Revised figures
Balance Sheet 1 of Jan 2012			
Inventories	5.8	1.9	7.7
Equity	664.9	1.4	666.3
Deferred tax liability	53.1	0.5	53.5

2. Segment Information

EUR million	4-6 2013	4-6 2012	1-6 2013	1-6 2012	1-12 2012
Net sales by business segment					
Itella Mail Communications	283.2	283.2	575.7	579.4	1,167.6
inter-segment sales	-14.2	-12.7	-29.6	-26.1	-54.6
Itella Logistics	217.3	188.9	422.5	370.6	781.5
inter-segment sales	-54.5	-51.6	-106.8	-102.1	-205.9
Itella Information	66.8	67.8	136.7	142.2	270.1
inter-segment sales	-3.6	-2.5	-7.5	-5.7	-12.2
Other operations	15.2	16.0	30.6	31.5	63.1
inter-segment sales	-15.2	-15.9	-30.6	-31.3	-62.9
Total eliminations (Interim sales)	-87.4	-82.7	-174.5	-165.2	-335.6
Total	495.1	473.2	991.1	958.5	1,946.7
Operating result by business segment (non-IFRS) *)					
Itella Mail Communications	8.5	10.7	29.9	36.0	74.0
Itella Logistics	-3.3	-1.8	-13.7	-3.5	-12.0
Itella Information	4.5	2.5	10.9	5.8	15.6
Other operations	-7.2	-5.5	-12.3	-9.6	-24.4
Total	2.4	5.9	14.8	28.7	53.2
Non-recurring items by business segment					
Itella Mail Communications	3.4	-	4.2	-	-
Itella Logistics	5.5	-7.4	6.3	-6.1	-2.5
Itella Information	1.9	16.3	1.9	16.8	16.7
Other operations	1.7	-	1.7	-	-
Total	12.5	9.0	14.1	10.7	14.2
Operating result (EBIT) by business segment					
Itella Mail Communications	5.1	10.7	25.6	36.0	74.0
Itella Logistics	-8.8	5.5	-20.0	2.6	-9.5
Itella Information	2.6	-13.8	9.0	-11.0	-1.1
Other operations	-8.9	-5.5	-14.0	-9.6	-24.4
Total	-10.1	-3.1	0.7	18.0	39.0

Financial income and expenses	-4.3	-2.7	-7.5	-4.4	-8.3
Result for the financial period	-10.9	-7.5	-6.2	4.2	14.1

EUR million	June 30 2013	June 30 2012	Dec 31 2012
Assets			
Itella Mail Communications	473.8	478.1	476.8
Itella Logistics	645.1	607.2	689.7
Itella Information	176.3	180.9	179.0
Other operations and unallocated	193.1	230.7	203.7
Eliminations	-39.6	-36.2	-36.7
Total	1,448.7	1,460.6	1,512.5
Liabilities			
Itella Mail Communications	263.0	256.5	276.0
Itella Logistics	139.5	103.0	148.7
Itella Information	43.6	52.6	47.3
Other operations and unallocated	381.2	410.4	390.5
Eliminations	-39.6	-36.1	-36.7
Total	787.8	786.3	825.8
Personnel at period-end			
Itella Mail Communications	19,082	19,373	17,844
Itella Logistics	7,361	6,849	7,391
Itella Information	2,208	2,172	2,168
Other operations	435	409	413
Total	29,086	28,803	27,816

*) Non-IFRS = excluding non-recurring items

3. Acquired business activities and business divestments

Acquired business activities 2013

There has been no business acquisitions during the reporting period.

Business divestments in 2013

During April Itella Oyj sold the entire share capital of Itella Bank Ltd to the Finnish Savings Bank Group. Employees transferred from Itella to new company called Bank of Savings Banks Ltd as old workers. Gain on disposal EUR 1.6 million is recognized through income statement in other operating income.

Analysis of net assets in business divestment

EUR million	30 April 2013
Debit certificates and other receivables	18.3
Cash and cash equivalents	1.9
Liabilities to the public and public sector entities and other liabilities	-7.7
Net assets	12.5
Consideration for the divestment	14.1
Gain on disposal	1.6
Effect on cash flow	
EUR million	
Consideration paid in cash	14.1
Cash and cash equivalents in divestment company	-1.9
Effect on cash flow	12.2

4. Net Sales by Geographical Location

EUR million	4-6 2013	4-6 2012	1-6 2013	1-6 2012	1-12 2012
Finland	348.5	321.3	702.0	650.6	1,333.9
Scandinavia	63.6	65.0	126.2	133.7	263.2
Baltic countries and Russia	59.0	59.0	114.4	113.9	239.4
Other countries	24.0	27.9	48.5	60.3	110.2
Total	495.1	473.2	991.1	958.5	1,946.7

5. Changes in Property, Plant and Equipment

EUR million	30 June 2013	30 June 2012	31 Dec 2012
Carrying amount on 1 Jan	675.4	664.1	664.1
Additions	23.5	29.2	76.3
Disposals and transfers between items	-0.7	-3.8	-6.9
Depreciation and Impairment	-34.7	-33.5	-67.3
Translation differences	-13.7	2.8	9.2
Carrying amount at period-end	649.8	658.8	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
30 June 2013				
Financial assets measured at fair value				
Non-current receivables				
Derivative contracts				
Interest rate swaps, hedge accounting	5.3		5.3	
Trade and other receivables				
Derivative contracts				
Currency forward contracts, hedge accounting	0.4		0.4	
Financial assets at fair value through profit and loss				
Money market investments	38.2		38.2	
Bonds	50.7	39.7	11.0	
Derivative contracts				
Currency forward contracts, non-hedge accounting	1.1		1.1	
Electricity forward contracts, non-hedge accounting	0.0	0.0		
Available-for-sale financial assets				
Equity fund investments	0.7			0.7
Total	96.4	39.7	56.0	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	0.2		0.2	
Electricity forward contracts, non-hedge accounting	0.7	0.7		
Total	0.9	0.7	0.2	

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.

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	0.8
Acquisitions	
Exercises	-0.9
Carrying amount on 30 June	0.7

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

In financial income and expenses	-0.6
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7. Consolidated Contingent Liabilities

EUR million	30 June 2013	30 June 2012	31 Dec 2012
Pledges for own behalf	16.7	19.3	18.9
Lease commitments	371.6	345.1	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	30 June 2013	30 June 2012	31 Dec 2012
Currency derivatives			
Currency forward contracts, non-hedge accounting			
Fair value	1.0	0.0	-1.3
Nominal value	129.1	110.4	121.4
Currency forward contracts, hedge accounting			
Fair value	0.4	-	-
Nominal value	8.3	-	-
Interest rate derivatives			
Interest rate swaps, hedge accounting			
Fair value	5.3	5.8	6.9
Nominal value	70.0	70.0	70.0
Electricity derivatives			
Electricity forwards, non-hedge accounting			
Fair value	-0.7	-	-0.5
Nominal value	6.1	-	8.0