nordic morning

Interim Report January 1 – June 30, 2013

August 16, 2013

Continued revenue growth and improved result for Nordic Morning

The Nordic Morning Group's net revenue was EUR 61.8 million (EUR 52.8 million). Some 45% (49%) of the Group's net revenue came from Finland and 55% (51%) from Sweden and other Nordic countries. The Group's operating profit was EUR 2.8 million (EUR 0.1 million). Operating profit before non-recurring items was EUR 1.9 million (EUR 0.6 million).

Nordic Morning

GROUP KEY FIGURES		1-6/2013	1-6/2012	1-12/2012
Net revenue	T€	61 834	52 761	113 192
Exports and foreign operations	%	56.3 %	52.5 %	54.1%
Operating profit before non-operating items	T€	1 870	625	2 075
% of net revenue	%	3.0 %	1.2 %	1.8 %
Operating profit	T€	2 802	106	-4 115
% of net revenue	%	4.5 %	0.2 %	-3.6 %
Result before tax	T€	2 802	-257	-4 716
% of net revenue	%	4.5 %	-0.5 %	-4.2 %
Result for the period	T€	2 770	-41	-4 461
Equity-to-assets ratio	%	42.5	41.5	36.8
Net indebtedness	%	32.8	43.0	46.0
Gross capital expenditure	T€	844	6 431	7 368
% of net revenue	%	1.4 %	12.2 %	6.5 %
Average number of employees		664	683	705
Earnings per share (EPS)	€	0.46	-0.01	-0.75
Equity per share	€	5.65	5.96	5.25
Interest-bearing liabilities	T€	17 716	22 022	21 227
Cash and cash equivalents	T€	6 552	6 642	6 686
Net debt	T€	11 164	15 380	14 541

Timo Lepistö, CEO:

"Growth in net revenue continued during the period under review. The adaptation measures implemented in late 2012 weighed on the Group's result in the early part of the year, but the result improved in the spring, primarily due to the restructuring and streamlining we have carried out. While the communications sector as a whole did not grow in our home market during the period under review, the growth in the demand for digital communications services such as content strategy and social media services exceeded expectations. Nordic Morning Group's diversity has proved to be an important strength during this turning point in the communications industry."

Group structure

The Group adopted the name Nordic Morning on 17 April 2013. The name is used for the parent company and Group in all communications and marketing.

The Nordic Morning Group is divided into four business areas: *Marketing Services*, comprised of Citat AB, Klikki AB, Mods Graphic Studio AB, Klikki ApS, Klikki AS, Klikkicom Oy, Citat Oy and the associated company BrandSystems AB; *Editorial Communication*, comprising JG Communication AB; *Publishing*, comprised of Edita Publishing Oy and Educode Oy; and *Print & Distribution*, comprised of Edita Prima Oy, Edita Västra Aros AB and the associated company Edita Bobergs AB.

On June 25, 2013, the Group's wholly-owned subsidiary Edita Västra Aros Ab and associated company Edita Bobergs AB, in which the Group holds a 33% stake, agreed to integrate their printing businesses into a new company named Edita Bobergs AB. The operations of the new company are planned to start on October 1, 2013. The Nordic Morning Group owns 67% of the new company.

Net revenue and profit

The net revenue of the Nordic Morning Group was EUR 61.8 million (EUR 52.8 million), of which EUR 28.0 million (EUR 26.1 million) came from Finland and EUR 33.8 million (EUR 26.7 million) from the other Nordic countries, primarily Sweden. The substantial increase in net revenue compared to January–June 2012 is the result of the acquisition of the digital marketing company Klikkicom Oy in May 2012.

The Group's operating profit was EUR 2.8 million (EUR 0.1 million). The increase in operating profit was mainly derived from the Print & Distribution business area. Non-recurring items totalled EUR 0.9 million (EUR -0.5 million).

The net revenue for the **Marketing Services business area** was EUR 23.1 million (EUR 12.0 million), with operating profit at EUR 0.7 million (EUR 0.9 million). The acquisition of digital marketing company Klikkicom Oy in May 2012 increased net revenue by EUR 10.3 million, but depreciation of the acquisition cost related to the transaction weakened the result compared to January–June 2012.

The net revenue for the **Editorial Communication business area** was EUR 5.6 million (EUR 7.8 million), with operating profit at EUR 0.4 million (EUR 0.3 million). The net revenue of JG Communication AB declined after a major customer reduced its purchases of communications services in late 2012. The result improved compared to January–June 2012 as a result of streamlining measures implemented in December 2012.

The net revenue for the **Publishing business area** was EUR 7.5 million (EUR 7.9 million), with operating profit at EUR 1.2 million (EUR 1.0 million). The net revenue of Edita Publishing Oy decreased, but the acquisition of Educode Oy in March 2012 increased net revenue somewhat. Edita Publishing Oy recorded a weaker result than in January–June 2012, whereas Educode's result was improved compared to the same period.

