itella

2013
Annual Report

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Itella in brief

We are your first choice in postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 11 countries. In 2013, our net sales were EUR 1,977 million.

We employ approximately 26,000 professionals. We offer corporate services under the Itella brand and consumer services under the Posti brand in Finland. Our history spans nearly 400 years. The State of Finland is our sole shareholder.

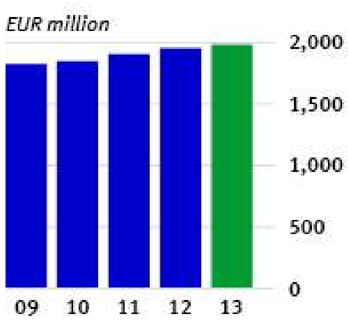
Of our net sales, approximately 96% comes from businesses and organizations. Our key customer industries are the media, trade and service industries.

In 2013, we had three business groups:

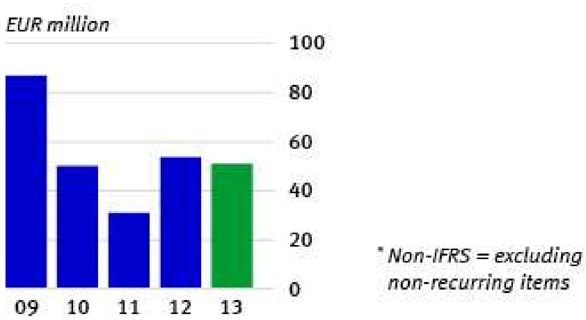
- **Itella Mail Communications** provides letter and parcel deliveries and other postal services across Finland. For business customers, we provide multi-channel marketing solutions designed to reach their customers effectively.
- **Itella Logistics*** supports and develops the business operations of our customer companies by providing them with service logistics solutions for road, sea and air freight as well as warehousing and other contract logistics.
- **OpusCapita** develops financial management processes as a service. Its services cover all aspects of financial management, from purchase orders to payments and from sales orders to inbound cash flow management, as well as all accounting and payroll administration, if needed.

*The Russian operations of Itella Logistics were separated from other operations to create a business group on January 1, 2014.

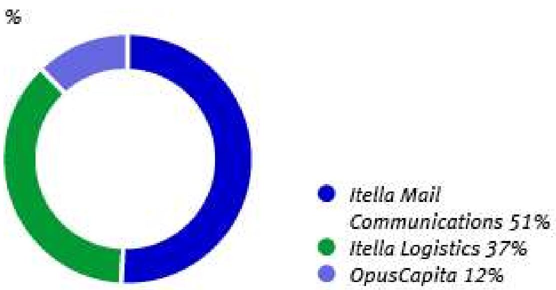
Net sales 2009–2013



Operative result 2009–2013*

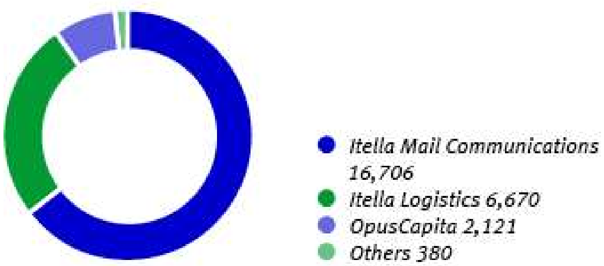


Net sales by business group 2013

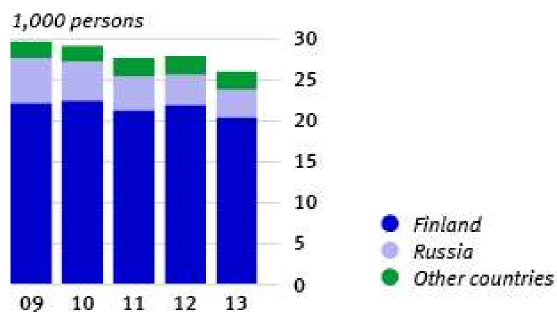


Net sales by geographical area 2013

Personnel by business group on December 31, 2013



Development in the number of personnel



President and CEO’s review

The weakened market and the historic transformation of the postal industry made 2013 challenging for Itella. Our net sales grew slightly, but our result weakened compared to 2012.

The highlight business of the year was OpusCapita, which offers financial management outsourcing services. The company recorded a strong result after a difficult 2012. OpusCapita is a prime example of the significance of determined operational development.

Itella Logistics continued to make a loss. We carried out a large number of measures to change the direction of the development. Warehouse logistics in Russia recorded a positive result.

Considering the transformation of the postal industry, the relative profitability of Itella Mail Communications remained fairly satisfactory. In terms of operations and sales, we had a strong Christmas season. Consequently, the fourth quarter was the strongest quarter of the year, as it has been in previous years. Ensuring a relatively strong performance and balance sheet were our key goals in a situation where mail volume development in the near future is uncertain.

More customer-focused operations

At the end of October, we published our new vision and strategic goals for up until the year 2020. Our operations will be more customer-focused than previously. The new vision and strategy were prepared in response to the international transformation of the postal industry, the most extensive one in its history. The economic recession and the strong increase in digital communications threaten to reduce the volumes of traditional letter and publication distribution by 50% by 2020. Our main focus will shift from letter, publication and advertisement delivery to the management of e-commerce parcel flows, warehousing and goods delivery. Instead of expansion, we are investing in our core operations.

Our primary goal for the coming years is to ensure a sustainable foundation for profitable operations in order to secure funding for our services that fall under the universal service obligation in accordance with the Finnish Postal Act and make necessary investments in growth areas.

Our main markets are Finland and Russia

We are seeking additional growth and profitability in the Russian market and in e-commerce. To accelerate growth in e-commerce, we established the eCommerce unit in the summer. The new unit serves to ensure that we offer an effective range of services for e-commerce companies and meet our goals for growth. In the future, Russia will be our main market, alongside Finland. Our Russian strategy also benefits Finnish export companies, as the expanding logistics network enables increased exports. To support our strategy, we organized our Russian business operations into a separate business group at the beginning of 2014, and we will reinforce its resources.

Feedback indicates that our customers value flexibility and a diverse range of products and services. We want to be even closer to the consumers. During 2013, we increased the number of Posti’s service points by more than 200. By 2020, we will increase their number to 1,700.

Clearer structure for OpusCapita

As part of our strategy, Itella Information changed its name to OpusCapita at the beginning of November. OpusCapita offers financial management and cash flow automation and outsourcing services, aiming for strong growth and a stronger market position in Europe.

We also had to make difficult decisions in 2013. The year was particularly challenging for our employees. In April, we announced a new performance improvement program for 2013–2014 to ensure our competitiveness and profitability. The program aims at EUR 100 million in cost savings, and 59% of that has already been achieved. As part of the program, we have sold Itella Bank, outsourced part of our ICT operations, downsized our administration and improved the efficiency of our sourcing, among other measures. In addition, we had to launch cooperation negotiations, which resulted in a reduction of 637 person-years.

The best workplace

Despite the transformation and changes, we want to be the best workplace in the industry. Occupational safety is also very important to us and improving it was determined to be one of our most important areas of development. We are training our employees in response to the changing workforce needs, and we help them with finding a new job, if necessary. At the beginning of 2014, we launched the Uusi polku (New Path) program for our employees. In addition to financial support, the program offers training and support for job seeking, retraining or starting a business. Through the program, we want to support employees in securing employment during the transformation of the postal industry.

I would like to take this opportunity to thank our personnel, customers and partners for their excellent cooperation during the year. Trusting in the future, we want to continue to offer the best customer experience.

Heikki Malinen
President and CEO

Key figures

Itella's consolidated key figures

	2013	2012	2011
Net sales, MEUR	1,976.8	1,946.7	1,900.1
Operating result (non-IFRS), MEUR*)	50.5	53.2	30.5
Operating result (non-IFRS), %*)	2.6	2.7	1.6
Operating result (EBIT), MEUR	9.9	39.0	-5.9
Operating result (EBIT), %	0.5	2.0	-0.3
Result before taxes, MEUR	-2.4	30.8	-16.4
Result for the period, MEUR	7.7	14.1	-30.7
Return on equity, %, 12 months	1.1	2.1	-4.5
Return on investment, %, 12 months	1.3	4.7	-0.2
Equity ratio, %	47.5	46.2	46.1
Gearing, %	21.1	23.5	22.1
Gross capital expenditure, MEUR	61.1	134.7	102.9
Employees on average	27,253	27,460	28,493
Dividends, MEUR	-**)	6.8	-

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

***) Board proposal*

Key figures of business groups

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

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

Corporate responsibility key figures

	2013	2012	2011
Number of Posti's service outlets	1,310	1,098	1,027
Result of the customer satisfaction survey	3.14	3.11	2.81
Carbon dioxide emissions/net sales (tonnes)	0.09	0.10	0.11
Share of Itella's employees in functions covered by the ISO 14001 EMS	77%	72%	70%

Calculation of key figures (IFRS)

Return on equity, %

$$100 \times \frac{\text{profit before taxes - income taxes}}{\text{total equity (average)}}$$

Return on invested capital, %

$$100 \times \frac{\text{profit before taxes + interests and other financial expenses}}{\text{total equity + interest-bearing liabilities (average)}}$$

Equity ratio, %

$$100 \times \frac{\text{total equity}}{\text{total assets - advances received}}$$

Gearing, %

$$100 \times \frac{\text{interest-bearing liabilities - cash and cash equivalents - interest-bearing receivables}}{\text{total equity}}$$

Liquid funds consist of cash and cash equivalents and liquid investments with original maturity of over three months.

JANUARY
Itella's new logistics center in Pennala was inaugurated

JANUARY
Itella continued to support professional and junior football in Finland

FEBRUARY
Itella Posti announced the opening of 235 new service points in 2013

MARCH
Itella announced the sale of Itella Bank to the Savings Banks Group

MARCH
The Annual General Meeting re-elected Arto Hiltunen (in the picture) as Chairman of the Board of Directors

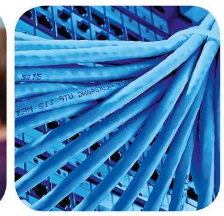
APRIL
Itella clarified its financial targets and launched a performance improvement program

APRIL
Itella renewed its ICT operating model

MAY
Itella outperformed its environmental goals by reducing carbon dioxide emissions from letter delivery by 10% in a year

JUNE
Itella employed 2,800 seasonal employees during the summer

JUNE
Itella established a new unit for the development and growth of e-commerce



JULY
OpusCapita sold its printing business in Poland to PostNord

JULY
Itella was celebrated as one of the best international logistics operators in Russia

AUGUST
Itella signed a letter of intent on selling Logia Software

AUGUST
Itella released a stamp to celebrate the 65th birthday of the president of Finland

SEPTEMBER
Itella Posti celebrated its 375th anniversary

SEPTEMBER
A Finnish stamp was selected as the most beautiful stamp in Europe

OCTOBER
Itella announced that its Russian operations will be organized from January 1, 2014 onwards into a separate business group

OCTOBER
Itella hired 3,300 seasonal employees for Christmas

OCTOBER
Itella published its new vision and strategy, seeking growth in e-commerce and in Russia

NOVEMBER
Itella Information changed its name to OpusCapita

DECEMBER
The number of Christmas parcels delivered by Itella increased by one million

Strategy

In October, we published our new vision and strategic goals for up until the year 2020. Our operations will be more customer-focused than previously. Our new vision is: *Your first choice in postal, logistics and e-commerce services*. Our mission is: *Our main mission is to manage the flow of commerce and everyday life*.

Our primary goal for the coming years is to ensure a sustainable foundation for profitable operations in order to secure funding for our services that fall under the universal service obligation in accordance with the Finnish Postal Act and make sufficient investments in growth areas.

The megatrends shaping our business environment include the dramatic transformation of the postal industry, the sharp increase in e-commerce, the growing power of consumers, the period of slow economic growth in Europe and the growth market in Russia.

Letter and publication distribution volumes are decreasing at an increasing pace as communications becomes digitalized. By 2020, the volumes will have fallen to half of what they are today. At the same time, the number of parcels transported is increasing as a result of e-commerce. The growth of e-commerce is driven by the increased purchase of consumer goods from online shops, the development of user devices and the infrastructure of payment systems and logistics, among other factors.

Economic development in Russia is influenced by the world market price of oil, WTO membership and foreign investments, for example. The proximity and purchasing power of the St. Petersburg economic region offer new opportunities for Finland. In addition, economic growth in Russia is fueling consumption in the middle class and particularly the increase in e-commerce.

On the other hand, economic growth will be very slow in Finland and the EU in the coming years. The euro crisis and national debt troubles are not over. Consumers' purchasing power and companies' ability to compete in the export markets remain weak. The continued recession is postponing corporate investments.

Vision 2020

Our vision is to be customers' first choice in postal, logistics and e-commerce services. We are the preferred partner of companies and consumers. In addition to superior services and delivery capabilities, we offer the most comprehensive network of services in Finland.

As a reliable partner, we ensure logistics efficiency and quality for our customers. In addition, we provide Finnish commerce as well as international online shops and their customers with the most extensive range of services in Finland and a reliable channel for business with Russia.

Mission

Our main mission is to manage the flow of commerce and everyday life. We process and deliver our customers' messages and goods responsibly.

Our customers can choose the services and methods of working that best suit them. We make sure that consumer goods and commodities are available when needed and that doing business with us is flexible and easy.

Strategic goals

We have defined five key strategic goals: we provide our customers with solutions that create added value for them, we reach market leadership in Finland and Russia through profitable growth, we enable e-commerce, we lead the way in the transformation of the postal industry and we are the best workplace.

We offer the best overall management of the customer experience and supply chain, and we develop new service and business models that create added value in the outsourcing of logistics and in other business areas. In e-commerce, key factors include ensuring fast and reliable deliveries and reducing the amount of capital tied to logistics. Consumers appreciate reliable and quick services that are easy to use. In our business, we have strong synergies that transcend national borders.

We are the leading partner for logistics services in Finland. Our service network covers the entire country, and we offer the best route from Finland to Russia. We intend to double our net sales in Russia by 2020. We are the most important logistics partner in retail, and we secure the flow of logistics to Finland and Russia from Central Europe and the Nordic countries. We ensure profitability through performance improvement programs and synergies.

In terms of enabling e-commerce, we are the leading service provider in Finland and among the three largest in Russia. In addition, we are the first choice of Finnish and international e-commerce outlets. In Finland, we provide comprehensive transport, warehousing and product delivery services as well as direct marketing solutions and customer data management services. In addition to warehousing services, we provide corporate and consumer delivery services in Russia.

The structural transformation of the postal industry requires us to be flexible and able to predict changes, so that our operations remain profitable. Letter and publication delivery volumes are decreasing steeply, while e-commerce is growing. We listen to our customers and invest in business and service development. We play a significant role in society by offering multi-channel postal services in Finland.

We are the best and most responsible employer. The transformation of the postal industry will change our competence requirements, number of personnel and career paths. We need new types of competence in commerce and the transport of goods, for example. We support professional development through training, job rotation and on-the-job training. Our occupational safety vision is: Safely together every day.

Values

Succeeding with the customer

- We provide added value for the customer in everything we do
- We proactively provide services and solutions based on excellent understanding of the customer's business
- We serve customers as One Itella through our entire service chain
- We work close to the customer

Driving for improvement and innovation

- We are open minded towards change and development
- We build on our strengths and welcome new ideas to enhance our profitability
- We continuously learn and grow both as individuals and as a company
- We execute changes thoroughly; we communicate openly, learn from experiences and adjust when needed

Taking responsibility

- We commit to decisions and make them happen
- We keep our promises to each other to fulfill our commitment to the customer
- We are trustworthy and base our business on reliability
- We care for our people, the environment and society

Winning together

- We work together to reach our common goals
- We share information and best practices
- We are team players and respect each other
- We are proud of Itella and our work

Our customer promise is to be easy, fast, reliable and responsible

The customer experience is one of the focuses of our strategy. Providing the best customer experience and making the customer happy are key to the development of our operations.

In line with our customer promise, we want to be easy, fast, reliable and responsible. In practice, this means that our services are easy to purchase and use. Interacting with us is smooth and simple. Our services are available whenever and wherever you need them. We understand different speed of service requirements. Our comprehensive service network ensures the most suitable delivery speed for you. We keep our promises and develop our operations while staying attuned to customer needs. We follow ethical principles in all of our operations.

Because the customer experience is key, we constantly request feedback, so that we can further improve our operations. According to our 2013 customer satisfaction survey, our customers were less satisfied with us than they were in 2012. Based on the results, Itella Logistics in particular has room for improvement. In Sweden, customer satisfaction with Itella Logistics and OpusCapita increased. In Germany, customer satisfaction with OpusCapita increased markedly. Customers were more satisfied with OpusCapita in Finland as well.

Our customers were particularly satisfied with our customer service, which they considered to be friendly and service-oriented. However, we have to improve and increase interaction and communications, among other aspects. Communications with customers is one of our key development projects for 2014, and we will focus on electronic channels in particular.

Our consumer customers were particularly satisfied with our parcel terminals, which they considered to be excellent channels for sending and receiving mail.

We also measured the recognizability of our brand in Finland. According to the brand survey, Itella is very well known as a brand. Its overall recognizability was 100%, and its spontaneous recognizability was 58%. We were the first choice for 28% of respondents.

Our corporate customers trust Itella as an e-commerce expert. We were the first choice for 40% of corporate respondents. For consumers, Posti is the best, most frequently used and best-known parcel brand. Posti is regarded as being reliable, and its services are considered to be necessary for the smooth running of everyday life.

We help retailers identify opportunities in e-commerce

– In the summer, we established eCommerce, a new unit that focuses on the development and growth of e-commerce. The new unit serves to ensure that we offer an effective range of services for e-commerce companies and meet our goals for growth.

The significance of e-commerce will increase considerably in the near future, and we want to contribute to its growth. We have prepared a clear e-commerce strategy for the future.

We want to be an enabler of e-commerce that helps the entire market grow. We help retailers enhance the efficiency of sales and logistics. This will also make shopping easier and more pleasant for consumers. In addition, we offer a route to Russia, where we are a strong local operator.

Aku Happo
Vice President, eCommerce, Itella

Itella as Pfizer's strategic partner in Russia

Pfizer has been Itella's customer in Russia since 2007. Itella provides Pfizer with warehousing and transport services.

Pfizer promotes health and well-being everywhere in the world through the research and development of new medicines, treatments and vaccinations and the treatment and prevention of common and rare diseases. Pfizer is one of the largest pharmaceutical companies in the world.

– Because of our market position, our customers expect us to offer the highest possible quality in services and operations. To meet the expectations of patients, customers and other stakeholders, we must cooperate with the best experts. We chose Itella as our strategic partner because it is one of the most experienced service providers in the Russian market, says **Grigory Volkov**, Logistics Manager at Pfizer in Russia.

According to Volkov, Itella's strengths as a service provider include its strong focus on Pfizer's needs.

– Itella has extensive experience in warehousing in the pharmaceutical industry. In addition, its management is highly professional, focusing on performance and results.

About this report

This is our fourth combined annual report and GRI-compliant corporate responsibility report. Before combining the reports, we published separate personnel and environmental reports and also reported corporate responsibility issues on our website.

A comprehensive corporate responsibility report will be included in this online report. In addition, a summary of key corporate responsibility issues in 2013 will be included in our printed Itella in 2013 report. This is the second time that we have published an online version of our corporate responsibility report. Compared to 2012, we have expanded the content of the online report considerably.

The online report and printed report are both available in Finnish and English.

The key target groups of the report are the state, as our owner, as well as customers, personnel, partners and the media. The postal industry is undergoing the greatest transformation in its history, and our vision is to be the first choice in postal, logistics and e-commerce services. For this reason, the theme of our annual report and corporate responsibility report for 2013 is “Communications in a changing world.”

Business groups

Share of the company's net sales:

Itella Mail Communications

56%

Itella Mail Communications provides letter and parcel deliveries and other postal services across Finland. For business customers, we provide multi-channel marketing solutions designed to reach their customers effectively.

Itella Logistics

32%

Itella Logistics provides its customers with the full range of logistics services and solutions. Our transport services cover domestic and international freight. In addition, we offer warehousing and additional services, forwarding services and information systems that ensure efficient and transparent logistics.

OpusCapita

12%

OpusCapita provides its customers with the full range of financial management processes, from single processes to comprehensive outsourcing. We help our customers improve the efficiency and quality of their business operations.

Itella Mail Communications

Services

- Domestic and international delivery solutions: letters, direct marketing, newspapers, magazines, small items, parcels
- Electronic delivery solutions, transaction and postal services
- Posti shops and postal agency outlets, pickup points, parcel terminals and corporate customer outlets
- Comprehensive e-commerce solutions
- Target group, analytics and address register update services and online tools for marketing communications

Countries of operation

- Finland
- Estonia

Key figures

- Around 11 million postal items shipped each day
- Nearly three billion shipments per year
- Nearly 6,200 delivery routes
- Around 67 million kilometers driven annually in mail delivery

Key figures 2013

- Net sales: EUR 1,160.2 million
- Operating result (non-IFRS)*: EUR 66.7 million
- Operating result (EBIT): EUR 64.1 million
- Personnel: 16,706 (12/31/2013)

*) Non-IFRS = before non-recurring items

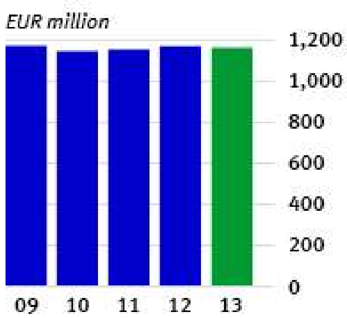
The most extensive transformation in the history of the postal industry was the factor with the strongest effect on Itella Mail Communications in 2013. Letter and publication delivery volumes are decreasing with the increasing pace of the digitization of communications. We estimate that the volumes will decline by 50% by 2020. At the same time, the number of parcels transported is increasing as a result of e-commerce.

Our customers' needs and postal affairs have been changing for several years. People's mobility and use of time create needs for new solutions that complement traditional postal services. Our customers increasingly want to make their own decisions about the shipment and delivery of their mail. We have responded to this need by introducing new electronic services and reforming Posti's service point network.

