

Itella to adjust its operations to match decreasing volumes of mail

Itella must adjust its operations to match the strong decline in demand for traditional mail, as a result of the rapid increase of digital communications. As part of the adjustment program, Itella will initiate co-operation negotiations that may lead to a reduction of 1,200 jobs in basic delivery. Some of this can be executed through voluntary arrangements and employment ending as planned.

The change in the postal industry last year was more dramatic than previously expected. Electronic substitution in postal traffic continued strongly throughout the year and was accelerated even further during the final quarter. During the final quarter, the distribution of addressed letters dropped by 7 percent and both newspapers and magazines by 8 percent, compared to the same period in the previous year. The distribution of addressed letters, newspapers and magazines fell by more than 36 million items during the final quarter compared to that of the previous year.

The volume of addressed letters fell during the year by 6 percent in comparison to the previous year; during the corresponding period in the previous year, volume fell by 4 percent.

For this year, Itella expects the fall in volume to further accelerate and be up to more than 10 percent.

- In Finland, we are facing the same structural change that occurred much earlier in other western countries. The rapid decrease of demand, which has continued for several years, combined with weakened profitability and the changed needs of customers, means that Itella must make structural changes and rationalize our operations. Unfortunately, this also calls for new personnel arrangements, says **Heikki Malinen**, CEO of Itella.

Itella Group's business result has declined quickly, and the result showed a loss in January–September 2013. Without new rationalization measures, the Group's profitability will not improve. According to Malinen, in the event of decreasing volumes, it is necessary to maintain the distribution expenses of the postal services at a moderate level, take care of Itella's profitability over the change process, and develop the company so that it can create new jobs and make necessary investments in the future as well.

- Rationalization is also needed because the already implemented savings and price increases are no longer enough to keep the company's result positive. Our objective is to maintain distribution expenses at a moderate level in the future. Our consumer and business customers demand it from us.

Reduction need in basic delivery 1,200 jobs at the most

Due to decreasing delivery volumes and weakened profitability, on January 29, 2014, Itella Posti Oy will launch co-operation negotiations, the sphere of which covers basic delivery personnel, delivering so-called day mail in Finland. According to the current estimate, the total reduction need is 1,200 jobs at the most, some of which can be realized through voluntary arrangements and retirement. The estimated need for dismissals is 800 permanent employees at the most. A more precise need for dismissals will be determined during the co-operation negotiations.

The negotiations cover a total of 8,500 permanent employees. On September 30, 2013, Itella Group's number of personnel was 26,149.

The statutory labor negotiations commencing at the moment will not involve other Itella services, such as service in post offices or other Posti service outlets, customer service, transports, warehousing services or early-morning newspaper deliveries. Early-morning deliveries may undergo similar regional negotiations when the ongoing

customer negotiations are finished. In the early-morning delivery, the publisher may dismiss or reclaim a service previously outsourced to Itella as large delivery area entities.

At the same time, Itella will give up in-house service business and launch co-operation negotiations covering 23 people in the in-house services of Itella's printing houses in Vantaa and Tuusula. The reduction need is 19 people.

Last year and in 2011, Itella underwent co-operation negotiations to reduce more than 400 people from expert and supervisory positions in administrative duties.

The renewal poses no threat to the basic services supplied by Posti

The CEO emphasizes that the operational reforms will not affect the general services of Posti.

- Itella's central goal is to continue to handle basic Posti services in a high-quality manner all around Finland. Customer behavior has irrevocably changed, and we must renew Posti to meet the future needs of customers, says Malinen.

The starting point is that the personnel reductions will not affect our services to customers in the transition phase. The need for work decreases as the volume of delivered mail falls.

Itella offers good change security and support for employment

As a responsible employer, Itella is actively involved in supporting its personnel in the current changing situation in the postal industry. Itella has launched the Uusi Polku support program for its personnel. The program will last several years and offers training and support for job seeking, retraining or becoming an entrepreneur. The support program is not related to the co-operation negotiation situation, but will continue to operate over the next three to five years.

Employees that will be given notice are entitled to change security, including a monetary one-time compensation, proportional to the duration of the employment relationship, pension solutions and the statutory procedures related to change security. For instance, a deliverer who has worked for Itella for more than 12 years will receive their salary during the six-month period of notice, as well as a sum equivalent to salary for six months.

Further information:

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Itella is your first choice for postal, logistics and e-commerce services. We manage the flow of commerce and everyday life in 11 countries. Net sales in 2012 amounted to EUR 1,947 million. The number of personnel is approximately 27,500. We deliver corporate services under the Itella brand, while the Posti brand is used for services targeted at consumers in Finland. www.itella.com.