The net revenue for the **Print & Distribution business area** was EUR 26.7 million (EUR 26.6 million), with operating profit at EUR 2.1 million (EUR -0.2 million). Net revenue increased most in Sweden, where the acquisition of Sandvikens Tryckeri och Bokbinderi AB in September 2012 increased net revenue by EUR 1.8 million. The result improved in both Finland and Sweden. The operating profit includes EUR 0.7 million (EUR 0.6 million) in income from Swedish value added tax refunds.

Non-recurring items

Exceptional transactions outside the ordinary course of business, such as gains and losses on disposal of business operations and assets, impairment, costs of discontinuing significant business operations and restructuring provisions are treated as non-recurring items. In the income statement, gains are presented in other operating income and expenses in the corresponding expense item. Non-recurring items are included in segment-specific operating results.

Solvency and financial position

The Group’s equity ratio was 42.5% (41.5%). Cash and cash equivalents amounted to EUR 6.6 million (EUR 6.6 million) and interest-bearing debts stood at EUR 17.7 million (EUR 22.0 million).

Capital expenditure

The Group’s gross capital expenditure totalled EUR 0.8 million (EUR 6.4 million). The capital expenditure chiefly consisted of replacement investments.

Risks and risk management

The Nordic Morning Group’s most significant risks are related to the instability of the international economy and the substantial structural changes underway in the marketing communications industry, particularly the print business. The Group has a strong focus on developing its service offering to respond to its customers’ new communications needs in areas such as online communications. Risks are assessed on a regular basis.

Economic instability influences the level of marketing communications investments made by customers. Nordic Morning works in close partnership with customers in order to proactively develop its operations to respond to changing needs.

The demand for traditional printed products is falling as the focus of communications shifts to digital channels. The challenge for Nordic Morning is to adapt the Group’s printing business accordingly, while at the same time developing its online communications services profitably. The business area most affected by these changes is Print & Distribution, which has seen extensive adaptation measures in recent years.

The Group’s balance sheet includes EUR 21.5 million in goodwill. In 2012, the consolidated goodwill of the Print & Distribution business area was written down in full, and the consolidated goodwill of the Marketing Services business area was depreciated in part. If the general economic conditions continue to weaken and significantly slow down the development of the communications market, the Group may have to consider new write-downs of goodwill in the Editorial Communication and Marketing Services business areas.

The expertise of the personnel plays a crucial role in strengthening the Group's competitiveness. Success in developing intellectual capital, recruitment and in ensuring the engagement and commitment of key personnel are key success factors for Nordic Morning. The strategic focus on HR that began in 2012 continued in the form of training for key personnel and by defining key roles for various business functions.

The Group’s currency risk is related to developments in the value of the Swedish krona. Currency risks are monitored regularly according to Nordic Morning’s currency risk policy. The Group uses hedging to manage currency risk as necessary. No hedging was done during the period under review.

Financing risks have been taken into account by hedging part of the interest rates on current loans. The hedging arrangements will remain in force until the loans mature.

The Group has paid particular attention to invoicing frequency and optimising the turnover of sales receivables and inventory.

Board of Directors

The Annual General Meeting on April 3, 2013, decided that Kaj Friman (Chairman), Jussi Lystimäki (Vice Chairman), Carina Brorman, Maritta Iso-Aho, Eva Persson and Petri Vihervuori will continue as members of Nordic Morning’s Board of Directors.

Personnel

The Group employed an average of 664 persons (683) during the period from January to June. At the end of June, the total number of employees stood at 661 (726), converted to full-time employees. The number of personnel in the Marketing Services business area grew by 53 as a result of the acquisition of Klikkicom Oy. The Print & Distribution business area had an average of 42 employees less than in January–June 2012. The parent company employed an average of 31 employees (29) and the number of employees at the end of June stood at 30 (30).

The Group carried out a personnel survey in the spring to measure employees' commitment to their work and employer. The Group companies' results varied from satisfactory to excellent. Based on the results of the survey, the Group selected company- and team-specific development targets, the achievement of which will be monitored on a quarterly basis.

Also in the spring, the Group started its first development programme for young potential management employees, The Nordic Bond 001. A total of 15 development-oriented and high-performing young employees from various Group companies were selected for the training programme. The programme focuses on business expertise, leadership and innovation and gives the participants an in-depth understanding of the Group's operations and services. The programme will continue until 2014.

Outlook for the remainder of 2013

The demand for communications services on the whole is not expected to grow in the second half of the year. The demand for services related to online communications and strategic consulting, however, is expected to develop positively. Nordic Morning is focused on the agile development of its communications services in line with customer needs.

The figures in this interim report have not been audited.