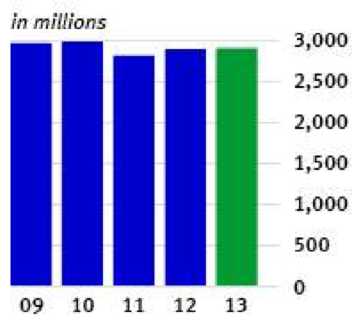
By developing our electronic services, we can improve the level of service in sparsely populated and remote areas. In addition to full-service postal service points, our network of service points includes parcel terminals, pickup points, corporate customer outlets, home-delivery services, posti.fi, the Posti mobile application, around 3,200 stamp retail locations, around 7,000 letterboxes and the Netposti electronic mailbox.

We increased the number of Posti's service points by more than 200 during the year. In addition, we opened a total of 176 parcel terminals. Our goal is to increase the number of service outlets to 1,500 by 2016 and to 1,700 by 2020. The number of Netposti users was 534,000 at the end of the year, representing an increase of 100,000 in 2013.

Net sales

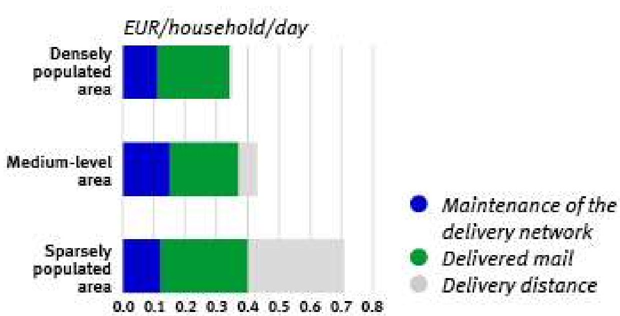


Deliveries in total

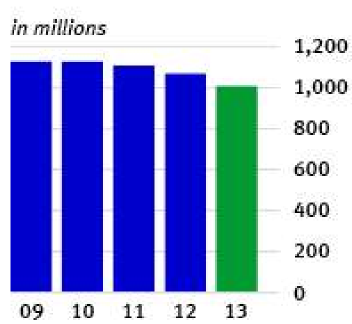


Additional graphs

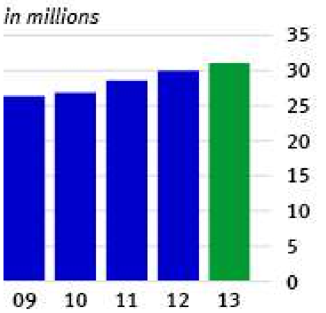
Unit costs of mail delivery by type of population center



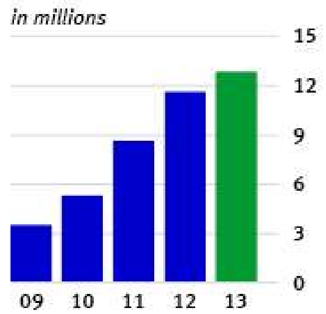
Addressed letters



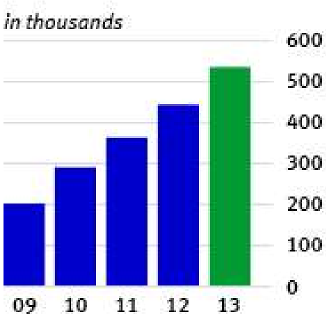
Parcels



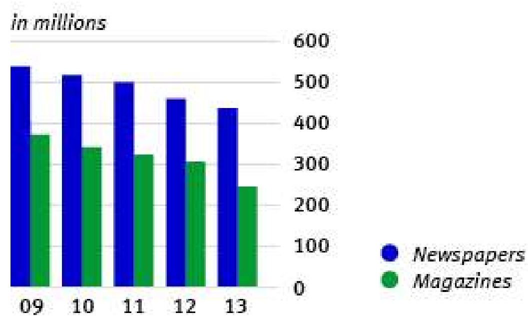
Netposti's electronic letters



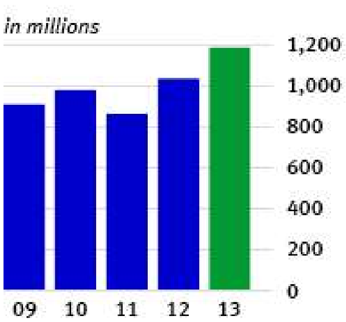
Consumers registered in Netposti



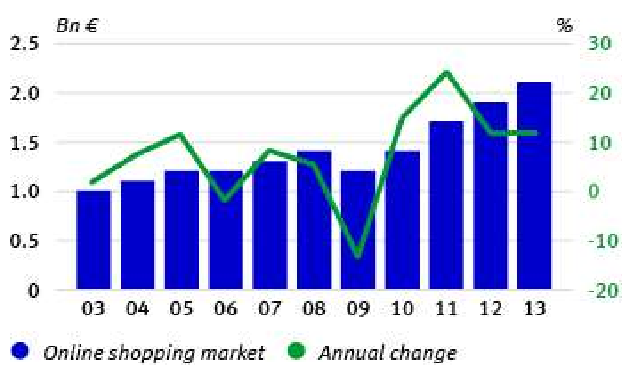
Subscriptions of magazines and newspapers



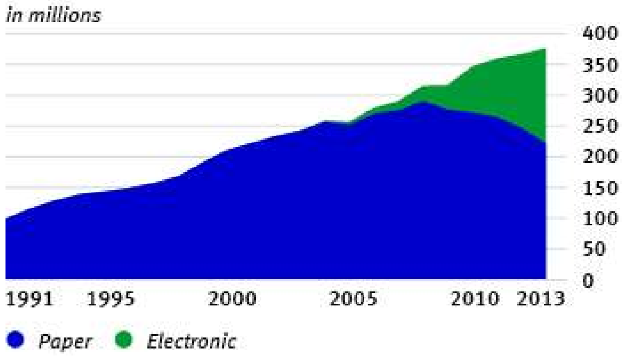
Unaddressed direct marketing



The value of good's online shopping in Finland 2003-2013



Number of consumer invoices in Finland 1991–2013



Number of Christmas cards sent since 1882

Service development in collaboration with the customers

We continually develop our services in response to the changing situation. We improve our services in collaboration with our customers. Customers increasingly want to attend to their postal affairs regardless of time and place, at a time that works best for them.

We piloted the delivery of groceries to parcel terminals in collaboration with the Alepa Kauppakassi online grocery shopping service. Ten Kauppakassi lockers were built into Posti's parcel terminal at an Alepa grocery store in Espoo. Carried out in collaboration with HOK-Elanto, the pilot project enabled customers to pay for and pick up their online grocery deliveries at a parcel terminal.

We introduced a new credit facility for Netposti that consumers can use to pay invoices received via Netposti. The credit facility is provided by the financing company Collector Credit.

In the fall, we introduced a solution that makes it easier for e-commerce operators to process product returns. Consumer customers can use the Posti Maksuturva service to monitor deliveries, contact retailers, notify retailers of product returns and print address labels for product returns. The service enables safe payments and returns of payments. The project was launched in collaboration with Suomen Maksuturva in response to the EU directive on e-commerce, which will be adopted in June 2014. The directive requires online retailers to harmonize their operating methods in terms of deliveries and product returns, among other aspects.

Itella Termo is a refrigerated delivery service that helps producers and customers find one another. We expanded the service to cover deliveries from small food producers directly to consumers. In addition to producers, Itella Termo serves customers who want to buy organic products directly from producers, for example. Termo deliveries support the growth of online food commerce. Even small batches of products that require refrigerated transport can be delivered using Itella’s existing delivery network. Itella Termo is also used by online shops that sell consumer goods and groceries.

In addition, we launched a pilot project with Stara, the dedicated construction service provider for the City of Helsinki, to test Posti's route planning tool in winter street maintenance. The tool can be used to plan routes based on changing resources and conditions while maintaining the agreed service level and improving the efficiency of street maintenance.

We also harmonized the principles of our Poste restante service in accordance with international practices. Postal items shipped to Poste restante addresses must now include the real name of the recipient. The service enables people to temporarily receive mail to a Poste restante address while traveling in a foreign country, for example.

In June 2013, we completed our electronic delivery pilot project in the archipelago in southwestern Finland. The project was launched in 2012. Some 100 households participated in the pilot. Judging from their positive feedback, the project was successful. Around 75% of the participants would like to continue to receive printed newspapers and magazines and other mail electronically. In the project, the participants received digitized newspapers and magazines and other mail via Netposti. They were provided with an electronic scanner and an easy-to-use application for the duration of the project.

Reliable postal services of a high quality

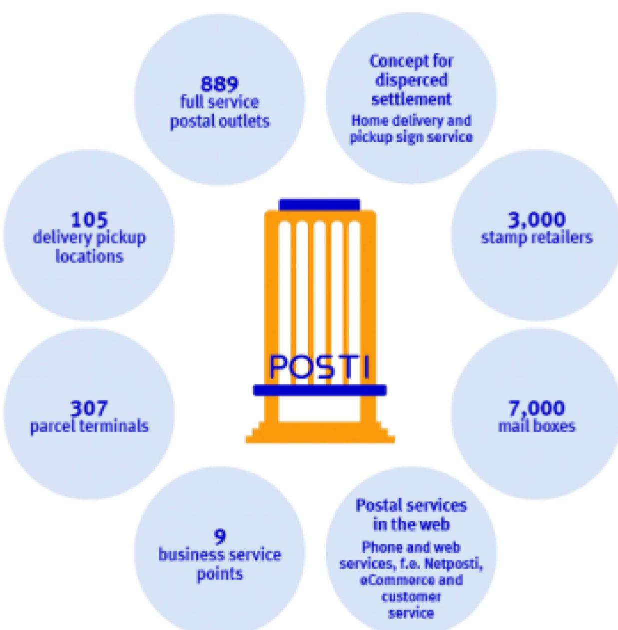
According a survey published by the Ministry of Transport and Communications in February, consumers and companies continue to be satisfied with postal services. The vast majority of Finns consider postal operations to be of a high quality in Finland.

The results support our observations that the increase in electronic communications reduces the number of traditional letters sent by consumers and companies, and that a growing number of people could consider receiving letters by email or other electronic means instead of traditional mail.

Our operations and their compliance with the Finnish Postal Act and the related regulations are monitored by the Finnish Communications Regulatory Authority. The purpose of the Postal Act is to ensure the availability of postal services and particularly the provision of universal service on equal terms in all parts of the country. We report annually on the implementation of our delivery obligation as well as shipment inquiries, damage situations and the processing of customer feedback. The results of the reporting are presented in more detail in the Social responsibility section of our corporate responsibility report.

The working group established by the Ministry of Transport and Communications in 2012 continued its work to improve the maintenance of the postal code system and the accessibility of the address register. With regard to the accessibility of the address register, the work will continue in 2014, but the working group suggested in its report for 2013 that Itella Posti should retain the maintenance and management of the postal code system. However, postal code information should be made easily available for everyone in electronic format, free of charge.

Number of service points



The Postal Museum will be reopened in Tampere in 2014

In 2012, Itella's Board of Directors decided to transfer the ownership of the Postal Museum from Itella Mail Communications to the Postal Museum Foundation. The purpose of the foundation is to maintain and develop the museum. The new Postal Museum will be opened at the Vapriikki museum center in Tampere in September 2014.

Established in 1926, the Postal Museum studies, records and exhibits phenomena related to postal operations, mail communications and data and goods traffic. It houses extensive collections of artifacts and photographs as well as every stamp released in Finland and various philatelic special collections.

Stamps of people, nature and fairy-tale characters

The stamps we release each year reflect significant events and topical phenomena. In addition to our online shop, stamps are sold at 3,200 retail locations.

We released a wide variety of stamps in 2013. In addition to President Sauli Niinistö, their designs ranged from Moomins and Angry Birds to Nuuksio National Park. To celebrate the centennial of the Union of Finnish Actors, we released stamps of famous actors. Each year, we traditionally release new stamps for Easter, Valentine's Day and Christmas. Finns voted Christmas Hug as the most beautiful stamp released in 2013.

In September, a jury of nine expert philatelists selected a Finnish stamp as the most beautiful stamp in Europe in a competition organized by PostEurop. Designed by Susanna Rumpu and Ari Lakaniemi, the winning entry depicts a 1933 model Volvo, with two drivers standing in front of the vehicle. A total of 56 stamps released in European countries were entered in the competition.

Itella delivers meals for the City of Rauma catering services

Itella signed its first food delivery agreements in the Capital Region in the mid-1990s. Today, Itella provides food transport services nationally, delivering meals in some 70 locations.

Meal deliveries are local deliveries from industrial kitchens to service kitchens at schools, day-care centers and other facilities. The demand for meal deliveries is growing, with municipalities centralizing meal preparation into larger units. This increases transport needs.

The City of Rauma is one of Itella's meal delivery customers. Since 2007, Itella has delivered all of the meals prepared by the City of Rauma catering services to schools, day-care centers, assisted living facilities, nursing homes and other nursing units. Meals are delivered from two industrial kitchens to more than 50 locations.

- We wanted to find a strong cooperation partner that could take care of all of our meal deliveries. Previously, we purchased meal delivery services from several providers, says **Pirjo Vainio**, Director of City Catering Services in Rauma.

According to Vainio, Itella's primary strengths include flexibility and logistics expertise.

- Recently, we have made many changes to our catering service operations, including delivery routes. Despite the changes, everything has worked excellently. We are very pleased with the services provided by Itella.

According to Vainio, Itella's strengths also include frequent interaction.

- It is important to hold meetings regularly, so that both parties can keep up with the situation and prepare for changes. To further improve the flow of information, we plan to organize training events for drivers in the future, says Vainio.

Delivering online purchases to customers the way they want them

– It is our duty to offer customers what they actually want, rather than what we want them to want. We serve the online store customers of Prisma and Sokos exactly the same way as we would serve them face-to-face in a traditional store, says **Ilkka Brander**, Managing Director of S-Verkkopalvelut.

The cooperation between S-Verkkopalvelut and Itella began in 2010 with the launch of the Sokos online store, and expanded further when the Prisma online store opened in 2012.

According to Brander, the delivery method can be a significant competitive factor in e-commerce. The S Group's e-commerce offering is differentiated by a comprehensive selection of different delivery methods.

– We have developed a variety of different delivery alternatives in partnership with Itella. Products purchased online can be shipped to the customer's nearest S Group store, the local post office or postal outlet, a parcel terminal, or the customer's home.

Brander says customers largely determine what changes occur in the market.

– We work together with Itella to continuously monitor the market and react to changes quickly.

S-Verkkopalvelut Oy is a subsidiary of SOK that has over 100 years of experience in consumer goods retail. Today, the S Group is also a major player in e-commerce.

Itella Logistics

Services

- Transport services:
    - Domestic freight
    - International road, air and sea freight
- Warehousing and additional services

Countries and regions of operation

- Finland
- Russia
- Scandinavia: Norway, Sweden, Denmark
- The Baltic countries: Latvia, Lithuania, Estonia

Key figures

- More than 2.7 million freight shipments in Finland
- Around 750,000 international freight shipments
- 45 service storages
- More than 900,000 square meters of warehouse space

Key figures 2013

- Net sales: EUR 842.3 million
- Operating result (non-IFRS)*: EUR -19.4 million
- Operating result (EBIT): EUR -45.9 million
- Personnel: 6,670 (12/31/2013)

*) Non-IFRS = before non-recurring items

Itella Logistics provides its customers with the full range of logistics services and solutions. Our transport services cover domestic and international freight. In addition, we offer warehousing and additional services, forwarding services and information systems that ensure efficient and transparent logistics.

The market situation continued to be challenging for Itella Logistics throughout the year. The uncertain market was reflected in our customers’ operations in the form of postponed purchases, slow inventory turnover and smaller shipments in processing. Of our countries of operation, our result developed favorably in Russia, which is our main market in addition to Finland.

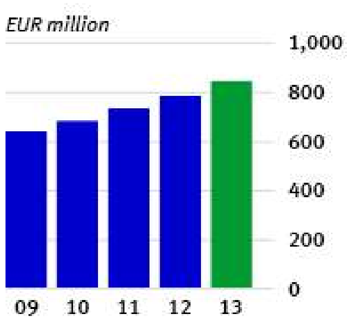
We carried out profitability measures at Itella Logistics as part of Itella's performance improvement program in 2013. We will continue to improve cost-efficiency, increase net sales and develop our operating methods in 2014.

Major projects in 2013 included the construction of the Pennala logistics center in Orimattila. Completed at the beginning of June, the new warehouse offers more than 70,000 square meters of warehouse space for the customers of Itella Logistics. In total, the old and new warehouse offer more than 100,000 square meters of warehouse space. The new logistics center is intended for warehousing home improvement products, clothes and domestic appliances as well as materials and articles classified as dangerous (ADR).

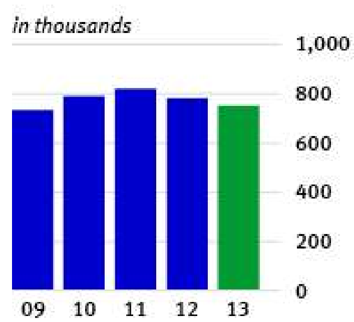
We have paid particular attention to energy and environmental issues. The logistics center has energy-saving external wall panels and a hybrid heating system that uses ground heat and gas. Its location in the middle of our customer network also improves efficiency.

We continued the extensive integration of the groupage logistics business operations acquired in 2012. We combined our terminal operations in 12 locations in different parts of Finland.

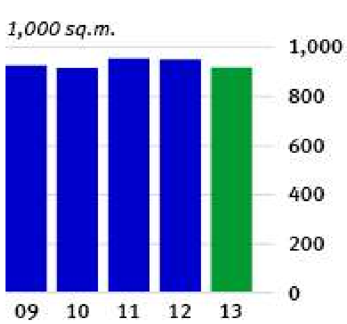
Net sales



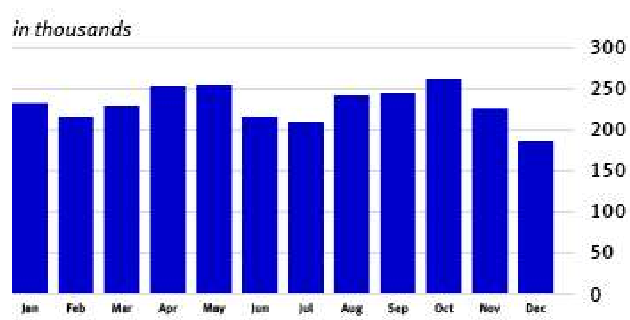
International freight



Service warehouse capacity



Freight volumes in Finland 2013



The growing trade between Finland and Russia increases shipments

We are the largest warehousing service company in Russia. The growing trade between Russia and Finland increases the shipments between the two countries.

We introduced a new service that provides customers with a regular and convenient connection for cross-border transports. Direct groupage transports between terminals from Kotka to St. Petersburg will mainly serve Finnish companies delivering goods to their own locations or customers in Russia.

The new service includes customs declaration and three-day customs terminal rent in St. Petersburg. The customs declaration will be made at the receiving customs terminal, and the shipments will be delivered to the recipients as a local delivery. Our customers can deliver their products safely, rapidly and effortlessly through importers to end users.

During 2013, we strongly invested in our Russian business operations, which were separated from our other operations to create a business group at the beginning of 2014. Nikolay Voinov was appointed as President of Itella Logistics Russia. We will continue to strengthen our resources in Russia in 2014.

The EuroAsian Logistics Association (EALA) selected Itella as one of the leading providers of logistics services in Russia. EALA is the largest logistics association in Russia and the CIS, and it selects the best logistics operators in the country annually. We were also included in the prestigious Russian Top 10 of logistics operators.

Positive feedback for our sales and customer cooperation

We listen to our customers and develop our operations in line with their needs. We ask our customers for feedback in our continual interaction with them. In addition, we carry out a customer satisfaction survey annually.

In our 2013 survey, our customers listed good sales and customer cooperation as our strengths. Quality, reliability, flexibility and cost-efficiency as well as extensive and comprehensive operations were among the reasons why our customers recommend Itella Logistics.

Development needs included improving cooperation between domestic freight operations and warehousing services as well as improving electronic services. We will focus on these development needs in 2014. We will also reform our online service channel and invest in quality assurance in domestic transport as well as improved cooperation between transport and warehousing services. In addition, we will provide our drivers and salespeople with additional professional training.

We also met our customers at many customer events. In addition to smaller local events and seminars, we held an opening ceremony at the new Pennala logistics center and participated in the Logistics 13 event at Wanha Satama in Helsinki.

We will reform our domestic freight services

We want to develop our services in response to customer needs, regardless of where our customers are located. We reformed our domestic transport schedules and our list of addresses by postal code.

We pick up and deliver shipments every weekday everywhere in the country. This reform serves to improve and expand transport services, particularly outside urban areas.

We launched a domestic freight services reform in Finland, and the project will be completed in March 2014. We will harmonize delivery terms, services fees and additional services in freight services. As part of our new freight services, we will also reform our online service channel.

The Itella SmartShip service enables customers to monitor transport schedules and prices in Finland, place an order for a delivery with additional services, print transport documents, monitor the progress of the delivery, check signed waybills and receive a shipment report at a time that best suits them.

Changes in the organization and management

Jani Jolkkonen was appointed as Senior Vice President of the Itella Logistics business group in Finland, Scandinavia and the Baltic countries. Previously, he served as Vice President of Delivery and Marketing Services at Itella Mail Communications.

In the fall, we sold Logia Software in a management buyout. The transaction is part of the renewal of Itella's ICT operating model, which was launched in the spring of 2013. Itella continues to be Logia Software's customer. In addition, we merged PT Logistiikka with Itella Logistics in order to streamline the Group's structure and integrate operations.

Itella provides Takeda with logistics and warehousing services

– Itella is one of the few companies offering high-quality logistics services, says **Yuri Umnikov**, Logistics Director of Takeda in Russia. Itella is a highly reliable partner that understands our needs.

Takeda and Itella share a long history of cooperation. Their collaboration began in 2002, when Itella was known as NLC in Russia.

Since then, Takeda has acquired new warehousing space on five occasions.

– Each time, we have decided to choose Itella as our partner, says Umnikov. Itella's management and teams in the warehouses are very professional and highly skilled.

Itella provides Takeda with pharmaceutical warehousing and handling services as well as warehousing services for marketing and campaign materials. Takeda occasionally purchases additional services, such as relabeling services and packaging services for special promotional materials.

Takeda's mission is to strive towards better health for people worldwide through leading innovation in medicine. Its network covers 70 countries and regions around the world, including Japan, the United States, Europe, South America, Africa, the Middle East, Asia and the Pacific region.

Paulig relies on Itella for coffee transports

Itella Logistics provides Paulig with transport and handling services for raw coffee at the Vuosaari warehouse in Helsinki. It also provides warehousing services for Vendor coffee equipment and supplies at the Tuusula warehouse. In addition, Itella Logistics is responsible for terminal services at the Moscow logistics center and coffee product transport in Russia.

Paulig's operations are based on raw coffee, a delicate raw material. Its transport requires great care and knowledge of what real coffee smells and looks like.

– For this reason, we need a reliable and highly professional partner, says **Ronny Reijonen**, Logistics Director at Paulig.

The Paulig roasting plant in Vuosaari in Helsinki receives around 12 containers of raw coffee per day – around 2,500 containers per year – from the harbor. Each 20-foot container holds around 22,000 kilos of raw coffee beans. Most of the coffee is imported from Brazil, Colombia and Vietnam.

OpusCapita

Services

- Comprehensive outsourcing solutions for financial management
- Cash flow automation
- Digitization of the order-supply chain
- Printing service business operations
- E-invoice operator

Countries of operation

- Latvia
- Lithuania
- Norway
- Poland
- Sweden
- Germany
- Slovakia
- Finland
- Estonia
- Nearly all areas in Europe and North America through a network of partners

Key figures

- 10,000 corporate customers
- Software users in around 50 countries
- Nearly 180 million electronic messages per year
- More than 43 million documents scanned per year
- Nearly 415 million traditional letters sent per year

Key figures 2013

- Net sales: EUR 263.4 million
- Operating result (non-IFRS)*: EUR 22.5 million
- Operating result (EBIT): EUR 17.0 million
- Personnel: 2,121 (12/31/2013)

*) Non-IFRS = before non-recurring items

We provide our customers with the full range of financial management processes, from single processes to comprehensive outsourcing. We help our customers improve the efficiency and quality of their business operations. Our goal is to offer our customers solutions for the development of the entire scope of their operations with the help of the automation and outsourcing of financial management and cash flow. This enables our customers to focus on their core operations.

OpusCapita had a successful year in terms of service sales. Our performance developed very favorably, and our operating result improved significantly in 2013. We also acquired new customers.

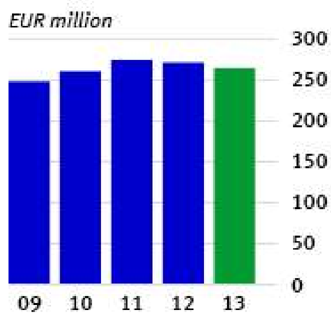
Key events included the renaming of the business group: Itella Information became OpusCapita at the beginning of November. OpusCapita continues to be part of the Itella Group.

The change is related to Itella's new vision and strategy. It enables us to better improve our operations and succeed in growth areas. We focus on generating growth and improving our market position in the Nordic countries and elsewhere in Europe.

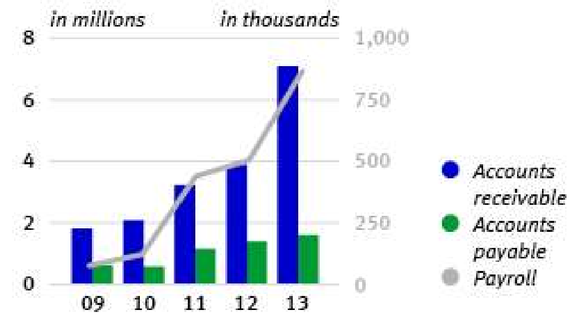
The new name and image help us make our company, products and services better known in Finland and new markets. OpusCapita was well known even before it became a business group of Itella. The company is highly valued in its target groups, which include professionals employed in corporate financial operations in Finland as well as all of the users of our applications in some 50 countries.

A new Board of Directors was appointed for OpusCapita to serve from the beginning of 2014. Its members include three representatives of Itella: Heikki Malinen, President and CEO; Sari Helander, CFO; and Juhani Strömberg, Senior Vice President, Strategy and Development. The other members of the Board are Timo Löyttyniemi, CEO, State Pension Fund; Juha Mikkola, Senior Investment Director, Norvestia; and Ossi Pohjola, Business Owner and Board Professional, Business Integration Group.

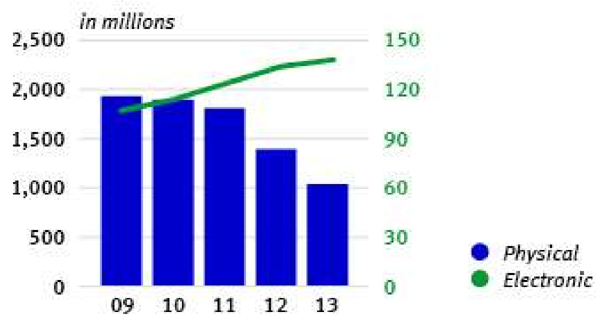
Net sales



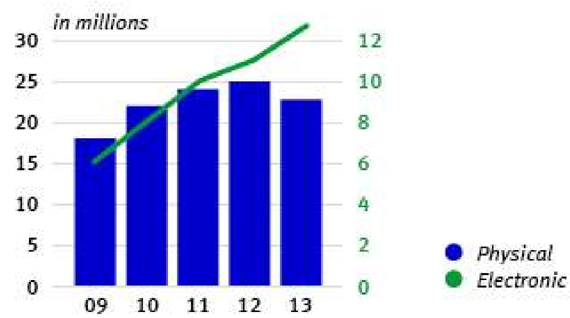
The transactions of financial accounting outsourcing



Sales invoices (outbound documents)



Purchase invoices (inbound documents)



New customers and organizational changes

We acquired many significant new customers during 2013. Renewable Energy Corporation ASA (REC), a leading global provider of solar electricity solutions, selected the OpusCapita application to improve cash flow forecasting. The application offers REC a modern process for cash flow forecasting, better control of financing and a more systematic planning process.

In late 2013, Empower and OpusCapita signed an agreement on the business transfer of financial management services to OpusCapita. With the agreement, the provision of Empower's purchase and sales ledger, accounting and payment traffic services was transferred to OpusCapita. The entire payroll administration team at Empower transferred to the Finance and Accounting Services unit of OpusCapita as existing employees.

At the beginning of 2014, the service was expanded to cover the provision of Empower's purchase ledger, accounting and payment services in Finland as well as payables, payroll administration and travel expense accounting services in Sweden.

In addition, Amedia Tjenestesenter outsourced its financial management services to OpusCapita in Norway. Ovenia in Finland selected OpusCapita as the provider of their iBilling solution.

In August, we sold our printing business in Poland to PostNord. As part of the transaction, 50 employees transferred from OpusCapita to PostNord Strålfors in Warsaw. Since the beginning of 2013, we have been responsible for the payroll administration of the Itella Group, one of the largest companies in Finland. Itella's payroll services were transferred to OpusCapita from Silta.

Cloud-based software solutions

The digitization of services was clearly evident in 2013. Our electronic transaction volumes continued to increase, representing 28% of all transactions (2012: 26%, 2011: 20%).

During the year, we introduced upgraded cloud-based software solutions for electronic invoice management and payments, among other functions. In September, we signed an agreement with SWIFT on SWIFT messaging services. This enables us to offer a better connectivity option for international payment traffic. The cloud-based SWIFT messaging solution will be integrated into the Payment Factory service, which was introduced by OpusCapita earlier.

Recognition for OpusCapita

OpusCapita was selected as the second most valued financial management software supplier in a corporate image survey carried out by Taloustutkimus. The survey was carried out among ICT experts and decision-makers.

In addition to appreciation and recognizability, the respondents evaluated companies in terms of professional skills, service level and products. The average grade given to OpusCapita by its customers was 8.13. It was the highest grade among financial management software suppliers and the second highest grade among all software suppliers.

Financial management outsourcing supports the growth strategy of Suomen Lähikauppa

The Suomen Lähikauppa chain of grocery shops is developing its operations in line with its growth strategy. The company intends to open 20–25 new shops and reform 120 shops in 2014.

The growing number of shops, extensive investment programs and diverse range of services present challenges to financial management. As a result, the company needed to update its financial management environment and processes. It decided to outsource all of its financial management processes to OpusCapita.

– We wanted to update our financial management processes to improve cost-efficiency and produce accurate, real-time financial information for management, says **Sami Karppi**, CFO, Suomen Lähikauppa.

– We also wanted to focus our resources on our core operations and reduce the administrative work of our shop employees, so that they can better focus on customer service.

Cost-efficiency at Suomen Lähikauppa is at a much better level than it was a few years ago. Cost transparency also helps managers make better decisions when the company is developing new services.

– The transaction-based pricing model helps us calculate accurately how much the reforms and new services will cost, says Karppi.

Suomen Lähikauppa is the third largest consumer goods company in Finland. It owns the Siwa and Valintatalo chains, which include a total of 670 grocery shops.

OpusCapita helped NCC improve payment processing efficiency

Photo: Jarle Nyttingnes

The construction and property development company NCC pays a total of 1.4 million invoices annually to a wide range of suppliers, from work clothes to machines and building materials.

NCC wanted a partner that could automate all payment functions through an efficient, fast and integrated process. The goal was to centralize all payment processing functions into one place.

– OpusCapita offered Payment Factory, a solution that best suited our needs. We have already saved time and resources, which we can use for our other operations, says **Nina Brun** from NCC Treasury.

OpusCapita and NCC collaborated closely in developing the solution. Payment Factory collects all payments in one system, which improves cash management (of subsidiaries, for example) and the efficiency of payment processes through automation. In addition, the system ensures full control of cash flows and more efficient accounting. Payment transactions run smoothly, regardless of whether the payment to the supplier is made from a Finnish, Swedish or Danish bank.

NCC saves time and money and avoids the risks related to manual processing. Many shelf meters of paper and countless archiving hours have been replaced by the push of a button.

Corporate Responsibility Report 2013

The megatrends shaping our business environment include the dramatic transformation of the postal industry, the sharp increase in e-commerce, the growing decision-making power of consumers, the period of slow economic growth in Europe and the growth market in Russia.

Letter and publication distribution rates are dropping at an accelerating pace as communications becomes digitalized. By 2020, the rates will have fallen to half of what they are today. At the same time, the number of parcels transported is increasing as a result of e-commerce. The growth of e-commerce is driven by the increased purchase of consumer goods from online shops, the development of user devices and the infrastructure of payment systems and logistics, among other factors.

Russia’s economic development is influenced by the world market price of oil, WTO membership and foreign investments, among other drivers. The proximity and purchasing power of the St. Petersburg economic region offer new opportunities for Finland. In addition, Russia’s economic growth is fueling consumption in the middle class and particularly the increase in e-commerce.

On the other hand, economic growth will be very slow in Finland and the EU in the coming years. The euro crisis and national debt woes are not over. The purchasing power of consumers and the ability of companies to compete in the export markets remain weak. The continued recession is postponing investments by companies.

Taking stakeholders’ expectations into account constitutes the core of responsibility and the foundation for the continuity of our business operations. Our corporate responsibility principles define our key areas and commitments, such as the UN's Global Compact principles. We also expect our partners and personnel to comply with equivalent, ethically sustainable principles.

We divide our corporate responsibility into four areas: financial, social, people and environmental responsibility.

Corporate responsibility is subject to a wide variety of expectations. In terms of financial responsibility, the company should be profitable. In terms of the environment, it should reduce emissions. In terms of society, it should provide high-quality services. In terms of personnel, it should ensure well-being at work and also the sourcing chain needs to be ethically sound.

In corporate responsibility, our mission is to strengthen our reputation and competitiveness and manage risks in a controlled manner, taking our stakeholders into account.

Our corporate responsibility

Indicators and targets

We have determined targets for our corporate responsibility. These targets and their achievements are described in the table below.

Area of corporate responsibility	Indicator	Description	Realized in 2013	Target in 2020
Financial responsibility	Operating result (non-IFRS), %*)	Operating result as a percentage of net sales. The operating result equals the result reported in the income statement after the deduction of all expenses and depreciation and amortization, but before the deduction of financial items and taxes.	2.6%	Over 5%
	Result before taxes, EUR million	Financial items, but not taxes, have been subtracted from (or added to) the operating result. Financial items include items such as interest income and expenses, dividend income, other financial income and expenses and exchange rate differences.	-2.4	
Social responsibility	Number of Posti's service points	The indicator applies solely to the operations of Itella Posti Oy. The number of Posti's service points includes the service points maintained by Itella Posti Oy and partners, parcel terminals, delivery pickup locations and business service points.	1,310	1,700
	Customer satisfaction	The indicator applies solely to the operations of Itella Posti Oy. Customer satisfaction refers to the results of the customer satisfaction survey conducted in Finland by Itella Posti, on a scale of one to five.	3.14	-
People responsibility	Personnel satisfaction	The results of the annual employee satisfaction survey on a scale of one to five.	3.78	3.90
Environmental responsibility	Carbon dioxide emissions	The primary goal of Itella's environmental program is to reduce carbon dioxide emissions by 30% percent by 2020 (compared to 2007; emissions in relation to net sales).	-20%	-30%

*) Non-IFRS = excluding non-recurring items

Corporate responsibility management

Corporate responsibility is part of our daily work and management. In our company, management is based on our values: succeeding with the customer, driving for improvement and innovation, taking responsibility, and winning together. Good management supports the achievement of these targets and fosters a positive work atmosphere.

Corporate responsibility is the responsibility of our Vice President of Stakeholder Relations, who is a member of the Management Board.

Financial responsibility management

Itella wants to grow profitably, as only a financially sound company can implement its responsibilities in terms of society, personnel, the environment and all stakeholder groups. We plan our finances from a long-term perspective, anticipating changes in the market, customer demands and risk scenarios in Finland and abroad. Financial responsibility management is supported by our risk management policy, internal control principles and corporate governance principles.

Information security

We process all information in strict confidence, taking information security issues into account. Our corporate security policy determines the minimum level for all of our countries of operation.

Exceeding legal requirements, our policy is based on international standards (SoGP, ISO/IEC 27001 and TAPA), which determine our targets, responsibilities and implementation methods in information security management.

Our policy takes into account the requirements of our customers, the business environment and risk management. In terms of protection, we see as particularly important customer and personnel information as well as our and our partners' confidential information and the related systems and business processes.

Our risk management unit prepares information security guidelines and supports the management in implementing them. In all of our Group companies, the management is responsible for implementing our corporate security policy as part of their daily work.

Social responsibility management

Our well-functioning and efficient infrastructure enables us to provide reliable services for all of our customer groups in a socially responsible manner. We deal ethically, openly and transparently with all of our stakeholders. We use various channels to provide our stakeholders with information and enable them to interact with us.

Human rights

We support and respect the United Nations' Universal Declaration of Human Rights. As an employer, we comply with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. In accordance with the principles of the UN Global Compact, we are committed to promoting employees' rights, environmental protection, anticorruption work and human rights in working life. This lays the foundation for our Group-wide corporate responsibility policy, which is supported by our sourcing policy.

We comply with an approved equality plan and all laws and regulations related to equality in order to promote and ensure nondiscrimination and equal treatment. We maintain a system that makes it possible to report any deviations from our principles and guidelines and respond to them.

We also expect our partners to comply with equivalent, ethically sustainable principles. We present our environmental and ethical requirements in the tendering phase and ensure that they are addressed when agreements are signed. We expect our suppliers to provide feedback, and we respond to any shortcomings, as necessary. We have not identified any risks related to the use of child, forced or penal labor in our operations.

People responsibility management

Our human resources strategy provides guidelines for personnel development based on the needs of business operations and employees, in line with corporate responsibility. Our principles of people responsibility and ethical guidelines for personnel are in line with the UN Global Compact initiative.

We measure the quality of the management and the state of the workplace community by carrying out annual personnel surveys. We use the results in the development of our organizational culture, processes and operating models. In addition, we use the unit-specific results in the development of the workplace environment, operating methods and supervisory work. We actively cooperate with our personnel, and managers and employee representatives meet regularly at cooperation meetings.

The leadership cornerstones lay the foundation for consistent management practices in all of our units. They indicate what is expected of a good manager or supervisor at Itella. Our change management concept supports the management of our business operations. We want to ensure good change management and offer everyone an opportunity to participate in changes.

The management of well-being at work is an important part of our human resources strategy. We monitor employee well-being by using various indicators, such as an annual personnel survey, the number of sick leave days and the reasons for sick leave as well as disability, retirement and occupational accidents.

Employee Code of Conduct

Intended for all of our employees, our Employee Code of Conduct covers laws and regulations, good business practices, nondiscrimination, equality, conflicts of interest, ethical commercial practices and environmental responsibility. It addresses core issues that help our employees choose the appropriate procedure in situations that require them to use their discretion.

It also describes notification, investigation and sanction procedures in cases of noncompliance. If we learn of a case of possible noncompliance, we investigate the case discreetly without delay. We communicate our ethical guidelines through internal channels, such as the intranet and our personnel magazine.

All employees in all our countries of operation are required to familiarize themselves with the guidelines and comply with them in their work. Online training related to the guidelines is compulsory for all employees. We systematically monitor completion of the training. Our target for 2013 was for at least 95% of our entire personnel to complete the online training. We did not reach this target: a total of 90% of all our employees completed the training. The completion rate of our company's management was 100.

Read our Code of Conduct

Environmental responsibility management

Our environmental management is based on environmental management standards, particularly ISO 14001, as well as legal and authority requirements and the Global Compact principles. Our environmental policy covers all of our countries of operation.

The targets for our environmental work are determined by our corporate responsibility steering group. Our business groups determine more detailed operating programs as part of their management model.

Our environmental program aims to reduce our carbon dioxide emissions by 30% by 2020, in relation to net sales (compared to 2007). In addition, we are party to a freight traffic energy-efficiency agreement in Finland and have made a commitment to improve our energy efficiency in our transport by 20% by 2016 (compared to 2008). We will improve the environmental efficiency of our transport by reducing fuel consumption and increasing the use of alternative vehicles, such as electric, biogas and biodiesel vehicles.

Transport and emissions from vehicles represent over 80% of our carbon dioxide emissions in Finland. As the largest transport and delivery company in the country, we play an important role in the development of environmentally friendly and energy-efficient transport operations.

As part of our ISO 14001 management system, we increase our employees' environmental awareness through training and induction. In addition, environmental issues are continually discussed in our internal communication channels. We have a system that enables employees to make suggestions related to the development of environmental management.

Our Management Board monitors the implementation of our environmental program in relation to short-term and long-term targets. In addition, environmental issues are discussed by our Management Board and Board of Directors twice a year as part of more extensive corporate responsibility reporting.

Environmental policy

We identify, evaluate and manage the environmental aspects of our operations and are committed to:

- Complying with all applicable environmental laws and standards, including ISO 14001
- Reducing the fuel consumption of our vehicles
- Reducing the energy consumption of our facilities
- Improving recycling and reducing landfill waste
- Considering environmental aspects in sourcing, subcontracting and investment decisions
- Engaging in open discussion with our stakeholders in order to minimize our environmental impact
- Ensuring sufficient resources for maintaining and continually improving our environmental operations
- Reporting our environmental impact annually and providing our employees with information and opportunities in order to operate in an environmentally efficient manner.

Read more: ▸ Environmental policy

We are committed to continually improving our operational quality and environmental responsibility. Through certification, we can prove to our stakeholders that our operations meet specific requirements. At the end of 2013, our certified environmental management systems covered 77% (74%) of our employees. During the year, we also built an ISO 14001 environmental management system for our warehouses in Russia.

Interaction with stakeholders

We engage in active interaction with our stakeholders. Only through interaction can we understand our stakeholders' needs and expectations and develop our operations accordingly. Our key stakeholders are customers, personnel, the state, as our owner, and the media, as well as our partners in subcontracting, research and the industry.

Our industry is undergoing a profound transformation, which is the reason why we must interact with our stakeholders even more actively than before. At the beginning of September, we strengthened our organization in this respect by hiring a Vice President of Stakeholder Relations, who is also responsible for group communications and corporate responsibility. Our company has not had a similar post before.

Our employees were a key stakeholder group when we prepared and announced our new vision and strategy during the year. We recruited vision agents internally who worked at workshops on our vision for up until the year 2020. In addition, we worked on our strategy and vision at the G50 meeting, which was hosted by our President and CEO. The meeting was intended for managers and experts from various business groups and countries of operation. After launching our vision, we have organized numerous vision events in different parts of Finland. We have also established a vision channel for personnel, which they can use for submitting questions and ideas.

We have reported issues considered to be important by our key stakeholders under ▸ Stakeholder survey.

This table presents our key stakeholders and their expectations. The table also includes information on key tools and forms of interaction in 2013.

Stakeholder groups

Stakeholder group	Expectations	Key interaction tools and results in 2013
Customers	• Reliable high-quality postal and logistics services and financial management services for a reasonable price • Information security and protection of privacy in all services • Commitment to ethical principles • Modernization in response to customer needs • Solutions for digitization • Environmental efficiency	• We made effective use of customer satisfaction surveys and feedback.The number of Posti's service points was increased by over 200 during the year. • We operate in an environmentally responsible way by reducing the emissions of our vehicles, for example. The emissions of Posti's delivery vehicles reduced by more than 3% during the year.

Personnel	• Equal treatment of personnel • Competitive and fair rewards • Responsible management and supervisory work • Development of well-being at work • Engagement and flow of information	• The bonus plan covers the entire Group. Investment in well-being at work continued. • The Group invested in occupational safety and launched the Safe Workplace project. • Itella had to adjust its operations in response to the strong decline in the demand for traditional mail, as a result of the rapid increase of digital communications. Cooperation negotiations were carried out during the year to adjust the number of personnel to the prevailing situation. • Employees have access to an initiative bank, an electronic channel for distributing and processing initiatives within Itella. • Employees have a channel for submitting feedback on issues related to ethical guidelines and topics discussed by the equality committee. Feedback can also be submitted anonymously. • We continued to actively cooperate with our personnel, and managers and employee representatives met regularly at cooperation meetings.
Owner	• Reliable high-quality postal services for reasonable prices throughout Finland. • Profitability and solvency. • Good governance and transparency of operations. • Employees' status and rights, and environmental responsibility. • Increasing ownership value in a sustainable and responsible manner.	• We continued to provide online training related to our Employee Code of Conduct. • The number of Posti's service points was increased by more than 200 during the year.