Nordic Morning

Timo Lepistö
CEO

Appendix: Financial statements and notes to the financial statements

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APPENDIX: Financial statements and notes to the financial statements

Nordic Morning

CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)	1.1. - 30.6.2013	1.1. - 30.6.2012	1.1. - 31.12.2012
Net sales	**61 834**	**52 761**	**113 192**
Other operating income	1 108	888	2 062
Change in inventories of finished and unfinished goods	-425	-89	-134
Work performed for company use	89	77	146
Materials and services	-22 216	-14 539	-37 054
Expenses arising from employee benefits	-24 661	-24 693	-51 273
Depreciation	-2 279	-3 040	-5 886
Impairment	0	-201	-3 712
Other operating expenses	-10 679	-11 133	-21 693
Share of results in associated companies	31	75	237
Operating profit	**2 802**	**106**	**-4 115**
Financial income	114	132	267
Financial expenses	-115	-495	-867
Result before taxes	**2 802**	**-257**	**-4 716**
Income taxes	-32	216	255
Result for the period	**2 770**	**-41**	**-4 461**
Distribution			
Parent company's shareholders	2 746	-39	-4 499
Non-controlling interest	23	-2	39
Earnings per share calculated on the proft attributable to shareholders of the parent company, EUR	0.46	-0.01	-0.75

Nordic Morning

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) (EUR 1000)	**1.1. - 30.6.2013**	**1.1. - 30.6.2012**	**1.1. - 31.12.2012**
Result for the period	**2 770**	**-41**	**-4 461**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences	-317	328	480
Available-for-sale financial assets	-8	-1	3
Income tax related to available-for-sale financial assets	2	0	-1
Items that will not be reclassified to profit or loss:			
Acturial gains and losses	0	0	28
Income tax related acturial gains and losses	0	0	-7
Other comprehensive income for the period, net of tax	-323	327	503
Total comprehensive income for the period	**2 447**	**287**	**-3 958**
Distribution of comprehensive income			
Parent company's shareholders	2 426	289	-3 997
Non-controlling interests	20	-2	38

Nordic Morning

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) (EUR 1000)

ASSETS	**30.6.2013**	**30.6.2012**	**31.12.2012**
NON-CURRENT ASSETS			
Tangible fixed assets	22 553	25 541	24 725
Goodwill	21 502	24 560	21 684
Other intangible assets	1 026	2 215	1 263
Interests in associated companies	2 617	2 677	2 840
Other financial assets	413	413	413
Deferred tax assets	368	468	463
	48 480	55 874	51 388
CURRENT ASSETS			
Inventories	3 714	4 156	4 213
Sales receivables and other receivables	23 137	22 187	26 362
Tax receivables based on taxable income for the period	9	97	72
Other current financial assets	71	75	79
Cash and cash equivalents	6 552	6 642	6 686
	33 482	33 158	37 412
Total assets	**81 962**	**89 032**	**88 800**

EQUITY AND LIABILITIES	**30.06.2013**	**30.06.2012**	**31.12.2012**
SHAREHOLDERS' EQUITY			
Share capital	6 000	6 000	6 000
Premium reserve	25 870	25 870	25 870
Translation differences	200	362	514
Fair value reserve	39	42	45
Retained earnings	1 812	3 505	-935
Equity attributable to shareholders of the parent company	33 920	35 779	31 494
Non-controlling interest	136	7	116
Total shareholderss equity	34 057	35 787	31 610
LIABILITIES			
Non-current liabilities			
Pension obligations	2 702	2 696	2 758
Interest-bearing non-current liabilities	10 957	15 139	12 713
Non-current provisions	363	603	648
Deferred tax liabilities	863	1 116	944
	14 885	19 553	17 063
Current liabilities			
Short-term interest-bearing liabilities	4 057	4 187	5 756
Accounts payable and other current liabilities	28 900	29 455	33 877
Tax liabilities based on taxable income for the period	64	50	494
	33 021	33 692	40 127
Total shareholders' equity and liabilities	**81 962**	**89 032**	**88 800**