Partners in subcontracting, research and the industry	• Transparent sourcing criteria and equal treatment of suppliers. • Pilot and research projects for new technologies and business models. • An active role in international industry associations.	• We continued our sourcing development program. • Permanent membership of PostEurope, the Universal Postal Union (UPU) and the International Post Corporation (IPC). • Membership of the Finnish service sector employers' association PALTA (a member association of the Confederation of Finnish Industries EK), the Finnish Federation for Communications and Teleinformatics (FiCom) and Finnish Business & Society (FIBS).
The media	• Fast and reliable flow of information. • High level of availability and swift services.	• We issued approximately 300 media releases in 2013. • We organized meetings with representatives of the media and offered reporters information on news and current events in our industry. • Our MediaDesk serves journalists: we received nearly 600 contact requests from the media. We generally responded to all requests for an interview within 30 minutes.

Stakeholder survey

During August and September 2013, we examined extensively which corporate responsibility issues our stakeholders consider to be important and how they think Itella has performed in terms of corporate responsibility.

We received more than 2,000 responses to our survey from all of our stakeholder groups, including consumers, business customers, personnel, subcontractors, the authorities, the Parliament and the media.

We asked our stakeholders how significant they considered various aspects of corporate responsibility to be. All of our stakeholder groups agreed on the importance of corporate responsibility issues. Employees considered all aspects to be more important than did the other stakeholder groups.

Our tax footprint was a new aspect included in the survey, and all of the stakeholder groups regarded it as being significant. We began reporting our tax footprint in the summer of 2013. Supply chain responsibility was clearly regarded as being more important than it was in our previous survey, which was carried out three years ago. In terms of supply chains, the need to ensure ethically sound operations in subcontracting has increased.

The issues that our stakeholders found to be most important included information security, responsible management and supervision, and transparent operations. Ensuring long-term profitability, providing and developing basic postal services for citizens in Finland and making a commitment to ethical principles were considered to be very significant.

Compared to earlier surveys, stakeholders' expectations had increased in terms of transparent operations and financial responsibility, but their expectations had decreased slightly in terms of environmental issues, for example. However, environmental issues were still considered to be very important.

For the first time, respondents also included our customers in Russia. Their expectations were similar to those of our Finnish customers. However, investment in well-being at work and longer careers was not regarded as being as significant in Russia as it was in Finland. In Finland, ensuring well-being at work and raising the age of retirement are frequent topics of public discussion. In addition, the energy efficiency of transport and premises was not considered to be as important in Russia as it was among the other stakeholder groups. However, ensuring information security is a key expectation in terms of corporate responsibility in Russia as well as in Finland. Traffic safety and occupational safety were also regarded as being very important.

On the whole, the respondents found our corporate responsibility performance to be fairly good.

Focus areas of corporate responsibility

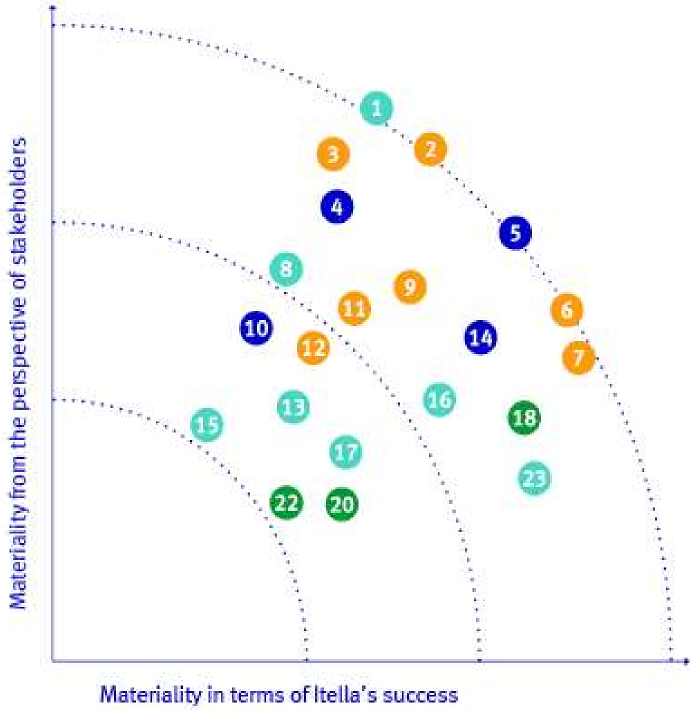
In 2013, our focus areas in corporate responsibility included ensuring occupational safety and well-being at work, making a commitment to ethical principles, improving the energy efficiency of transport and properties and ensuring the environmental efficiency of vehicles. Our performance in terms of occupational safety and well-being at work is discussed in more detail under ▸ People responsibility. In terms of other targets, our performance is discussed under ▸ Environmental responsibility.

In corporate responsibility, the focal areas also included audits carried out by our customers and emission calculations carried out for our customers. Two ethical audits were carried out in our facilities by a third-party auditor. We passed the audits and received positive feedback on the management of our occupational safety program, our recording and handling of near-miss situations, our waste sorting practices, our clear management and efficient implementation of corporate responsibility and our active internal communications. In addition, we performed numerous emission calculations for our customers in 2013.

Materiality assessment

We updated our materiality assessment based on the stakeholder survey. In addition, we supplemented the assessment, based on discussions with managers. The materiality assessment has been discussed and approved by our Executive Board and corporate responsibility steering group.

Based on the materiality assessment, we have determined key measures in terms of corporate responsibility. For 2014, the focus areas include further improving the customer experience in postal and other services, and ensuring safety, including traffic and occupational safety, as well as being the best employer. This means that we will manage our operations responsibly, develop our employees' competencies and offer career opportunities.



Financial responsibility

- 4 Good corporate governance
- 5 Long-term financial profitability
- 10 Payment of taxes and transparency of information on taxation
- 14 Commitment to preventive and comprehensive risk management

Social responsibility

- 2 Ensuring safety and data security
- 3 Transparency of operations, open and reliable communications
- 6 Providing and developing basic postal services for citizens
- 7 Commitment to ethical principles
- 9 Responsibility throughout the sourcing chain
- 11 Traffic safety in Itella's transports
- 12 Ensuring the protection of human rights in all countries of operation
- 19 Supporting the competitiveness of customer companies and public administration
- 21 Providing and developing electronic postal services and other user services (e.g. Netposti)
- 24 Charity work (donations, e.g. to the disadvantaged or to nature conservation)

People responsibility

- 1 Responsible management and supervisory work
- 8 Looking after the occupational health and safety of the personnel
- 13 Supporting the ability of employees to manage at work and extending careers
- 15 Stable and permanent employment relationships
- 16 Developing the professional skills of the personnel and providing diverse career opportunities
- 17 Promoting gender equality
- 23 Supporting the multiculturalism and other diversity of the personnel

Environmental responsibility

- 18 Using energy efficiently in transports and properties and using environmentally friendly vehicles
- 20 Offering environmentally friendly postal products (e.g. parcel boxes, envelopes, stamps)
- 22 Providing environmentally friendly services (e.g. carbon neutral delivery services)

Corporate responsibility risks

Risk management serves to safeguard and improve business performance and the achievement of strategic goals by reducing the probability and effects of materialized risks and supporting the utilization of business opportunities.

Our corporate responsibility risks are updated twice a year as part of our comprehensive risk management process, and they are reported as a separate item in our risk report. The risk report is processed by our corporate responsibility steering group, Board of Directors, Audit Committee and Executive Board.

During 2013, we identified outsourcing measures related to financial responsibility as a potential corporate responsibility risk. In particular, they can have a negative effect on our reputation and, consequently, cause us to lose customers. Another risk that we identified was that of information leaks, particularly those related to sensitive personal information. Information security and privacy protection were also key concerns in our stakeholder survey.

Corporate responsibility risks also include those related to corruption and the failure of internal control. These are particularly important in Russia, Poland and the Baltic countries. In addition, investments in Russia may be considered to be unethical because of the social and legal development related to the business environment. Furthermore, accidents that cause extensive damage to the environment were identified as a key environmental responsibility risk.

Challenges in 2013

During the year, our video coding pilot project attracted negative attention for Itella. At the end of May, we launched a cooperation program with PostNL, the national postal service of the Netherlands, on an optical reading system for addresses in deliveries. During the pilot phase of approximately six months, we purchased the coding service from PostNL Shore, a subsidiary of PostNL in the Philippines. Although PostNL pays special attention to corporate responsibility, we wanted to include a clause in the agreement that ensures that all rules of corporate responsibility are respected even in the pilot phase. In addition, we performed an audit in the Philippines to ensure compliance with corporate responsibility. Despite positive experiences, we decided not to continue the cooperation after the pilot project.

In addition, Itella's subsidiary in the British Virgin Islands attracted negative publicity in 2013. In 2008, we acquired the Russian NLC subgroup, which included NLC International Corporation in the British Virgin Islands and three companies owned by NLC International Corporation in Cyprus. We have reported our ownership since 2008 as part of our financial reporting. We have also included the company located in the Virgin Islands in our tax return in accordance with Finnish tax regulations. The company located in the British Virgin Islands was registered in Cyprus in October, and Itella no longer has operations in the British Virgin Islands.

In April, we filed a criminal complaint with the police on the suspected use of Posti's electronic consumer services, which require registration, for fraudulent purposes by using stolen identity information to redirect shipments ordered from online shops. We also reported the incident to the Finnish Communications Regulatory Authority. We believe that the criminal or criminals had acquired user IDs and passwords in conjunction with an earlier security breach related to the services of a provider other than Posti. The users whose information had been compromised had used the same user ID and password for several services, which enabled the criminal or criminals to access Posti's services.

Reputation risks that materialized in 2013 included news stories related to the digitization service provided by OpusCapita to business customers, claiming that Itella opens 80,000 postal shipments per day. However, we operate in accordance with the Finnish Postal Act. Some recipients have made agreements with us on opening and scanning letters. If the recipient wants its letters to be converted into electronic format, their digitization does not compromise the recipient's constitutional right to the privacy of correspondence.

Negative public statements also emerged after the media release issued in August by the Finnish Post and Logistics Union PAU. The press release was related to cooperation negotiations at the Finance and Accounting Services unit of OpusCapita, stating that Itella was transferring jobs abroad from Finland. Although some tasks in financial administration may be transferred to OpusCapita's foreign units at some point, the jobs will stay at OpusCapita and will not be outsourced.

In late 2013, we experienced disruptions in our postal service as a result of the failure of the collective labor agreement negotiations, which led to a situation where no agreement was in force. The parties were the Finnish Post and Logistics Union PAU and Service Sector Employers PALTA. Industrial action caused a backlog and delays in postal deliveries around Finland. However, a strike was avoided when a collective agreement for the postal industry was reached at the end of November.

Responsible sourcing

More efficient sourcing is an integral part of the new performance improvement program that we launched in April. The program aims to accumulate EUR 100 million in cost savings.

During 2013, we adopted a new, Group-wide operating model for sourcing in order to ensure consistent operating methods and more efficient solutions based on business needs. We have centralized all orders in our selected sourcing channels and to preselected suppliers. More efficient operations have enabled us to reduce the number of active suppliers from 17,000 to less than 10,000.

Purchases are classified into six main categories which all take corporate responsibility into account. As part of the new operating model, we also implemented SupplyCenter, a new sourcing channel.

During the year, we actively communicated changes in the operating model through various internal channels and organized training events and online training for personnel.

We have defined a Supplier Code of Conduct that applies to all of our service providers and suppliers. In addition to legality, the Supplier Code of Conduct includes principles related to corruption, human rights, child labor, discrimination, working conditions and environmental concerns.

During the year, we monitored how well our suppliers know the guidelines and comply with them. We submitted a self-assessment form to nearly 600 key suppliers. Almost 400 of them completed the assessment. The focus was on the suppliers' level of familiarity with the general guidelines. Most of the respondents were Finnish suppliers, and the response rate was highest in the transport industry. Russia has not yet been included in the audit. We did not conduct separate human rights audits during the year.

We had not performed a similar supplier audit previously. Part of the suppliers, who completed the assessment, will be audited on a more accurate level during the year 2014. With this we want to make sure that the answers given in the self-assessment are correct. The percentage of self-assessments has also been a sourcing performance indicator since the beginning of 2014.

In 2013, we joined the Supplier Ethical Data Exchange (Sedex) network as a service provider. We hold B membership of the network. Up until now, we have provided three of our customer companies with ethical data through Sedex. With more than 30,000 members, Sedex is the largest collaborative platform for managing and sharing ethical supply chain data. It shares information in four key areas: health and safety, labor standards, business ethics and the environment.

Financial responsibility

We implement our financial responsibility by reforming our business operations and improving our profitability in line with our strategy and by supporting the competitiveness of our customer companies and the public sector.

We are a state-owned company that operates on market terms, and our operations are entirely based on the revenue received from our customers. About half of our operations are related to postal services. The rest consist of logistics and financial management services provided to corporate customers.

Our financial responsibility management is described in more detail under ▸ Financial responsibility management.

Our financial targets are that our operating profit percentage exceeds 5%, return on invested capital is at least 10%, gearing does not exceed 35% and the annual net sales increases at least to an extent which corresponds to the sector's growth. We also intend to double our net sales in Russia by 2020.

The financial impact of our operations is comparable to those of the banking and telecommunications sectors, as our services are used by hundreds of thousands of private and public sector operators every day, in addition to consumers.

Financial impact in accordance with the income statement

EUR million	2013	2012	2011
From customers			
Net sales	1,976.8	1,946.7	1,900.1

itella

EUR million	2013	2012	2011
To personnel			
Salaries and fees	713.4	713.8	731.8
Social security expenses	64.1	63.7	70.6
Pension expenses	107.9	107.7	108.3
To suppliers			
Materials and services	572.2	546.9	549.2
Other operating expenses	411.1	411.5	364.7
To public sector			
Income tax on profit for the period**	4.5	19.1	12.2
To public sector			
Income tax on profit for the period	17.4	17.8	16.3
To owner			
Dividends for profit for the period	0.0*	6.8	0.0

*) Board of Directors' proposal
**) more information from the section Tax footprint

The geographical distribution of our employees in Finland on December 31, 2013

Our Group's operations span the entire country, and we are an important employer in Finland. In addition to providing employment, our operations generate well-being in and tax revenue for Finland. At the end of 2013 we had 20,263 employees in Finaland.

We began reporting our tax footprint

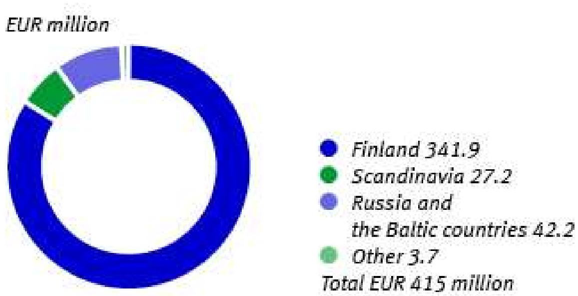
Corporate taxes and tax heavens were discussed frequently in 2013. In our survey, all of our stakeholder groups considered tax footprint reporting to be important.

We want to lead the way and report our tax footprint as openly and transparently as possible. During the summer of 2013, we calculated our tax footprint for the first time and published our tax information for 2012 on our website. We report our tax information in accordance with IFRS by geographical segments: Finland, Scandinavia, Russia and the Baltic countries and other countries. This information will be reported regularly as part of our corporate responsibility reporting.

We are a significant taxpayer. By paying taxes and other public fees, we contribute to improving well-being in society.

Because of Itella's weakened profitability, the income taxes Itella has paid declined remarkably from the previous year. Companies pay significant amounts of other taxes than income taxes. The amount of these other taxes are not dependent on company's profitability but for example paid salaries. Although 76% of Itella's net sales come from Finland, Itella pays 84% of all income taxes and similar taxes and fees in Finland. In addition to this, we collect significant amounts of remittable taxes, such as value added taxes, that are remitted as part of business operations to tax collectors in different countries.

Taxes paid and remitted by geographical area



Income taxes and similar taxes and fees

Geographical area	Income taxes, EUR million	Income taxes and similar taxes and fees, EUR million
Finland	2.2	166,8*
Scandinavia	-	7.4
Russia and the Baltic countries	0.9	11.8
Other countries	-	0.5
Total	**3.1**	**186.5**

The figures are unaudited.
**) Finland's figure includes pension insurance payments paid in Finland, EUR 140 million.*
The figures include income taxes, real estate taxes, production taxes, employer's contributions, pension insurance payments, energy and fuel taxes and other possible taxes.

Remitted taxes paid in 2013

Geographical area	EUR million
Finland	315.1
Scandinavia	19.8
Russia and the Baltic countries	30.4
Other countries	3.2
Total	**368.5**

The figures include value added taxes, salary taxes and other remitted taxes.
The figures are unaudited.

We actively research and develop our services

Our research and development costs totaled EUR 11.3 million or 0.6% of the operating costs in 2012. In 2012, the corresponding figures were EUR 15.2 million and 0.8%.

At Itella Mail Communications, in addition to annual analyses of research operations, research focused on long-term forecasts and the analysis of factors affecting the demand for and profitability of postal operations, which served as background information for our new vision. In addition, we studied the impact of the universal service obligation for Posti's profitability, the development of customer satisfaction in services provided by Itella in all of our countries of operation, the progress made in electronic invoicing, the structure and digitization of letter traffic, the significance of e-commerce as a channel for shopping and the development of newspaper and magazine subscriptions in the near future.

We continued to develop new electronic services and launched the Posti Maksuturva service in collaboration with Suomen Maksuturva for e-commerce operators for the management of online payments and product returns. With regard to physical services, we piloted the delivery of groceries to parcel points in collaboration with the Alepa Kauppakassi online grocery shopping service, and we launched the Termo refrigerated delivery service from small food producers directly to consumers. We completed our electronic delivery pilot project in the archipelago in the southwestern Finland.

Itella Logistics invested in a new freight operating system. After VR Transpoint's groupage logistics and PT Logistiikka became a part of Itella Logistics, we continued to develop the optimization and transport management systems of our domestic transport business.

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

Cooperation in football and music

We want to offer financial and emotional support for projects and operations that touch many people's lives. Our cooperation with our selected partners is not only about funding, but also about being an active operator. This cooperation is related to sports, culture and social development. Our Board of Directors decides on donations annually.

In Finland, we have focused on sponsoring football in recent years. We have systematically provided support at the top and grassroots levels. In January, we extended our agreement with the football association of Finland and continued as their main cooperation partner for 2013. Our cooperation dates back to 1994.

In addition, we have collaborated with the Sibelius Academy for a long time, supporting the music culture and the training of young, talented people to become top performers nationally and internationally. Our cooperation offers students an opportunity to perform at a diverse range of events. During the year, we treated our customers to concerts at the Sibelius Academy and actively developed new event concepts with the Sibelius Academy.

We also want to contribute to the construction of a new national expert unit in children's hospital care in Finland. We donated our Christmas gift funds to the hospital project. In Russia, we made a Christmas donation to a foundation that helps children suffering from incurable heart diseases.

Greater openness on taxation

– Corporate tax contributions have hit the headlines over the past year. However, until now, the public debate has been limited to corporation tax, which companies pay on their profits and which in actual fact makes up just a small proportion of all tax payable by commercial enterprises.

In spring 2013, we requested all companies subject to state ownership steering to submit a report on their tax liabilities broken down by tax category and country. The aim of this exercise was to find out how the companies under our steerage would communicate their tax affairs. At the time, few companies volunteered information beyond the statutory requirement laid down in Finnish accounting legislation. A significant shift is now underway, however. Itella began reporting its tax footprint in the summer and I am confident that other companies subject to state ownership steering are planning to expand on the information they provide. I consider this to be an extremely positive development.

From our point of view, it is important that companies are as open and transparent as possible in their communications about tax. Full disclosure of their tax footprint is always an advantage for commercial enterprises as it is an opportunity for them to demonstrate their corporate social responsibility and because the information is of interest to all stakeholder groups. The EU policies on corporate social responsibility and the new G4 guidance from the Global Reporting Initiative require a more extensive and detailed approach to tax disclosures.

Marja Pokela
Senior Financial Specialist, Government Ownership Steering Department

Social responsibility

Providing premium mail services to everyone across the country continues to be our main mission in Finland. We serve our consumer customers under the name Posti. September 2013 marked the 375th anniversary of the establishment of the national postal service in Finland.

We ensure that the letter and parcel services that fall within the scope of universal service obligation are available to everyone. We are the only operator in Finland to provide five-day delivery services that cover the entire country. The universal service obligation covers the entire country, with the exception of the Aland Islands. The obligation is monitored by the Finnish Communications Regulatory Authority.

During 2013, Itella Posti delivered items that fall within the scope of the universal service obligation on five weekdays to all households in accordance with the Finnish Postal Act. In areas that are difficult to reach, we deviated from the five-weekday obligation of 155 households, with the allowed maximum being 300. In 2013, Itella Post received 9,558 inquiries related to normal letters. Altogether 7,273 inquiries were unresolved, and 135 items were declared as having been lost, while 2,150 lost items were found. Inquiries related to letter items represented 0.001% of the total volume, and the damaged first-class and second-class letters represented 0.0047% of the total volume.

According to the decree on postal service points, the nearest service point must be located within three kilometers of the majority (82%) of service users. Reasonable distances are promoted by a policy stating that the distance for a maximum of 3% of people may exceed ten kilometers from their permanent residence.

Netposti is a free online transaction service for people aged over 15 in Finland. It enables consumers to receive electronic letters addressed to them by companies and organizations in a secure way. These include invoices, payslips, letters from the authorities and other important messages that consumers would otherwise receive at their home addresses on paper. Small enterprises and organizations can also register as Netposti users.

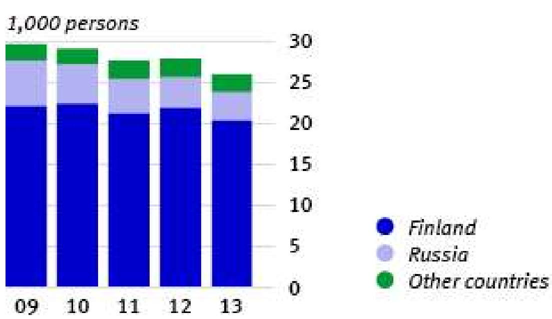
People responsibility

At the end of 2013, we employed a total of 25,877 people. Our average number of personnel in 2013 was 27,253. At the end of the year, those employed in Finland numbered 20,263, and the number of employees abroad was 5,614.

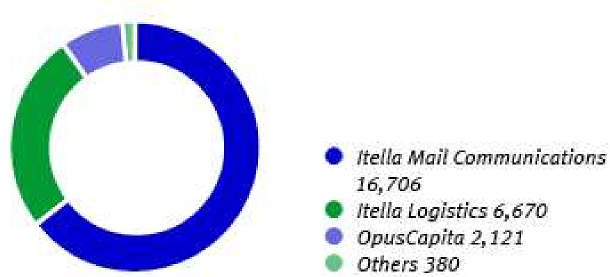
Women made up 40% and men 60% of our employees. Our Supervisory Board has 12 members and our Board of Directors has eight members. The Executive Board is composed of seven members, and the Management Board is composed of 13 members. Our Board of Directors has an equal number of men and women as members, while men constitute the majority on the Supervisory Board, Executive Board and Management Board.

We comply with local laws in all of our countries of operation. Of our total personnel, 81% are covered by collective labor agreements. The Baltic countries, Poland and Russia do not have binding collective labor agreements. In Finland, 99% of our employees are covered by collective labor agreements. The employees represented by the labor protection committee make up 76.6% of our total personnel. In Finland, the ratio between the basic salaries of women and men was 95%.

Development in the number of personnel

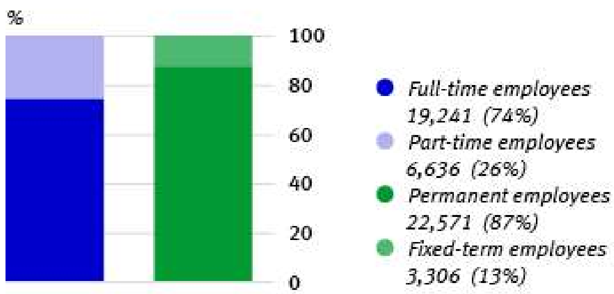


Personnel by business group on December 31, 2013



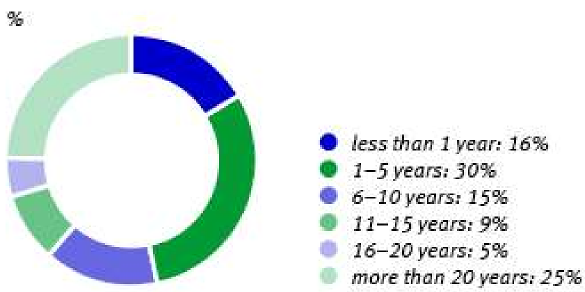
Additional graphs

Breakdown of employment contracts in 2013

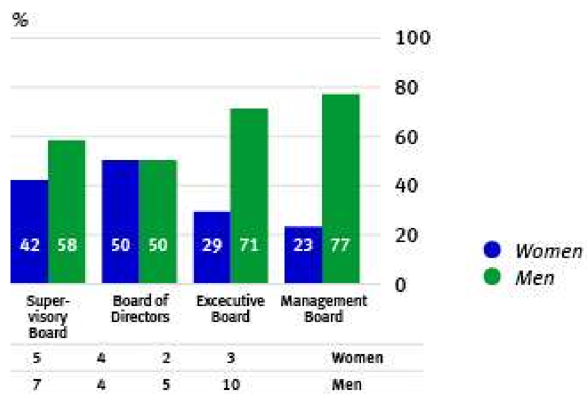


Age distribution of personnel

Length of employees' careers at Itella in 2013



Number of women and men in leadership roles



Personnel by country on Dec 31, 2013

Finland	20,263
Russia	3,473
Poland	595
Sweden	344
Estonia	381
Norway	223
Denmark	163
Latvia	192
Lithuania	124
Germany	90
Other countries	29

The transformation of the postal industry affects the number of personnel

During the year, we had to make difficult decisions related to personnel and launch several cooperation negotiations.

In 2013, personnel reductions amounted to a total of 637 person-years. Out of this total, 380 person-years were reduced for reasons related to production and finance, and 20 person-years were reduced through voluntary resignations and pension plans. In addition, 237 person-years related to acquisitions were reduced.

Acting in a responsible and controlled manner is important to us. We are seeking solutions to the effects on employment in collaboration with personnel organizations.The ongoing transformation of the postal industry and the continually decreasing volumes require operational changes that may have effects on personnel in the future.

In Finland, we have made an agreement on change security with the Finnish Post and Logistics Union PAU. Change security will be applied to all of our personnel groups in accordance with the agreement. It will be implemented in conjunction with cooperation negotiations based on production-related and financial reasons.

As much as possible, we seek to reduce the number of redundancies through voluntary arrangements. If redundancies are implemented, the affected employees are entitled to a change security allowance equivalent to their salary during the period of notice. The change security allowance is paid at the end of the employment relationship.

At the beginning of 2014, we launched the Uusi polku (New Path) support program for our personnel. The program offers training and support for job seeking, retraining or starting a business. Through the program, we want to support employees in securing employment during the transformation of the postal industry.

Our employees represent nearly 90 nationalities

Multiculturalism is a significant resource for our company. In Finland alone, our employees represent nearly 90 nationalities.

Since 2012, we have been a member of Diversity Chapter Finland, which is coordinated by the corporate responsibility network FIBS. We were among the first companies in Finland to sign the charter. Diversity Chapter Finland offers its members information on best practices in the management of diversity and support in business development. The dimensions of diversity include age, sex, ethnic origin, sexual orientation, operational capability and religion, among other aspects.

During 2013, we were also recognized for our support and promotion of diversity. In November, the Advisory Board for Ethnic Relations (ETNO) selected Santa Claus' main post office as Good Employer of 2013. For several years, the post office has hired young people aged under 30 with immigrant backgrounds. As an exemplary employer, we were recognized for our successful employment and promotion of integration and good ethnic relations.

A safer workplace

Improving occupational safety was determined to be one of our most important areas of development.

Altogether 2,613 accidents were recorded at Itella in Finland during 2013. The corresponding figure in 2012 was 2,650. Figures include both accidents that have happened at workplace and during way to and off from work. The figure describing the state of occupational safety at Itella, LTA1 (Lost Time Accident Frequency Rate), was 46.7.

In 2013, we launched the Safe Workplace development project, which aims to reduce accidents through new ways of thinking about safety. In the spring, we conducted a survey and interviews to examine the management culture of occupational safety at Itella. Based on the survey results, we determined the focus areas, indicators and a reporting model for the entire organization. We also included the reduction of accidents as one of the performance-based incentive metrics.

During the fall, we organized Safe Workplace events in eight locations for a total of approximately 1,000 supervisors and representatives of our labor protection organization. The training addressed roles in occupational safety, the significance of leadership, the importance of good local cooperation and the new tools and principles of safety management at Itella.

At the end of the year, we also updated our occupational safety vision and our next steps for the coming few years. In 2014, we will focus on supporting our employees in the adoption of preventative tools of occupational safety management and also in the adoption of new practices.

Accidents and sickness related absences

	2009	2010	2011	2012	2013
Sickness related absences (%)	5.7	6.0	6.0	5.9	5.9
Lost time accidents (number)	1,197	1,306	1,318	1,329	1,306
Accident frequency	39.6	44.3	45.1	48.7	46.7
Disability pensions	104	78	89	84	76
Part-time disability pensions	74	57	76	103	74
Total disability pensions	178	135	165	187	150
Average age for retiring on disability pension	55.5	56.0	56.1	56.5	56.7
Average retirement age	59.6	60.0	60.4	60.7	60.9
Retired	415	364	400	315	342

We want to be the best employer

We are a significant employer in Finland, and we offer a diverse range of tasks for our personnel. We are an equal, international, multicultural and tolerant workplace community. We actively promote our employees' well-being at work at every stage of their careers. We want to be the best employer.

In 2013, we received approximately 33,000 job applications. In Finland, we entered into 498 new permanent employment contracts in 2013. Seasonal changes are significant in our industry, and we hire the highest number of seasonal employees in the summer and around Christmas.

We provided summer jobs for approximately 2,800 people in Finland. Most of them worked in mail delivery, sorting and transportation. We also participated in the national Responsible Summer Job campaign, alongside many other companies, making a commitment to its principles: a meaningful job and reasonable pay, a good applicant experience, induction and guidance, fair and equal treatment and a written employment contract and reference.

We prepared for the Christmas season by hiring 3,300 seasonal assistants in different parts of the country. Despite the decreasing volume of letters, Finland continues to be one of the leading countries in Europe in sending Christmas greetings.

We continually work to improve job satisfaction

In October, we carried out our annual personnel survey in order to determine and improve the level of job satisfaction. We sent the survey to all of the employees. The response rate decreased slightly to 64% (66% in 2012).

Despite a challenging year, we recorded the same overall result as in the previous year: 3.78 (on a scale of 1–5). Management was one of the areas that had improved somewhat. The highest rating was given to the statement: “I know what is expected of me.” The lowest rating was given to the statement: “Itella offers me opportunities for professional development.”

The results will be used to set clearer goals and support job rotation between business operations, among other measures. In addition, based on the results, each team will come up with at least one practical development measure for 2014.

Spotlight on occupational safety

– In 2013, occupational safety was designated one of our key areas of development. Our goal was to significantly reduce the number of workplace accidents and to draw attention to the importance of both acting and thinking in ways that help to prevent accidents.

Our key occupational safety principles are: prevention, risk assessment, investigating all occupational accidents, risk elimination and an annual risk elimination plan as well as continuous monitoring. Our shared tools include safety observations, safety walkabouts, safety info sessions, occupational safety discussions and our commitment to investigating and communicating all workplace accidents.

We have been monitoring occupational safety at Itella since September 2013. Our benchmarks are accident frequency and the total number of accidents. In this short space of time, we have already succeeded in bringing down the total number and frequency of accidents.

Sanna-Mari Myllynen
Director of Well-being, Health and Safety at Work, Itella

Leena Nikkanen and Jarmo Vahlfors recognized

Leena Nikkanen

Posti's early morning delivery team member **Leena Nikkanen** was chosen as the Finnish Newspapers Association's early morning delivery person of the year. She works in Somero and her job description also includes sorting for the basic daytime delivery slot.

According to the jury, Nikkanen is a truly unique and exemplary member of the delivery team, particularly as she has never allowed a severe disability to stop her from pursuing her work. Following a childhood accident, Nikkanen's legs were amputated from the knee down.

Jarmo Vahlfors from the Espoo early-morning delivery team received a special commendation for his exemplary conduct in an emergency. Vahlfors discovered a member of the public suffering from head injuries during his round, called an ambulance and acted in accordance with the dispatcher's instructions until the paramedics arrived.

The jury commented that Vahlfors's determination to offer help to an injured person is an excellent example of how important it is for both delivery personnel and employers to ensure that all those providing frontline services have the skills to deal with any unexpected situations they may come across in the course of their work.

Know-how and continuous development matter at Itella

We support the professional development of all our employees by providing them with opportunities for on-the-job learning, support for self-motivated study and access to a range of training courses.

– I took part in the Vilopa training provided by Itella. Vilopa is a vocational qualification in mail communications and logistics services. It's intended for people who work in transport, sorting, distribution, warehousing or customer service roles and who have at least three years of practical experience on the job.

The apprenticeship scheme was great for me. It was an excellent way of gaining a more in-depth understanding of this field and to gain a qualification while working full-time. For the most part, all the learning happened on the job and I also did some more formal exercises on the side. The qualification also included some contact teaching time. I did my on-the-job training in Germany.

Feedback was a really central part of my learning process. I asked for and received a huge amount of feedback and it really spurred me on. I can definitely recommend an apprenticeship to anyone.

Hanna-Kaisa Kröger
Planner, Itella Mail Communications

Environmental responsibility

The goal of our environmental program is to reduce emissions by 30% by 2020. Between 2007 and 2013, our carbon dioxide emissions in relation to net sales decreased by 20%, which clearly exceeds the goal. We have reduced the fuel consumption of our vehicles, and we have improved the energy efficiency of our premises by reducing our consumption of electricity and heat and purchasing 100% green electricity.

According to a sustainability report published by the International Post Corporation (IPC), companies in the postal industry have decreased their carbon dioxide emissions by a total of 19.4% over a period of five years. The replacement of vehicles has had the most significant effect on carbon dioxide emissions. The increasing number of vehicles running on alternative fuels has had the most significant effect. In 2007, the IPC set a common goal for its members to reduce the carbon dioxide emissions of the postal industry by 20% by 2020.

Environmental damage in Shushary was remediated

No significant environmental damage took place in 2013. In the serious warehouse accident in Shushary in St Petersburg in 2012, part of the shelving system collapsed. The accident damaged customer products to a significant degree, and Itella was also required to carry out environmental protection and cleaning measures. We continued to develop our environmental management and acquired the ISO 14001 certification for the Shushary warehouse.

Environmental balance sheet

Input

Fuel usage
- Finland 18.7 million liters
- Group 24.4 million liters

Kilometers driven
- Finland 125 million km

Subcontracted transport
- Finland 106 million km

Energy use in buildings
- Finland 177 GWh
- Group 601 GWh

International and domestic postal flights

Business travel

Carbon dioxide emissions

Vehicles 60,400 tCO_2

Buildings 47,500 tCO_2

Subcontracted transport 65,600 tCO_2

Mail by air and business travel 10,100 tCO_2

Total 183,600 CO_2 tons

Waste (Finland), tons

Recycled 10,415 tons

Landfill 939 tons

Hazardous 35 tons

Output

Mail communications
- 11 million postal items shipped daily
- 3 billion shipments yearly

Logistics
- 2.7 million freight shipments in Finland
- 750,000 international freight shipments
- 45 service storages, 900,000 m²

OpusCapita
- 180 million electronic messages yearly
- 43 million documents scanned yearly
- 415 million traditional letters sent yearly

Vehicles represent the largest part of emissions

Our fleet of 4,000 commercial vehicles records a total of more than 125 million kilometers each year. Vehicles represent more than 80% of the total carbon dioxide emissions of our company.

We reduce fuel consumption and carbon dioxide emissions by planning routes efficiently, combining deliveries and driving in an environmentally responsible manner. In addition, our goal is to increase the share of alternative vehicles to 40% of our delivery vehicles by 2020.

In the fall, we began the installation of driving style monitoring devices in our delivery and transport vehicles. In total, monitoring devices will be installed in approximately 3,200 Itella Posti vehicles and around 800 Itella Logistics' vehicles. All of our delivery vehicles will have driving style monitoring devices by the end of June 2014.

In November, we acquired 25 biogas vehicles. Most of them are used for mail delivery in the capital region. Biogas produces no harmful particles and practically no greenhouse gas emissions during its life cycle.

We also deliver mail by foot and by bicycle. About 1,400 delivery routes are handled by bicycle every day. We also use environmentally friendly electric carts and electric cars and 1,000 electric bicycles. Up until now, increasing the number of electric cars in delivery has been challenging, as electric cars suitable for winter conditions in Finland are not available. About half of the mopeds we use are electric.

We improve the energy and waste efficiency of our premises

We want to continually improve the energy and waste efficiency of our premises. Completed in early June, the Pennala logistics center was built in accordance with green construction principles. Together with the old warehouse, Pennala offers more than 100,000 square meters of warehouse space for the customers of Itella Logistics.

The center has a voice-controlled collection system and automated forklifts, among other features. In addition, it has energy-saving external wall panels and a hybrid heating system that uses geothermal heat and gas. Located in the middle of our shop and customer network, the center serves to improve efficiency and reduce the carbon footprint of delivery transports, among other aspects.

Our goal is to cut down 2% of the electricity consumption of our properties and 3% of heat consumption annually until 2015. In 2013, we were very successful. Compared to last year, energy consumption of large properties decreased by 2,487GWh, 4.1% and heat consumption of large properties by 1,680 GWh, 4.4% (temperature-adjusted). Large properties such as warehouses, terminals and postal centers use about 75% of all electricity.

We actively seek to reduce landfill waste and improve the efficiency of sorting. We monitor the amounts of waste produced by large sorting centers on a monthly basis. Our goal is to keep the share of mixed waste of all waste at a maximum of 2%. We did not reach this goal: mixed waste represented about 10% of our total waste.

Number of operating locations

	2013
Finland	687
Russia	23
Other countries	37
Total	**747**

100% carbon neutral choices

All of the letters, newspapers, magazines, parcels and direct marketing items delivered by Posti are completely carbon-neutral Itella Green services for our customers.

By using Itella Green products, our customers can reduce carbon dioxide emissions in their supply chain processes and communicate to their customers that their operations are environmentally responsible.

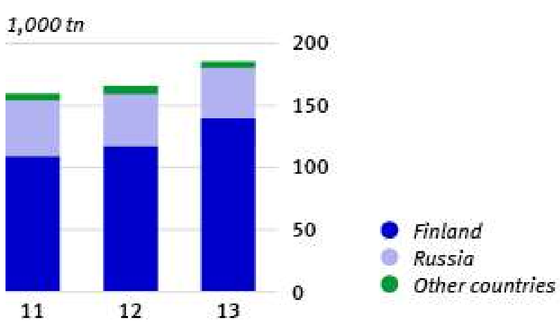
We primarily reduce emissions through projects that are directly related to our operations. The emissions generated by our services are calculated as part of our annual environmental calculations. We neutralize the remaining carbon-dioxide emissions related to the transport and delivery of Itella Green products by funding climate projects. In practice, if transporting one letter produces 20 grams of carbon dioxide, we use certified climate projects to ensure that an equal amount of emissions is reduced somewhere else.

We carry out climate projects in countries that have no emission ceilings. We do not implement climate projects in Finland or other Kyoto Protocol countries that have binding targets.

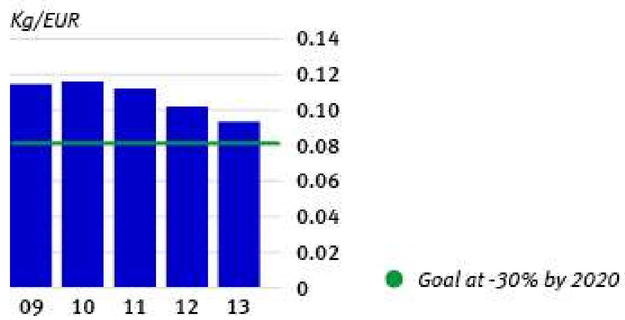
Environmental calculations

We use environmental calculations to monitor the environmental impacts of our operations, and we seek to continually improve the quality and expand the scope of the calculations. We use a Group-wide Internet-based tool for the collection of environmental information.

Itella's carbon dioxide emissions

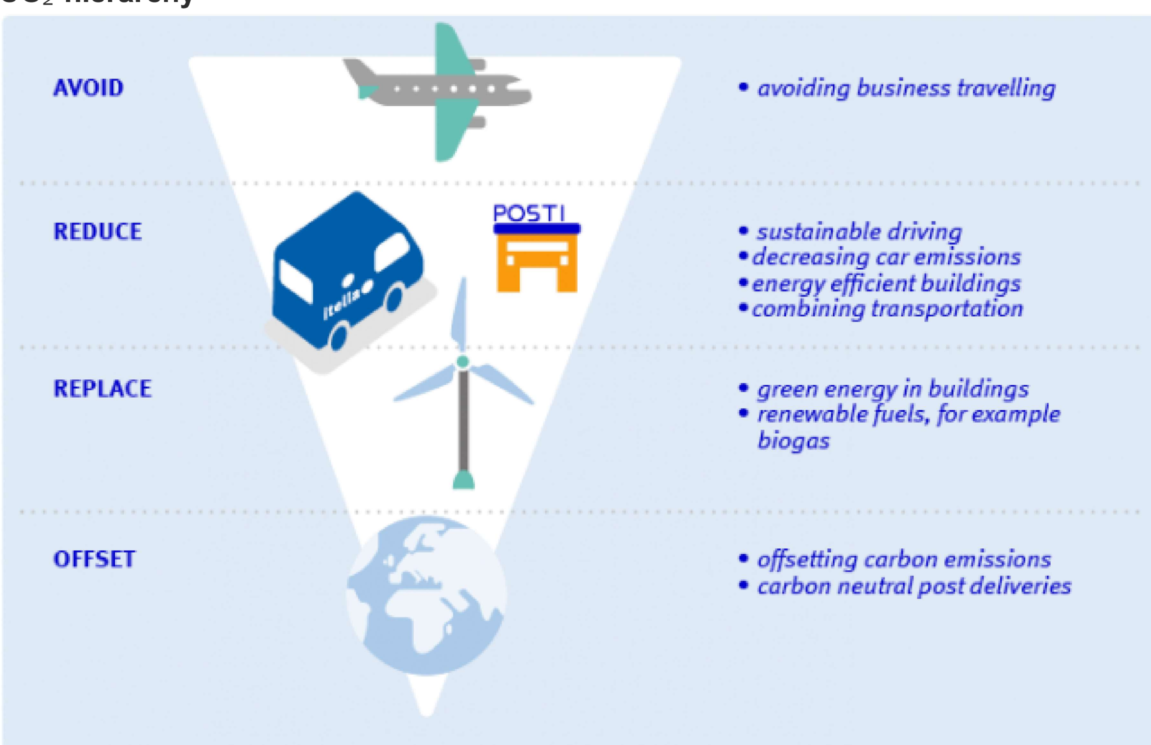


Carbon dioxide emissions relative to net sales



The groupage logistics business acquired in 2012 increased the emission level significantly, resulting of which, the emissions of the standard year (2007) have been recalculated taking into consideration the new business operations.

CO_2 hierarchy



Environmental reporting

These tables present information on environmental impacts in the following areas:

- Our vehicles
- Our premises
- Subcontracted transport

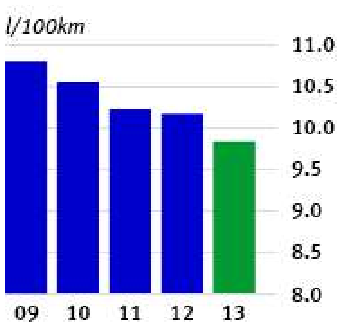
Group's environmental impacts, CO_2 emissions

Tons	2013	2012	2011	2010	2009
Fuel use in buildings – energy generation, Scope 1	9,268	10,724	11,254	13,019	14,463
Fuel use in transport – Itella's vehicles, Scope 1	60,406	46,169	46,005	48,185	48,502
Electricity and heat use in buildings, Scope 2	38,272	46,496	49,604	56,836	51,239
Subcontracted transport by vehicles*, Scope 3	65,606	50,878	42,376	41,479	45,815
Subcontracted transport by air, Scope 3	7,884	8,409	8,442	9,027	8,577
Business travel flights, Scope 3	2,190	2,260	2,221	493**	351**
Total	**183,625**	**164,936**	**159,902**	**169,040**	**168,948**

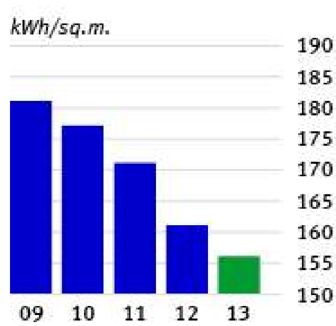
*) Includes subcontracted transport in Finland
**) Includes international and domestic flights, Finland

Graphs

Fuel consumption in postal delivery



Electricity consumption in sorting centers



Scope 1: Fuel use in buildings and own vehicles

	2009 Group	2010 Group	2011 Group	2012 Group	2013 Group	2009 Finland	2010 Finland	2011 Finland	2012 Finland*	2013 Finland*
Fuel use in buildings – energy generation										
TJ	240	220	199	192	165	0	0	0	0	0
Fuel use in transport – Itella's vehicles										
million liters	18.5	18.4	17.3	18.7	24.4	13.0	12.9	12.7	14.4	19.9
TJ	674	659	628	675	882	473	461	462	520	719
Kilometers driven										
million kilometers	n/a	n/a	n/a	n/a	n/a	94.7	101.3	99.4	103.8	125.0

**) Inc. VR Transpoint starting October 1, 2012*

Emissions to air – Itella's vehicles

Tons/year	2009 Finland	2010 Finland	2011 Finland	2012 Finland	2013 Finland	2013 Group
CO_2	n/a	33,743	33,545	35,547	49,229	60,406
CO	n/a	57	54	56	60	n/a
HC	n/a	13	13	14	16	n/a
NO_X	n/a	84	84	97	166	n/a
Particles	n/a	4.2	4.5	4.7	5.9	n/a
SO_2	n/a	0.2	0.2	0.2	0.3	n/a

Source of information: VTT/LIPASTO emissions of traffic, fuel consumption and kilometers driven of Itella's vehicles.

Scope 2: Purchased electricity and heat

Carbon dioxide emissions from the use of electricity and heating in Itella's buildings

	2009 Group	2010 Group	2011 Group	2012 Group	2013 Group	2009 Finland	2010 Finland	2011 Finland	2012 Finland*	2013 Finland*
Electricity use in buildings										
GWh	146	153	151	153	158	93	97	91	90	97
TJ	513	549	544	550	568	299	346	326	326	348
Heat use in buildings										
GWh	99	118	94	96	98	77	86	68	72	81
TJ	357	424	337	346	352	256	310	244	258	290

**) Inc. VR Transpoint starting October 1, 2012*

Amount of renewable energy in consumed electricity

	2009 Group	2010 Group	2011 Group	2012 Group	2013 Group	2009 Finland	2010 Finland	2011 Finland	2012 Finland	2013 Finland
Electricity	40%	57%	58%	62%	71%	48%	76%	81%	85%	100%
Heat*	n/a	n/a	n/a	n/a	n/a	17%	18%	21%	26%	29%

**) Source of information: Finnish Energy Industries*

Scope 3: Subcontracted transport

Carbon dioxide emissions from subcontracted transport

The subcontracting emission figures represent the Finnish functions

	2009 Finland	2010 Finland	2011 Finland	2012 Finland*	2013 Finland*
Subcontracted transport by vehicles, Finland					
million kilometers	94.7	101.6	99.4	93.9	106.4
CO_2 t	45,815	41,479	42,376	50,878	65,601
Domestic air transports, Finland					
CO_2 t	3,255	3,288	3,443	3,199	3,074
International air transports, Finland					
CO_2 t	5,322	5,739	4,999	5,210	4,810

**) Inc. VR Transpoint starting October 1, 2012*

Waste management in 2013, Finland

	Recycled	Waste tip	Hazardous waste	Total
Properties included in agreement*	10,415	939	35	11,389

Recycling %	91%

**) The figures have been revised since 2012.*
Excluding properties where waste management is included in the rent.
Emissions from waste management, 6,425 tCO_2ekv, are not included in the Group's environmental reporting.

Renewable energy from agricultural and forestry waste in Brazil

The Kitambar Ceramic plant in northeastern Brazil produces renewable energy from agricultural and forestry waste. The plant also produces a range of goods, including roof tiles, to meet local demand.

The plant was previously powered by wood sourced from areas where the principles of sustainable forestry were not observed. However, the plant now uses mainly agricultural and forestry waste, including algarroba, walnut tree and coconut waste. The project is intended to reduce logging in Brazil. Deforestation is the single largest source of greenhouse gas emissions in Brazil.

National postal services go head-to-head in driving challenge

This autumn, Itella took part in an international IPC Drivers' Challenge competition in Ireland. The Itella team consisted of drivers **Tommi Öhman** and **Jani Häsä**.

The race, organized by the International Post Corporation (IPC), attracted competitors from six different national postal services and involved driving efficiency and safety tests as well as customer service-oriented tasks. In addition to vehicle handling skills, points were awarded on the extent of the postal companies’ commitment to environmental objectives and sustainable development. The driving challenge was won by the team from Norway.

Protecting the environment and improving occupational safety through driving habit monitoring devices

– By the end of June 2014, we will have installed driving habit monitoring devices across our entire vehicle fleet. In total, 3,200 devices will be installed in Itella Posti's vehicles and 800 in Itella Logistics' vehicles. The aim is to reduce fuel consumption by 1.1 million liters a year.

The driving habit monitoring devices help to reduce fuel consumption and drive down carbon-dioxide emissions. What's more, it will be possible to set and monitor regional targets for both consumption and emissions. This will also cut down vehicle costs and lead to improvements in occupational safety. We will now be able to identify the location of all delivery personnel, and the number of crashes and other hazardous situations is expected to reduce. We will also be able to step up our existing investment in occupational safety.

Sampo Korkia-Aho
Development Manager, Itella Mail Communications

Reporting and measuring principles

Our corporate responsibility reporting is based on the guidelines of the Global Reporting Initiative (GRI). In addition, we comply with the reporting requirements of our owner, the Finnish State. We have self-declared our reporting to be Application Level B of the GRI G3 Guidelines. PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B. In accordance with the guidelines, we focus on factors that are key to our operations and essential to our stakeholders.

The information on environmental accounting from 2013, concerning postal and transport activities, is verified by an independent third party.

The data is reported on an annual basis, and the reporting period runs from January 1 to December 31. We report the key indicators of the corporate responsibility areas to the Board of Directors twice a year. We report on corporate responsibility through our website, annual report and corporate responsibility report.

Unless otherwise mentioned, the reporting covers all operations of Itella's parent company and subsidiaries. It also covers all functions in all countries of operation. The reporting does not include the operations of subcontractors or affiliated companies. The coverage of the indicators is reported in conjunction with the indicators.

Although we aim for global examination of corporate responsibility, our universal service obligation causes our role in society to be more essential in Finland than in our other countries of operation. For this reason, we have made social responsibility a separate area of responsibility. We mainly report on social responsibility in Finland.

With regard to human resources, we are in the process of implementing consistent processes and reporting systems. For this reason, the information on personnel is primarily included in GRI reporting in Finland. With regard to personnel, we have calculated the key indicators in accordance with the Accounting Standards Board's general guidelines on annual reports.

Since 2009, our environmental reporting has covered all of our countries of operation. The indicators for environmental responsibility cover our operations with the greatest environmental impact in all of our countries of operation. In Finland, the environmental calculations also include the environmental impact of subcontracted transport.

Carbon dioxide emissions cover all of our business operations. The key standards applied in our environmental accounting are:

- The WBCSD (World Business Council for Sustainable Development) Greenhouse Gas Protocol, and
- The GHG Inventory Standard for the Postal Sector, which includes more detailed instructions for the postal industry.

The data and indicators for financial responsibility are obtained from the consolidated financial statements, prepared in accordance with the IFRS standards approved by the European Union. The consolidated financial statements are prepared in compliance with the IAS and IFRS standards valid on December 31, 2013, and the related SIC standards and IFRIC interpretations. The notes to the consolidated financial statements are prepared in compliance with Finnish accounting and corporate legislation.

As an issuer of two publicly listed bonds, we are obligated to disclose periodic information to a limited extent. Our duty of disclosure is based on the Finnish Securities Market Act and the rules and regulations of NASDAQ OMX Helsinki Ltd. A more detailed description of our financial communications policy is available on our website at www.itella.com/financials. In connection with our financial statements, we also publish our Corporate Governance Statement, referred to in Recommendation 54 of the Finnish Corporate Governance Code of the Securities Market Association.

GRI content index

We have self-declared our reporting to be Application Level B of the GRI G3 Guidelines.

PricewaterhouseCoopers Oy has checked our reporting and has confirmed it to be Application Level B.

● Reported

● Partly reported

		Included	Reference page	Remarks
1. Strategy and Analysis				
1.1	CEO's statement	●	▸ President and CEO's review	
1.2	Key impacts, risks and opportunities	●	▸ Strategy ▸ Focus areas of corporate responsibility ▸ Corporate responsibility risks ▸ Indicators and targets	
2. Organizational Profile				
2.1	Name of the organization	●		Itella Corporation
2.2	Primary brands, products and services	●	▸ Itella in brief	
2.3	Operational structure incl. main divisions, operating companies, subsidiaries, joint ventures	●	▸ Itella in brief ▸ Group companies	
2.4	Location of organization's headquarters	●		Itella's headquaters is based in Helsinki
2.5	Number of countries and names of countries with major operations or that are relevant to sustainability issues	●	▸ Itella in brief ▸ Itella Mail Communications ▸ Itella Logistics ▸ OpusCapita	

2.6	Nature of ownership and legal form	●	Share capital and shareholding Owner	
	Markets served (geographic breakdown, sectors served, types of customers/beneficiaries)	●	Itella Mail Communications Itella Logistics OpusCapita	
2.8	Scale of the reporting organization (Number of employees, net sales, total capitalization by debt and equity, quantitity of products/services provided)	●	Key figures Itella Mail Communications Itella Logistics OpusCapita	
2.9	Significant changes regarding size, structure or ownership (location of, or changes in operations, incl. facility openings, closings, and expansions; and changes in share capital structure)	●		No significant changes during the reporting period
2.10	Awards received in the reporting period	●	Itella Logistics Multicultural workplace	
3. Reporting Principles				
	Report profile			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	●	Reporting and measuring principles	
3.2	Date of most recent report	●		The previous annual report and corporate responsibility report were published in April 14, 2013
3.3	Reporting cycle (annual, biennial, etc.)	●	Reporting and measuring principles	
3.4	Contact point for questions regarding the report or its content	●	www.itella.com	
	Report scope and boundary			
3.5	Process for defining report content (materiality, prioritizing topics and stakeholders using the report)	●	Materiality assessment About the report	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	●	Reporting and measuring principles	

3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)		Reporting and measuring principles	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations		Reporting and measuring principles	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols		Reporting and measuring principles	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods)			No significant changes during the reporting period
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report			No significant changes during the reporting period
	GRI content index			
3.12	GRI content index		GRI content index	
4. Governance, Commitments and Engagement				
	Governance			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight		Governance	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		Corporate Governance Statement 2013	

4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members		Corporate Governance Statement 2013	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		Corporate Governance Statement 2013	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)		Remuneration statement	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		Corporate Governance Statement 2013	Itella complies with the Finnish Corporate Governance Code
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics		Corporate Governance Statement 2013	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		Strategy Interaction with stakeholders Responsible sourcing	http://www.itella.com/about/company/ethics/
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles		Board of Directors Risk management	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		Corporate Governance Statement 2013	

	Commitments to External Initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		▸ Risk management	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		▸ Managing social responsibility ▸ Environmental responsibility	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations		▸ Interaction with stakeholders	
	Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organization		▸ Interaction with stakeholders	
4.15	Basis for identification and selection of stakeholders with whom to engage		▸ Interaction with stakeholders	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		▸ Interaction with stakeholders	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns		▸ Stakeholder survey ▸ Challenges in 2013 ▸ Job satisfaction	
Economic Performance Indicators				
	Management Approach		▸ Financial responsibility management ▸ Indicators and targets ▸ Risk management	

	Economic Performance			
EC1*	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments		▸ Financial responsibility ▸ Tax footprint ▸ Sponsoring	
EC2*	Financial implications, risks and opportunities due to climate change		▸ Environmental responsibility ▸ Itella Green services	
EC3*	Coverage of defined benefit plan obligations		▸ Pension liabilities	2% of the employees have defined benefit pension plans
EC4*	Significant subsidies received from government		▸ Other operating income	
Environmental Performance Indicators				
	Management Approach		▸ Environmental responsibility management ▸ Indicators and targets ▸ Environmental responsibility	
	Materials			
	Energy			
EN3*	Direct energy consumption by primary energy source		▸ Environmental reporting	
EN4*	Indirect energy consumption by primary source		▸ Environmental reporting	
EN5	Energy saved due to conservation and efficiency improvements		▸ Energy and waste efficiency	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		▸ Vehicle emissions ▸ Itella Green services	
	Emissions, Effluents and Waste			
EN16*	Total direct and indirect green-house gas emissions by weight		▸ Environmental reporting	

EN17*	Other relevant indirect greenhouse gas emissions by weight		▸ Environmental reporting	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		▸ Vehicle emissions ▸ Environmental responsibility ▸ Itella Green services	
EN20*	Total amount of waste by type and disposal method		▸ Environmental reporting	
EN22*	Total amount of waste by type and disposal method		▸ Environmental reporting	
EN23*	Total number and volume of significant spills			No significant spills occured during the reporting period
	Products and Services			
EN26*	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		▸ Itella Green services	
	Compliance			
EN28*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations			No significant fines or sanctions during the reporting period
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		▸ Environmental reporting	Subcontracting reported for Finland only
Social Performance Indicators				
Labor Practices and Decent Work				
	Management approach to labor practices and decent work		▸ People responsibility management ▸ Indicators and targets ▸ People responsibility	

	Employment			
LA1*	Total workforce by employment type, employment contract and region		▸ Job satisfaction ▸ People responsibility	
LA2*	Total number and rate of employee turnover by age group, gender and region		▸ Number of personnel ▸ Employees ▸ The best employer	
	Labor/Management Relations			
LA4*	Percentage of employees covered by collective bargaining agreements		▸ People responsibility	
LA5*	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements		▸ Number of personnel	The local legislation is obeyed
	Occupational Health and Safety			
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs			78.3% (84.4%) of total workforce represented in committees
LA7*	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		▸ Workplace safety ▸ People responsibility	Reported for Finland only
	Diversity and Equal Opportunity			
LA13*	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		▸ People responsibility ▸ Multicultural workplace	
LA14*	Ratio of basic salary of men to women by employee category			Reported for Finland only, ratio 95% (96%)

Human Rights

	Management approach to human rights		Social responsibility management Responsible sourcing People responsibility management Corporate responsibility risks	
	Investment and procurement practices			
HR2*	Percentage of significant suppliers and contractors that have undergone human rights screening and actions taken		Responsible sourcing	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, incl. percentage of employees trained		People responsibility management	
	Non-discrimination			
HR4*	Incidents of discrimination and actions taken			No reported discrimination incidents
	Child labor			
HR6*	Operations identified as having significant risk for child labor and measures taken to contribute to the elimination of child labor		Social responsibility management	No significant risks during the reporting period
	Forced and compulsory labor			
HR7*	Operations identified as having significant risk for forced or compulsory labor and measures taken to contribute to the elimination of forced or compulsory labor		Social responsibility management	No significant risks during the reporting period

Society				
	Management approach to society		▸ Responsible sourcing ▸ People responsibility management ▸ Indicators and targets ▸ Social responsibility management ▸ Corporate responsibility risks	
	Corruption			
SO3*	Percentage of employees trained in anti-corruption policies and procedures		▸ Employee Code of Conduct ▸ People responsibility management	
SO4*	Actions taken in response to incidents of corruption			No incidents of corruption during the period under review
	Public Policy			
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions			Itella does not support any political parties or institutions
SO7	Number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes			No court decisions during the period under review. The Finnish Competition Authority is investigating one case concerning the misuse of the dominant market position
	Compliance			
SO8*	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations			No significant fines or sanctions for non-compliance with laws and regulations

Product Responsibility				
	Management approach to product responsibility		▸ Social responsibility ▸ Indicators and targets ▸ Our customer promise ▸ Corporate responsibility risks	
	Customer Health and Safety			
PR2	Number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes			None during the period under review
	Product and Service Labeling			
PR4	Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes			None during the period under review
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys		▸ Our customer promise ▸ Indicators and targets	
	Marketing Communications			
PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, advertising, promotion, and sponsorship			None during the period under review
	Customer Privacy			
PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data		▸ Challenges in 2013	
	Compliance			
PR9*	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services			None during the period under review

**) GRI Core indicator*

Governance model

The Itella Group consists of the parent company, Itella Corporation, and its subsidiaries. The company is domiciled in Helsinki. Since January 1, 2014, its business operations have been divided into four business groups.

The highest decision-making body of Itella Corporation is the Annual General Meeting, which elects the Supervisory Board, Board of Directors and auditor. The Itella Group is managed by the Board of Directors and the President and CEO.

More information on the governing bodies is available at ▸ www.itella.com/corporategovernance

Corporate governance statement

This is Itella's Corporate Governance Statement referred to in Recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association on June 15, 2010. It was reviewed by the Audit Committee of the Corporation's Board of Directors on February 11, 2014. The Corporate Governance Statement is published as a separate, unaudited report released in connection with the Financial Statements.

The remuneration statement and other information related to the Corporate Governance Code are available at www.itella.com/corporategovernance.

The management's résumés are available at www.itella.com/management.

Compliance with the corporate governance code

The duties and responsibilities of Itella's executive bodies are determined according to Finnish law. Itella's decision-making and administration comply with the Finnish Limited Liability Companies Act (624/2006), Itella Corporation's Articles of Association, and the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association www.cgfinland.fi.

Departures from the Corporate Governance Code recommendations:

- The notice of the General Meeting and the appendices thereto are not published on the company website because a state-owned company has only one shareholder. (recommendation 1).
- Itella has neither a public register of insiders nor any persons subject to the disclosure obligation because the company's shares are not publicly listed. (recommendation 51).

Supervisory Board

The Supervisory Board's duties include the following:

- Ensuring that the company is managed according to sound business practices and on a profitable basis.
- Providing guidance to the Board of Directors on issues with broad implications or those deemed important in principle.
- Providing the Annual General Meeting (AGM) with an opinion on the company's financial statements and the auditors' report.
- Monitoring the functionality of postal services and the consideration of proposals for changes in the services.

The Supervisory Board has adopted written rules and procedures which lay out the Board's key responsibilities and working principles.

Itella Corporation's AGM elects the members of the Supervisory Board and appoints the Board's Chairman and Vice Chairman. The Supervisory Board has six to twelve members. Persons aged 68 and above are not eligible for membership of the Board. The term of office for the members is one year and it ends at the close of the AGM that follows their election.

Itella's Supervisory Board 2013

Member	Born	Education	Occupation	Attendance at meetings
Mauri Pekkarinen (Chairman)	1947	M.Soc.Sc.	M.Soc.Sc.	4/4
Ritva Elomaa	1955	Radiographer	Radiographer	4/3
Lars-Erik Gästgivars	1946	Steward's degree	Steward's degree	4/4
Raimo Piirainen	1952	Engine driver's training	Engine driver's training	4/4
Tuomo Puumala	1982	M.Soc.Sc.	M.Soc.Sc.	4/2
Teuvo V. Riikonen	1960	MA (Theology)	MA (Theology)	4/4
Kimmo Sasi	1952	D.Soc.Sc.	D.Soc.Sc.	4/4
Susanna Huovinen*)	1972	M.Soc.Sc.	M.Soc.Sc.	4/1
Maria Guzenina-Richardson**)	1969	Journalist	Journalist	4/2
Johanna Karimäki (Vice Chairman)	1973	M.Sc. (Tech.)	M.Sc. (Tech.)	4/3
Sari Moisanen	1980	BEng	BEng	4/4
Outi Mäkelä	1974	M.Sc.(Econ.)	M.Sc.(Econ.)	4/3
Reijo Ojennus	1947	Trade Technician	Trade Technician	4/4

**) until May 24, 2013*
***) as of May 30, 2013*

Board of Directors

The duties of Itella Corporation's Board of Directors are specified in the Limited Liability Companies Act, the Articles of Association, and the Decision-Making Guidelines approved by the Board of Directors. In accordance with these documents, the Board is responsible for controlling and supervising executive management, appointing and, if necessary, dismissing the President and CEO, approving the company's strategic goals and risk management principles, and ensuring the functioning of the company's management system. The Board has adopted written rules and procedures which lay out the Board's key responsibilities and working principles.

Itella Corporation's AGM elects the members of Itella Corporation's Board of Directors and appoints the Board's Chairman and Vice Chairman. The qualification of members of the Board of Directors is evaluated in the Ownership steering. The Board of Directors has between five and nine members. Persons aged 68 and above are not eligible for membership of the Board. The members are elected for a one-year term at a time and their terms of office end at the close of the AGM following their election.

The Board of Directors evaluates its performance and working methods on an annual basis. It also assesses the performance and working methods of the President and CEO.

Itella's Board of Directors 2013

Member	Born	Education	Occupation
Arto Hiltunen (Chairman)	1958	M.Sc.(Econ.)	-
Ilpo Nuutinen	1964	M.Sc.Econ. (Licentiate of Laws)	Senior Government Counsellor
Hele-Hannele Aminoff*)	1960	MBA	CEO
Suvi-Anne Siimes**)	1963	(Licentiate of Social Sciences)	CEO
Päivi Pesola	1956	M.Sc.(Econ.)	CFO
Jussi Kuutsa	1964	M.Sc.(Econ.)	Country Manager
Timo Löyttyniemi***)	1961	D.Sc. (Econ. & Bus.)	CEO
Riitta Savonlahti	1964	M.Sc.(Econ.)	Executive Vice President, HR
Maarit Toivanen-Koivisto	1954	M.Sc.(Econ.)	CEO

**) until March 26, 2013*
***) as of March 26, 2013*
****) also a member of Itella Bank's Board of Directors until June 2, 2013*

Audit Committee

The Board of Directors elects a maximum of four of its members to the Audit Committee, the duties of which include:

- preparation, control, review, and assessment of risk management policies, internal control systems and internal audit reports, organizing financial reporting and auditing;
- examining financial statements with the auditors before submitting them for review by the Board of Directors;
- submitting a proposal concerning the appointment of the auditor;
- assessing the independence of the auditor and the additional services offered by the auditor.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

On March 26, 2013, the Board of Directors elected the following members to the Audit Committee: Päivi Pesola (Chairman), Jussi Kuutsa, Timo Löyttyniemi and Suvi-Anne Siimes.

Remuneration and Nomination Committee

The Board of Directors elects a maximum of four of its members to the Remuneration and Nomination Committee, the duties of which include:

- preparation of decisions concerning the appointments and remuneration of executive management
- preparation of the outlines for the remuneration, bonus, and incentive schemes and ensuring that they are fair and competitive.

The Committee prepares matters entrusted to it for the Board of Directors' decision.

On March 26, 2013, the Board of Directors elected the following members to the Remuneration and Nomination Committee: Arto Hiltunen (Chairman), Ilpo Nuutinen, Riitta Savonlahti and Maarit Toivanen-Koivisto.

The Board of Directors' attendance at meetings

Member	Committee membership	Board of Directors	Committee
Arto Hiltunen (Chairman)	Remuneration and Nomination Committee (Chairman)	15/14	7/7
Ilpo Nuutinen	Remuneration and Nomination Committee	15/15	7/6
Hele-Hannele Aminoff *)	Audit Committee	15/3	7/1
Suvi-Anne Siimes **)	Audit Committee	15/10	7/4
Jussi Kuutsa	Audit Committee	15/15	7/7
Timo Löyttyniemi	Audit Committee	15/13	7/7
Päivi Pesola	Audit Committee (Chairman)	15/14	7/7
Riitta Savonlahti	Remuneration and Nomination Committee	15/13	7/6
Maarit Toivanen-Koivisto	Remuneration and Nomination Committee	15/15	7/7

*) until March 26, 2013
**) as of March 26, 2012

President and CEO

The President and CEO is responsible for the Group's operative management in accordance with the Limited Liability Companies Act and the instructions and directions issued by the Board of Directors.

The President and CEO is appointed and, if necessary, dismissed by the Board of Directors, which also determines the terms and conditions of the President and CEO's employment relationship.

Heikki Malinen, M.Sc. (Econ.), MBA, has served as President and CEO of Itella Corporation since December 11, 2012.

Internal control and risk management systems associated with the financial reporting process

The internal control and risk management processes associated with financial reporting have been planned in such a way that they produce sufficient certainty of the reliability of financial reporting and ensure that the applicable laws and regulations have been complied with.

Itella's Board of Directors has approved the corporate policies on which the control environment is based, as well as the policies concerning risk management and corporate governance. The financial reporting process incorporates internal control principles pursuant to the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission 1992).

Control environment

Itella's internal control system supports the implementation of the Group's strategy and ensures compliance with regulations as well as the reliability of financial reporting. The Code of Conduct approved by Itella's Board of Directors is based on Itella's values and defines the principles for how business operations are conducted. The internal control framework consists of Group-level operating guidelines and processes, as well as the controls and processes for business operations and support functions. The control environment for financial reporting is described in the document "Itella Group Policy on Control over Financial Reporting".

Management responsibilities are specified in the Group management system, which is described in the guidelines of the Itella Way Handbook. Itella Group follows responsible and ethical procedures that are described in Itella's Corporate Responsibility Principles and Code of Conduct. The Group has a feedback channel for reporting actions that are in conflict with the ethical principles.

The Audit Committee appointed by the Board of Directors supervises the Group's financial reporting process and monitors the effectiveness of the Group's internal control, internal audit and risk management systems. The internal audit function monitors the effectiveness of the internal control system on financial reporting in accordance with the Audit Committee's instructions.

The Group's risk management function is responsible for the Group's risk reporting and maintaining the risk management system. The Board of Directors approves the operating models concerning risk management and corporate governance.

Group Finance, led by the Chief Financial Officer, is responsible for the top-level control system for the financial reporting process. Control is based on Group-level processes, guidelines and recommendations. The principles and guidelines for financial reporting are collected on the Group intranet.

The Group's business operations are divided into three business groups (four business groups as of January 1, 2014) and Group functions, which are also responsible for internal control.

Risk assessment

Operational risks related to the process of financial reporting are assessed as part of Itella's risk management. The twice-yearly systematic process involves identifying and assessing risks associated with financial processes and reporting them to management. The implementation and monitoring of the necessary measures and improvements is integrated into operational management.

Control measures

The guidelines and Group-wide principles issued by the Group Finance unit hold a key position in ensuring the accuracy of financial reporting. Financial control and reporting instructions contain the common accounting and reporting principles and practices as well as the roles and responsibilities of the finance functions. Financial statements are subject to Group-wide accounting principles and Group reporting employs a common chart of accounts.

The control measures cover the entire financial reporting process. Responsibilities for the implementation and monitoring of measures have been assigned. The processes include control measures related to the initiation of business transactions as well as their approval, recording and accounting, including the information technology and system solutions associated with financial reporting. The Finance and Accounting Services unit under Itella's OpusCapita business group manages the majority of the Group companies' accounting and other statutory reporting.

Each business group has a financial organization responsible for ensuring that business performance is sufficiently analyzed, including the assessment of operating volume, income, expenses, working capital, assets and investments. These analyses are assessed at different levels in the Group, with the final assessment performed by the Board of Directors.

The Group's profitability is reported in each meeting of the Board of Directors, and the Board reviews all interim and annual reports before they are published. Itella complies with the reporting standards specified for listed companies and publishes stock exchange releases on its interim reports and financial statements. Itella also reports to the Finnish Communications Regulatory Authority on operations related to its universal service obligation.

Itella's Supervisory Board discusses Itella Corporation's Board of Directors' report, financial statements and auditors' report in its meeting and issues a statement on these to the Annual General Meeting.

Information and communications

The principles and guidelines for financial reporting, as well as the IFRS standards and calculation principles applied in the Group, are available on the intranet to all those participating in financial reporting. The Group also arranges regular training and joint information sessions on financial processes, principles and operating guidelines.

Monitoring

The Group's Chief Financial Officer is responsible for developing procedures and tools to support the consistent execution and maintenance of internal control systems concerning financial reporting. Business groups regularly prepare financial and management reports for the units' and the Group's management. The reports analyze and discuss matters related to the business units' profitability and risks.

The Group's internal audit assesses and audits the implementation and effectiveness of internal control of financial processes in accordance with a risk-based annual plan approved by the Audit Committee. The results of the audits are discussed with the object of the audit, in the Executive Board and in the Board's Audit Committee. Corrective actions, with responsible persons and schedules, are defined for any observations made in the audits. In 2013, the focus of internal audits was on the Group's Russian operations.

The Group's Finance unit monitors the correctness and accuracy of external and internal reporting and ensures that external reporting complies with regulations. The senior management and financial managers of Group companies further ensure that external reporting complies with the applicable regulations.

Representatives of the Group and its business groups meet monthly to assess financial reports and analyze any deviations. The Group's result is monitored in monthly reporting, and the Executive Board examines reporting on results at the monthly level.

Remuneration Statement

The Remuneration Statement of the Itella Group is available at ▸ www.itella.com/corporategovernance.

Supervisory Board (December 31, 2013)

Chairman Mauri Pekkarinen, MP, Centre Party
Since 2012

Vice Chairman Johanna Karimäki, MP, The Greens of Finland
Since 2010

Ritva Elomaa, MP, True Finns Party
Since 2012

Maria Guzenina-Richardson, MP, Social Democratic Party
Since 2013

Lars-Erik Gästgivars, MP, Swedish People's Party of Finland
Since 2012

Sari Moisanen, Student, Left Alliance
Since 2011

Outi Mäkelä, MP, National Coalition Party
Since 2008

Reijo Ojennus, Business Owner, True Finns Party
Since 2008

Raimo Piirainen, MP, Social Democratic Party
Since 2012

Tuomo Puumala, MP, Center Party
Since 2012

Teuvo V. Riikonen, Executive Director, Christian Democrats
Since 2012

Kimmo Sasi, MP, National Coalition Party
Since 2012

Board of Directors (December 31, 2013)

Arto Hiltunen
Chairman
b. 1958, M.Sc. (Econ.)
Member of the Board since 2010
Chairman of the Remuneration and Nomination Committee

Employment history:

- S Group (1980–2009), most recently as CEO and Chairman of the Board of Directors
- Previously held several positions in the S Group, including Managing Director of HOK-Elanto, Ässä Partners and Alepa

Member of the Board: HSE Foundation, Jenny and Antti Wihuri Foundation, Foundation for Economic Education, Metsäliitto Group, Metsä Tissue Corporation, SRV Group Plc, Talent Partners Ltd, Veho Group Oy Ab.

Päivi Pesola
Vice President, Business Control, Heat Division, Fortum Power and Heat Ltd
b. 1956, M.Sc. (Econ.)
Member of the Board since 2009
Chairman of the Audit Committee

Employment history:

- Fortum Power and Heat Oy (since 2001), Vice President, Finance, Fortum Service Business Unit; Vice President, Business Control, Fortum Heat Business Unit; Vice President, Business Control, Fortum Heat Division
- Fortum Corporation (1999–2001): Vice President of Internal Auditing and Risk Management
- Fortum Oil and Gas Oy (1978–1999): Vice President of Internal Auditing and Financial Management

Jussi Kuutsa
Country Director, SRV Group Plc
b. 1964
Member of the Board since 2011
Member of the Audit Committee

Employment history:

- SRV Group (since 2010): Country Director of Russia
- Stockmann Group (2000–2010): managerial positions in international operations

Timo Löyttyniemi
Managing Director, State Pension Fund
b. 1961, D.Sc. (Econ. and Bus. Adm.)
Member of the Board since 2011
Member of the Audit Committee

Employment history:

- State Pension Fund (since 2003)
- Mandatum & Co Ltd (1999–2003)
- Norvestia Plc (1996–1999)
- Merita Corporate Finance Ltd (1994–1996)

Member of the Board: Itella Bank Ltd, INREV (European Association for Investors in Non-listed Real Estate Vehicles), KAUTE Foundation
Member: Investment committees of Aalto University and the Finnish Pension Alliance TELA.

Ilpo Nuutinen
Senior Government Adviser, Prime Minister’s Office, Ownership Steering
b. 1964, Master of Laws trained on the bench, Licentiate of Laws, M.Sc. (Econ.)
Member of the Board since 2012
Member of the Remuneration and Nomination Committee

Employment history:

- Prime Minister’s Office (since 2010): Senior Government Adviser, Ownership Steering
- Prime Minister’s Office (2007–2010): Special Adviser, Ownership Steering
- Ministry of Finance (2001–2007): Management Support, Special Adviser
- Ministry of Finance (1996–2001): Financial Markets Department, Senior Governmental Secretary
- Government Guarantee Fund (1995–1996): Lawyer
- Law firm Mika Ala-Uotila (1993–1995): Associate Lawyer

Board Vice Chairman: Arctia Shipping Ltd
Member of the Board: Kruunuasunnot Oy.

Riitta Savonlahti
Executive Vice President, Human Resources, UPM-Kymmene Corporation
b. 1964, M.Sc. (Econ.)
Member of the Board since 2008
Member of the Remuneration and Nomination Committee

Employment history:

- UPM-Kymmene Corporation (since 2004): Executive Vice President, Human Resources
- Elcoteq Network Corporation (2001–2004): Senior Vice President, Human Resources
- Raisio Group Plc (2000–2001): Senior Vice President, Human Resources
- Nokia Corporation (1995–2000): Human Resources Manager
- ABB Oy (1990–1994): Human Resources Specialist

Member of the Board: Management Institute of Finland (MIF).

Suvi-Anne Siimes
Managing Director, Finnish Pension Alliance TELA
b. 1963, Licentiate of Political Science
Member of the Board since 2013
Member of the Audit Committee

Employment history:

- Finnish Pension Alliance TELA (since 2011): Managing Director
- Pharma Industry Finland (2007–2011): Managing Director
- Finnish Co-operative for Pharmaceutical Injury Indemnities (2010–2011): Managing Director
- Several positions in European organizations in the pharmaceutical sector (2007–2011)
- Member of Parliament (1998–2007)
- Left Alliance (1998–2006): Chairman

Board Chairman: Veikkaus Oy
Member of the Board: Yrjö Jahnsson Foundation
Delegation member: Institutum Romanum Finlandiae Foundation.

Maarit Toivanen-Koivisto
President, Onvest Oy; Senior Industrialist
b. 1954, M.Sc. (Econ.)
Member of the Board since 2007
Member of the Remuneration and Nomination Committee

Employment history:

- Onvest Oy (since 1997): Development Manager, Finance Manager, CFO, CEO
- Onninen Oy (1978–1997): Product Manager, Purchasing Manager, Quality Manager

Board Chairman: Are Oy, Onninen Oy, Onvest Oy
Vice Chairman: Finland Chamber of Commerce, Federation of Finnish Commerce, Helsinki Region Chamber of Commerce
Member of the Board: Finnish Cultural Foundation, Finnish Fair Corporation, Foundation for Economic Education, Tulikivi Corporation
Supervisory Member of the Board: Ilmarinen Mutual Pension Insurance Company.

Executive Board (December 31, 2013)

Heikki Malinen
President and CEO
b. 1962, M.Sc. (Econ.), MBA (Harvard)
Joined the Itella Group in 2012

Employment history:

- Itella Corporation (since 2012): President and CEO
- Pöyry Plc (2008–2012): President and CEO
- UPM-Kymmene Corporation, Helsinki, Finland (2006–2008): Executive Vice President, Strategy; Member of the UPM Executive Team
- UPM North America, Chicago, USA (2004–2005): President
- UPM North America, Chicago, USA (2002–2003): President of Sales
- Jaakko Pöyry Consulting, New York, USA (2000–2001): Managing Partner
- McKinsey & Co, Atlanta, USA (1997–1999): Engagement Manager
- UPM Paper Divisions, Helsinki, Finland (1994-1996): Director of Business Development

Member of the Board: Outokumpu Plc, Service Sector Employers PALTA, Botnia Ltd.
Supervisory Member of the Board: Ilmarinen Mutual Pension Insurance Company.
Audit Committee member: Outokumpu Plc.
Chairman: American Chamber of Commerce (AmCham Finland).

Sari Helander
CFO of the Itella Group
b. 1967, M.Sc. (Econ.)
Joined the Itella Group in 2011

Employment history:

- Itella Corporation (since 2011): CFO
- Nokia Corporation (2001–2011): Vice President, Business Reporting & Control; various control and financial management positions
- Nokia Networks (1994–2001)
- Helsingin Tilikartta, Interbank, Union Bank of Finland (1986–1992)

Jaana Jokinen
Senior Vice President, Human Resources
b. 1957, M.Sc. (Econ.)
Joined the Itella Group in 2009

Main employment history:

- Itella Corporation (since 2009): Senior Vice President, Human Resources
- Nokia Corporation (2004–2009): HR Director for Demand Supply Network Management
- Nokia Networks (2001–2003): global managerial positions in HR
- Nokia Networks (1995–2001): managerial positions in customer training in Finland and China
- Learning Systems Ltd (1990–1995): Consultant for HR Development
- ICL (1986–1989), Training Manager

Jani Jolkkonen
Senior Vice President, Itella Logistics Nordic
b. 1973, M.Sc. (Tech.), EMBA
Joined the Itella Group in 2002

Employment history:

- Itella Corporation (since 2013): Senior Vice President, Itella Logistics Nordic (Finland, Scandinavia and the Baltic countries)
- Itella Corporation (2004–2013): managerial positions in Delivery and Marketing Services and Operations at Itella Mail Communications
- Itella Corporation (2002–2004): Business Controller
- Telia Mobile (2001–2002): Business Controller
- Digiscope (2000–2001): Business Consultant
- Cap Gemini Ernst & Young (1998–2000): Consultant

Jukka Rosenberg
Senior Vice President, Itella Mail Communications
b. 1962, M.Sc. (Econ.)
Joined the Itella Group in 2011

Employment history:

- Itella Corporation (since 2011): Senior Vice President, Itella Mail Communications
- IBM Global Services (2006–2011): Executive, Strategic Outsourcing
- Tieto Corporation (1997–2006): Senior Vice President, Financial Services Sector
- Fujitsu Services Oy (1985–1997): managerial positions in international sales and marketing

Member of the Board: Finnish Federation for Communications and Teleinformatics (FiCom).

Juhani Strömberg
Senior Vice President, Strategy and Development
b. 1953, Ph.D. (Tech.)
Joined the Itella Group in 2006

Employment history:

- Itella Corporation (since 2006): Vice President, Business Development; Senior Vice President, Strategy and Development
- Tieto Corporation (1976–2006): Vice President, Electronic Business Services; Senior Vice President, Corporate Development

Board Vice Chairman: Samlink Ltd.

Nikolay Voinov
President, Itella Logistics Russia
b. 1973, M.Sc. (Tech.), M.Sc. (Econ.)
Joined the Itella Group in 2013

Main employment history:

- Itella (since 2013): President, Itella Logistics Russia
- DPD Russia (2008–2013): Country Manager
- DPD Russia (2007–2008): First Deputy of Country General Manager
- TNT Express Worldwide (2006–2007): Country Operations Manager, Russia (Deputy CEO)
- TNT Express Worldwide (2005–2006): St. Petersburg Branch Manager
- TNT Express Worldwide (2002–2005): Moscow Branch Manager
- TNT Express Worldwide (1999–2002): Sales and Marketing Manager

Management Board (December 31, 2013)

Timo J. Anttila
Vice President, Stakeholder Relations, Communications and Corporate Responsibility
b. 1962, M.A. (Political History)
Joined the Itella Group in 2013

Employment history:

- Itella Corporation (since 2013): Vice President, Stakeholder Relations
- Danske Bank (2008–2013): Head of Communications
- Ilta-Sanomat (2004–2007): Head of Political Desk
- Ilta-Sanomat (2003–2004): Political Editor
- Iltalehti (2002–2003): Financial Editor
- Iltalehti (1989–2002): Head of Political Desk, Political Editor

Aku Happo
Vice President, eCommerce
b. 1973, BBA, MBA
Joined the Itella Group in 1997

Employment history:

- Itella Corporation (since 2013): Vice President, eCommerce
- Itella Mail Communications (2010–2013): Vice President, Parcel Services
- Itella Logistics (2007–2010): Business Line Director, Express and Parcel
- Itella Logistics (2006–2007): Business Director
- Itella Logistics (2001–2006): Product Group Manager, Business Manager
- Itella Logistics (1999–2001): Controller
- Itella Corporation (1997–1999): Finance Manager

Pirjo Kaasinen
Vice President, Marketing, Sales and Business Insight
b. 1963, M.Sc. (Econ.)
Joined the Itella Group in 2012

Employment history:

- Itella Corporation (since 2012): Vice President, Marketing, Sales and Business Insight
- Digi TV Plus Ltd (2011–2012): Sales Director
- Eniro (2005–2011): Director, Marketing and Communications; Business Director
- Elisa (2004–2005): Marketing Director
- Radiolinja (2001–2004): Marketing Director and Business Area Director
- Canon (1991–2001): Marketing Manager, Business Manager
- Suorayhtiöt (1988–1991): Product Manager

Harri Kämppä
Vice President, Sourcing
b. 1965, M.Sc. (Tech.)
Joined the Itella Group in 2012

Employment history:

- Itella Corporation (since 2012): Vice President, Sourcing, Itella Logistics; Vice President, Sourcing
- CPS Color Group Ltd (2009–2011): Director of Production, Procurement and Logistics
- Kemira GrowHow Plc/Yara Ltd (2003–2008): Director of Logistics, Sourcing and Production Control
- Swisslog Ltd (1999–2003): Operative Director
- Cimcorp Ltd (1990–1998): various positions in automation project management and sales in Finland and Germany

Antero Palmolahti
Strategic Chief Shop Steward of Itella Corporation, Finnish Post and Logistics Union PAU (employee representative)
b. 1952
Joined the Itella Group in 1971

Employment history:

- Itella Corporation (since 1971): postal worker, various positions as safety representative and chief shop steward

Board Chairman: Itella Personnel Fund, Hotel and Training Center Heimari Ltd.

Esa Viitamäki
CIO
b. 1958, B.Sc.
Joined the Itella Group in 2013

Employment history:

- Itella Corporation (since 2013): CIO
- LocalTapiola (2009–2013): CIO
- Tieto Corporation (2004–2009): Vice President, Common Processes; Vice President, Financial Services
- Primasoft Ltd (2002–2004): Senior Vice President
- Tieto Corporation (2001): General Manager
- Pohjolan ATK-palvelu Oy (1998–2001): Managing Director

Risk management

A comprehensive description of risk management at Itella is available at www.itella.com/corporategovernance.

Corporate responsibility risks are described in the corporate responsibility report.

Board of Directors’ Report 2013

Operating environment 2013

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

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

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

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

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

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

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

Performance improvement program

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

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

Net sales and operating result in 2013

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

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

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

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

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

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

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

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

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

Key figures of Itella Group

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

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

Itella Mail Communications

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

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

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

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

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

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

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

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

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

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

Itella Logistics

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

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

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

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

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

OpusCapita

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

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

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

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

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

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

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

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

Business risks

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

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

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

Strategic and operational risks

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

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

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

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

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

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

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

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

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

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

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

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

Other risks

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

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

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

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

Changes in corporate structure

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

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

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

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

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

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

Capital expenditure

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

Research and development

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

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

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

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

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

Environmental impacts

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

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

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

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

Financial position

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

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

Share capital and shareholding

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

Administration and auditors

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

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

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

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

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

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

Employees

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

Personnel distribution was as follows:

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

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

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

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

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

Events after the financial period

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

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

Outlook for 2014

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

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

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

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

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

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

Investments are expected to increase from 2013.

Board of Directors’ proposal for the distribution of profits

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

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

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

Helsinki, February 13, 2014

Itella Corporation

Board of Directors

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

Consolidated income statement

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

Consolidated statement of comprehensive income

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

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

Consolidated Statement of Financial Position

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

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

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

Consolidated Statement of Cash Flows

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

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

Consolidated Statement of Changes in Equity

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

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

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

Notes to the Consolidated Financial Statements

Company information

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

Accounting policies

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

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

New and revised standards

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

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

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

Other retrospective changes

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

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

Consolidation Principles

Subsidiaries

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

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

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

Associated companies

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

Mutual property companies

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

Foreign currency translation

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

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

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

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

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

Revenue recognition

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

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

Itella Mail Communications

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

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

Itella Logistics

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

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

OpusCapita

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

Government grants

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

Other operating income

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

Employee benefits

Pensions

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

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

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

Other operating expenses

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

Operating profit

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

Borrowing costs

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

Income taxes

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

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

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

Intangible assets

Goodwill

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

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

Research and development expenditure

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

Other intangible assets

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

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

Property, plant and equipment

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

The expected useful lives of PPE are as follows:

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

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

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

Investment property

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

Leases

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

The Group as lessee

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

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

The Group as lessor

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

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

Inventories

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

Financial assets and liabilities

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

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

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

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

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

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

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

Derivative contracts and hedge accounting

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

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

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

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

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

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

Cash and cash equivalents

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

Provisions and contingent liabilities

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

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

Fair Value Measurement

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

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

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

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

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

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

Impairment testing

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

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

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

Critical accounting estimates and judgements in applying accounting policies

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

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

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

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

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

Application of new or amended IFRS-standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Operating segments

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

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

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

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

Itella Mail Communications

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

Itella Logistics

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

OpusCapita

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

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

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

Geographical areas

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

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

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

2. Acquired business activities and business divestments

Acquired businesses 2013

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

Business divestments in 2013

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

Net assets sold

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

Effect on cash flow

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

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

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

Acquired businesses 2012

On October 1, 2012, Itella Group's subsidiary Itella Logistics Oy acquired the VR Transpoint's groupage logistics business and entire capital stock of PT Logistiikka Oy. PT Logistiikka Oy operates in warehousing services. In acquisition, Itella Logistics seeks to become the market leader in its service segment. Following the deal, Itella can offer its customers the most comprehensive network of terminals and transportation capacity in the country. Indeed, the business combination makes Itella an increasingly interesting partner as well as a substantial employer in terms of the Finnish logistics industry.

The transaction price - which totaled EUR 41.8 million - was paid in cash. The expenses of the consultation and value appraisement services related to the preparatory phases of the transaction are recognized under other operating expenses. More than 800 employees transferred to Itella's employment.

Goodwill is generated by the substantial cost synergies to be gained as the production systems are combined. A significant part of the goodwill is tax deductible. Had the business acquisition carried out during the period been combined in the consolidated financial statements as of the beginning of the 2012 period, the Group's net sales in 2012 would have totaled EUR 2,046.6 million and its results EUR 9.9 million.

Analysis of net assets acquired

Effect on assets

EUR million	**Fair value**
Intangible assets	15.4
Property, plant and equipment	10.9
Receivables	15.5
Cash and cash equivalents	0.3
Effect on assets	**42.1**

Effect on liabilities

EUR million	
Deferred tax liability	0.5
Non-current interest-bearing liabilities	-
Current interest-bearing liabilities	-
Trade payables and other liabilities	14.5
Effect on liabilities	**15.1**
Net assets acquired	**27.1**

Components of acquisition cost

EUR million	
Purchase price paid in cash	41.8
Purchase price owed	-
Total cost of acquisition	**41.8**
Fair value of net assets acquired	27.1
Goodwill	**14.7**

Effect of acquisition on cash flow

EUR million	
Purchase price paid in cash	41.8
Cash and cash equivalents of the acquired subsidiary	0.3
Cash flow	**41.5**

The final additional purchase price (EUR 0.4 million) of the Russian logistics group acquired by Itella Logistics in 2008 was confirmed. A positive, non-recurring item of EUR 7.0 million was recognized in the Group earnings, since the final additional purchase price was significantly lower than the preliminary estimate.

Business divestments in 2012

On May 30, 2012, Itella sold all shares of Itella Information GmbH in Germany. Subsidiary operating in printing business has been divested through management buyout arrangement and approximately 100 employees have transferred from Itella to new company called docsellent GmbH. Loss on disposal EUR 14.3 million is recognized through income statement in other operating expenses. In order to ensure the future operational condition of the company, Itella capitalized it before the disposal.

Net assets sold

EUR million	12/31/2012
Intangible assets	0.1
Property, plant and equipment	3.6
Inventories	0.2
Trade and other non-interest bearing receivables	17.4
Cash and cash equivalents	4.0
Trade payables and other non-interest bearing liabilities	-10.9
Net assets	**14.3**
Consideration for the divestment	0.0
Loss on disposal	**14.3**

Effect on cash flow

EUR million	
Consideration paid in cash	-10.6
Cash and cash equivalents for divestments company	-4.0
Debt of the purchase price	-
Effect on cash flow	**-14.5**

The associated company AS Eesti Elektron Posti, which operates in the printing services and postal services sector, was sold on September 24, 2012. The transaction yielded a profit of EUR 0.1 million. On December 20, 2012, Itella sold its ownership in its Swedish associated company Ageris Kontaktcenter AB. This transaction resulted in a sales loss of EUR 0.1 million.

3. Net sales

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

4. Other operating income

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

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

5. Materials and services

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

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

6. Non-recurring items

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

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

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

7. Employee benefits

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

Employee benefits

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

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

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

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

8. Research and development costs

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

9. Depreciation, amortization and impairment losses

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

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

10. Other operating expenses

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

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

Auditors' remuneration

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

11. Financial income and expenses

Financial income

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

Financial expense

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

12. Income tax expense

EUR million	2013	2012
Current tax	4.5	19.1
Tax for previous years	-0.3	-0.1
Deferred tax	-14.3	-2.4
Total	**-10.1**	**16.7**
Reconciliation of tax charge at Finnish tax rate (24,5%)		
Profit or loss before tax and associates' results	-2.4	30.8
Income tax at Parent Company's tax rate	-0.6	7.5
Effect of foreign subsidiaries' different tax rates	-0.2	-2.8
Non-deductible expenses and other differences	1.7	1.3
Tax-exempt income	-3.6	-4.0
Tax from previous years	-0.3	0.2
Effect of changes of tax rates on deferred tax	1.5	0.2
Unrecognized deferred tax asset on losses for the financial period	2.4	17.0
Changes in deferred tax assets for previous years' losses	-11.1	-1.4
Other changes - Adjustment of depreciation in excess of plan	-	-1.3
Tax charge in the consolidated income statement	**-10.1**	**16.7**
Effective tax rate	418.2%	54.3%

13. Intangible assets

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

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

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

Goodwill allocation

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

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

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

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

The result of the goodwill impairment testing in 2013

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

Impairment testing and sensitivity analysis

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

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

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

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

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

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

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

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

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

14. Investment property

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

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

15. Property, plant and equipment

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

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

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

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

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

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

16. Associated companies

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

The associated companies' carrying value does not include goodwill.

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

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

17. Financial assets and liabilities

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

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

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

2013

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

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

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

2012

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

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

Hierarchy levels

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

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

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

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

Reconciliation of Level 3 financial assets

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

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

19. Other non-current investments

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

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

20. Non-current receivables

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

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

Finance lease receivables: minimum lease income

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

Maturity of finance lease receivables

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

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

21. Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities are as follows:

Deferred tax assets 2013

EUR million	1/1/2013	Translation difference	Transfers between items	Acquired/ divested subsidiaries	Recorded through profit or loss	Other deductions	12/31/2013
Pension obligations	**2.1**				-0.8	1.0	**2.3**
Unused tax losses	**1.3**	-0.0			-0.4		**0.9**
Impairment on real estate shares	**2.6**						**2.6**
Restructuring provision	**5.1**	-0.0			-2.1		**3.0**
Other temporary differences	**2.7**	-1.0	0.0		10.1		**11.8**
Total	**13.8**	**-1.1**	**0.0**	**0.0**	**6.8**	**1.0**	**20.5**

Deferred tax liabilities 2013

EUR million	1/1/2013	Translation difference	Transfers between items	Acquired/ divested subsidiaries	Recorded through profit or loss	Other deductions	12/31/2013
Fair value measurement of PPE and intangible assets in acquisition	**33.9**	-2.6		0.0	-7.0		**24.3**
Accumulated depreciation in excess of plan	**13.7**				0.6		**14.2**
Other temporary differences	**6.5**	-0.2		-0.1	-1.0		**5.2**
Total	**54.1**	**-2.8**	**0.0**	**-0.1**	**-7.5**	**0.0**	**43.7**

Deferred tax assets 2012

EUR million	1/1/2012	Translation difference	Transfers between items	Acquired/ divested subsidiaries	Recorded through profit or loss	Other deductions	12/31/2012
Pension obligations	**1.7**	-	-	-0.1	-0.2	0.7	**2.1**
Unused tax losses	**0.0**	-	-	-	1.3	-	**1.3**
Impairment on real estate shares	**3.5**	-	-	-	-0.9	-	**2.6**
Restructuring provision	**5.7**	-	-	-0.2	-0.4	-	**5.1**
Other temporary differences	**1.4**	-	0.5	-	0.7	-	**2.6**
Total	**12.3**	**0.0**	**0.5**	**-0.3**	**0.5**	**0.7**	**13.8**

Deferred tax liabilities 2012

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

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

22. Inventories

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

23. Trade receivables and other current receivables

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

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

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

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

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

Financial assets held-to-maturity

EUR million	2013	2012
Debt certificates	-	15.2

25. Financial assets at fair value through profit or loss

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

26. Cash and cash equivalents

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

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

Non-current assets classified as held for sale

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

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

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

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

28. Equity

Shares and shareholders

EUR million	2013	2012
Share capital	70.0	70.0

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

29. Pension liabilities

Main characteristics of the reported plans

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

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

Defined benefit pension liabilities in the balance sheet:

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

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

Income statement

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

Statement of comprehensive income

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

Changes in the present value of the pension obligation:

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

Changes in the fair value of the plan assets:

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

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

Key actuarial assumptions were as follows:

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

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

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

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

30. Provisions

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

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

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

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

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

31. Interest-bearing loans

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

Finance lease liabilities: minimum lease payments

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

Present value of minimum lease payments:

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

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

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

Other non-current liabilities

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

Trade payables and other current liabilities

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

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

33. Operating leases

Maturity of minimum lease payments:

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

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

Maturity of lease payment receivables:

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

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

34. Pledges, commitments and other liabilities

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

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

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

35. Financial risk management

Principles of risk management

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

Risk management organization

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

Market risks

Currency risks

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

Major transaction risk positions on the balance sheet date

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

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

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

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

Major translation risk positions on the balance sheet date

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

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

Interest rate risk

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

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

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

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

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

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

Electricity price risk

The electricity price risk management aims to reduce the volatility in Group's profit and cash flows caused by electricity price fluctuations. The Group employs electricity derivatives to reduce the price risk related to electricity procurement. The Group uses standardized listed derivative products as hedging instruments. The derivatives are used for hedging purposes only, but hedge accounting as defined in the IFRS is not applied.

The Group has prepared a sensitivity analysis on open electricity derivatives at reporting date. A fluctuation of 10 percentage points in electricity price would have an impact of EUR 0.5 (0.2) million on the Group's profit before taxes.

Derivative contracts

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

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

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

Liquidity risk

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

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

Contractual cash flows from financial liabilities, including interests

2013

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

2012

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

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

Credit and counterparty risk

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

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

Aging of trade receivables:

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

Offsetting of financial instruments

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

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

*) Related amounts not set off in the balance sheet

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

Capital management

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

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

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

36. Related party transactions

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

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

Business transactions with related party

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

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

Management remuneration

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

Salaries and fees of the management

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

The management's pension commitments

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

The Board of Directors' salaries and fees

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

*) Board member until 26 March 2013

**) Board member from 26 March 2013

37. Group companies

The Group's parent company is Itella Corporation.

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

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

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

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

Parent Company's Financial Statements, FAS

Income Statement

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Notes to the financial statements of the parent company, FAS

Accounting Policies

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

Revenue recognition and net sales

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

Other operating income

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

Valuation of fixed assets

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

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

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

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

Research and development expenditure

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

Maintenance and renovation expenditure

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

Leasing

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

Inventory

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

Cash in hand and at banks

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

Pension schemes

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

Extraordinary income and expenses

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

Provisions

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

Income taxes

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

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

Foreign currency transactions

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

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

Measurement of financial instruments

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

Derivative contracts and hedge accounting

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

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

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

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

1. Net sales by geographical area

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

2. Other operating income

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

3. Materials and services

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

4. Personnel expenses

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

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

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

5. Depreciation, amortization and impairment losses

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

6. Other operating expenses

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

7. Auditors' remuneration

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

8. Financial income and expenses

Dividends received	2013	2012
From Group companies	5,086,661.75	2,895,193.98
From associated companies	0.00	29,006.48
From others	67,861.00	103,939.00
Total	**5,154,522.75**	**3,028,139.46**

Other interest and financial income		
From Group companies	5,587,406.03	11,047,492.25
Gains from currency exchange	16,168,640.30	15,588,236.32
Other interest income from others	5,302,871.69	6,694,701.75
Other financial income from others	2,103,655.14	4,112,732.71
Total	**29,162,573.16**	**37,443,163.03**
Total financial income	**34,317,095.91**	**40,471,302.49**

Interest and other financial expenses		
To Group companies	852,065.95	1,092,729.46
Losses on currency exchange	17,503,721.80	13,158,557.19
Other interest expenses to others	16,168,486.37	16,643,062.57
Other financial expenses to others	3,310,353.95	3,224,375.91
Total	**37,834,628.07**	**34,118,725.13**

Impairment losses on non-current assets		
Impairment losses on group interests/receivables on Group companies	41,791,746.49	47,224,576.84
Impairment losses on financial securities	-	34,974.81
Total	**41,791,746.49**	**47,259,551.65**
Total financial expenses	**79,626,374.56**	**81,378,276.78**
Total financial income and expenses	**-45,309,278.65**	**-40,906,974.29**
Financial income and expenses including gains and losses on currency exchange (net)	**-1,335,081.50**	**2,429,679.13**

9. Extraordinary items

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

10. Income tax

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

11. Intangible assets

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

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

Prepayments		
Cost 1 Jan	5,490,819.23	1,031,221.56
Additions	1,090,366.32	4,810,819.23
Disposals	-3,188,364.65	0.00
Transfers between items	-199,304.09	-351,221.56
Cost 31 Dec	**3,193,516.81**	**5,490,819.23**
Book value 31 Dec	**3,193,516.81**	**5,490,819.23**

Total intangible assets	**7,899,051.13**	**11,572,958.25**

12. Tangible assets

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

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

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

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

13. Non-current investments

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

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

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

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

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

14. Inventories

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

15. Non-current receivables

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

Receivables from others	2013	2012
Loan receivables	861,122.19	861,122.19
Other receivables	500,010.71	99,858.74
Deferred tax assets	890,030.68	1,316,129.66
Other accrued income and prepayments	4,797,213.53	6,854,198.24
Total	**7,048,377.11**	**9,131,308.83**
Total non-current receivables	**187,858,695.61**	**202,965,508.47**

16. Current receivables

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

Receivables from others	2013	2012
Trade receivables	40,286.27	20,606.76
Other receivables	306,504.50	692,916.48
Prepayments and accrued income	4,695,397.69	5,980,239.63
Total	**5,042,188.46**	**6,693,762.87**
Total current receivables	**133,985,715.61**	**153,655,629.77**

Key items in prepayments and accrued income	2013	2012
Interest receivables	1,667,754.26	2,280,803.27
Tax assets	5,482.67	119,283.25
Other prepayments and accrued income	3,022,160.76	3,580,153.11
Total	**4,695,397.69**	**5,980,239.63**

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

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

18. Equity

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

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

19. Provisions for liabilities and charges

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

20. Deferred tax liability and assets

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

21. Non-current liabilities

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

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

22. Current liabilities

Amounts owed to Group companies	2013	2012
Trade payables	683,697.69	883,964.29
Interest liabilities	123,920.96	1,834,267.64
Other liabilities	202,307,378.02	210,188,549.45
Accruals and deferred income	17,554,106.50	2,782,974.83
Total	**220,669,103.17**	**215,689,756.21**

Amounts owed to others		
Pension liabilities	12,500,000.00	25,000,000.00
Trade payables	7,183,570.96	5,512,512.25
Other liabilities	4,951,107.05	2,389,627.01
Accruals and deferred income	16,904,089.92	14,561,197.52
Total	**41,538,767.93**	**47,463,336.78**
Total current liabilities	**262,207,871.10**	**263,153,092.99**

Key items in other liabilities		
Payroll and related social costs	942,616.71	961,553.02
VAT-liability	3,498,242.34	-
Other liabilities	510,248.00	1,428,073.99
Total	**4,951,107.05**	**2,389,627.01**

Key items in accruals and deferred income		
Employee related costs	8,689,889.82	10,411,290.82
Accrued interests	1,494,006.44	1,801,325.20
Tax liabilities	105,558.39	718,304.31
Other accruals and deferred income	6,614,635.27	1,630,277.19
Total	**16,904,089.92**	**14,561,197.52**

Interest-bearing liabilities		
Non-current liabilities	252,012,283.33	266,404,743.06
Current liabilities	62,727,023.38	74,628,158.29
Total	**314,739,306.71**	**341,032,901.35**

23. Assets pledged, commitments and other liabilities

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

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

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

Derivative contracts

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

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

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

Other commitments

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

24. Shares and holdings of Itella Corporation

Company name and domicile Group companies	Number of shares	Owner- ship (%)	Book value
Global Mail FP Oy, Helsinki	4,200	99.92	93,177,729.14
Itella Holding GmbH, Frankfurt am Main		100.00	50,000.21
Itella Information GmbH, Vienna		100.00	50,000.00
Itella Information Kft, Budapest		100.00	50,000.00
OpusCapita Group Oy, Helsinki	1,847	100.00	110,975,397.77
Itella Information S.R.L., Bucharest		99.00	28,582.19
Itella Information s.r.o., Prague		100.00	47,101.45
Itella Logistics AB, Stockholm	4,000	100.00	37,586.03
Itella Logistics AS, Oslo	6	100.00	12,584,498.52
Itella Logistics A/S, Hvidovre	1,000,000	100.00	20,000.22
Itella Logistics Oy, Vantaa	454	100.00	64,541,547.38
Itella Logistics SIA, Riga	20	100.00	66,251.45
Itella Logistics UAB, Vilnius	1,000	100.00	53,225.21
Itella Real Estate Oy, Helsinki		100.00	192,730,895.55
Itella SmartPOST OÜ, Tallinn		100.00	750,000.00
NLC International Corporation, Limassol	57,667,410	100.00	133,749,674.59
Itella Posti Oy, Helsinki	2,423,000	100.00	42,117,490.32
Total			**651,029,980.03**

Associated companies			
KOY Heliposti, Kotka	4,253	28.35	300,000.00
Total			**300,000.00**

Other companies			
As. Oy Raision Keskuslähiö, Raisio	6,350	9.77	132,292.00
As. Oy Rovaniemen Viirikankaant. 2–4, Rovaniemi	1,584	15.84	200,000.00
Huhtakeskus Oy, Jyväskylä	328	3.28	60,000.00
KOY Elimäen Matkakaari, Elimäki	2,700	11.09	70,000.00
Cooperative Vereiniging IPC, Amsterdam	5	0.05	6,040.80
East Office of Finnish Industries Oy	1		10,000.00
Helsinki Halli Oy, Helsinki	19	0.03	238,826.85
Kiinteistö Oy Turun Monitoimihalli, Turku	2	0.04	136,703.15
Kouvola Innorail Oy			5,080.00
Master Golf Course Oy/Ab, Espoo	3		44,103.92
Vierumäki Golf Oy, Helsinki	7	0.06	96,516.41
Oy Samlink Ab	8,590	5.88	5,000,067.20
Total			**5,999,630.33**

Board of Directors' proposal

Board of Directors' proposal to the Annual General Meeting

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

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

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

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

Helsinki, 13 February 2014

Arto Hiltunen
Chairman

Heikki Malinen
President & CEO

Päivi Pesola
Vice Chairman

Jussi Kuutsa

Timo Löyttyniemi

Ilpo Nuutinen

Riitta Savonlahti

Suvi-Anne Siimes

Maarit Toivanen-Koivisto

Our auditor's report has been issued today.

Helsinki, 13 February 2014

PricewaterhouseCoopers Oy

Merja Lindh, Authorized Public Accountant

Auditor’s Report

(Translation from the Finnish Original)

To the Annual General Meeting of Itella Corporation

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

Responsibility of the Board of Directors and the President and CEO

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

Auditor’s Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

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

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

Other Opinions

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

Helsinki, 13 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

Statement by the Supervisory Board

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

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

Helsinki, 13 February 2014

Mauri Pekkarinen
Chairman of the Supervisory Board

Investor information

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

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

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

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

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

Financial calendar in 2014

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

Silent period

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

Annual General Meeting

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

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

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