Nordic Morning

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1000)	1.1. - 30.6.2013	1.1. - 30.6.2012	1.1. - 31.12.2012
Cash flow from operating activities			
Profit for the financial year	2 770	-41	-4 461
Adjustments	2 221	3 155	9 590
Non-cash transactions	2 195	3 014	9 250
Interest expenses and other financial expenses	115	495	867
Interest income	-114	-132	-267
Dividend income	-7	-6	-6
Taxes	32	-216	-255
Changes in working capital	-1 809	2 078	2 668
Change in sales receivables and other receivables	3 224	4 827	1 675
Change in inventories	499	120	171
Change in accounts payable and other liabilities	-5 246	-2 483	1 162
Change in provisions	-285	-386	-341
Interest paid	-199	-348	-730
Interest received	115	139	276
Taxes paid (-) received (+)	-33	-16	1
Net cash flow from operating activities	**3 065**	**4 967**	**7 344**
Cash flow from investing activities			
Sale of tangible fixed assets	887	111	243
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	0	-1 355	-1 643
Investments in tangible fixed assets	-699	-1 148	-1 993
Investments in intangible assets	-17	-76	-156
Dividends received	197	97	159
Net cash flow from investing activities	**368**	**-2 371**	**-3 389**
Cash flow from financing activities			
Borrowing	20	0	909
Repayment of loans	-3 313	-1 964	-3 520
Finance lease liabilities	-218	-275	-1 024
Net cash flow from financing activities	**-3 511**	**-2 239**	**-3 634**
Change in cash and cash equivalents	**-78**	**356**	**320**
Cash and cash equivalents at start of the period	6 686	6 229	6 229
Effect of changes in exchange rates	-56	57	138
Cash and cash equivalents at end of the period	**6 552**	**6 642**	**6 686**

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IFRS) (EUR 1000)

	Shareholders' equity attributable to parent company shareholders						Non-controlling interest	Total share-holders' equity
	Share capital	Share premium fund	Trans-lation differen-ces	Fair value fund	Retained earnings	Total		
Shareholders' equity, January 1, 2012	**6 000**	**25 870**	**34**	**43**	**3 544**	**35 491**	**9**	**35 500**
Compehensive income								
Profit for financial year					-39	-39	-2	-41
Other compehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-1		-1		-1
Translation differences			328			328	0	328
Accumulated compehensive income			**328**	**-1**	**-39**	**289**	**-2**	**287**
Shareholders' equity, June 30, 2012	**6 000**	**25 870**	**362**	**42**	**3 505**	**35 779**	**7**	**35 787**
Shareholders' equity, January 1, 2013	**6 000**	**25 870**	**514**	**45**	**-935**	**31 494**	**116**	**31 610**
Compehensive income								
Profit for financial year					2 746	2 746	23	2 770
Other compehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-6		-6		-6
Translation differences			-314			-314	-3	-317
Accumulated compehensive income			**-314**	**-6**	**2 746**	**2 426**	**20**	**2 447**
Shareholders' equity, June 30, 2013	**6 000**	**25 870**	**200**	**39**	**1 812**	**33 920**	**136**	**34 057**

OPERATING SEGMENTS

NET REVENUE EUR 1000	1.1. - 30.6.2013	1.1. - 30.6.2012	Change %	1.1. - 31.12.2012
Print & Distribution				
External net revenue	26 043	25 428		50 750
Inter-segment net revenue	660	1 219		2 048
Print & Distribution, total	26 703	26 647	0.2 %	52 799
Marketing Services				
External net revenue	22 913	11 809		32 563
Inter-segment net revenue	159	158		332
Marketing Services, total	23 072	11 967	92.8 %	32 895
Editorial Communication				
External net revenue	5 443	7 701		14 544
Inter-segment net revenue	180	104		287
Editorial Communication, total	5 622	7 805	-28.0 %	14 832
Publishing				
External net revenue	7 405	7 798		15 270
Inter-segment net revenue	68	96		169
Publishing, total	7 473	7 894	-5.3 %	15 439
Other operations				
External net revenue	30	26		64
Inter-segment net revenue	1 841	1 845		3 737
Other operations, total	1 871	1 871	0.0 %	3 801
Eliminations	-2 908	-3 422		-6 573
Group	**61 834**	**52 761**	**17.2 %**	**113 192**

OPETING PROFIT/LOSS EUR 1000	1.1. - 30.6.2013	1.1. - 30.6.2012	Change %	1.1. - 31.12.2012
Print & Distribution	2 082	-206	1110.7 %	-1 385
Marketing Services	684	883	-22.5 %	-1 115
Editorial Communication	358	272	31.6 %	-1 276
Publishing	1 151	953	20.8 %	2 433
Other operations	-1 473	-1 797	18.0 %	-2 773
Group	**2 802**	**106**	**2543.4 %**	**-4 115**
Financial income and expenses	-1	-362	99,8 %	-601
Profit before taxes	**2 802**	**-257**	**1190.1 %**	**-4 716**

INVESTMENTS EUR 1000	1.1. - 30.06.2013	1.1. - 30.06.2012	Change %	1.1. - 31.12.2012
Print & Distribution	614	929	-33.8 %	1 683
Marketing Services	93	5 302	-98.2 %	5 360
Editorial Communication	21	79	-73.8 %	82
Publishing	0	0	0.0 %	0
Other operations	116	121	-4.5 %	243
Group	**844**	**6 431**	**-86.9 %**	**7 368**

AVERAGE NUMBER OF EMPLOYEES EUR 1000	1.1. - 30.6.2013	1.1. - 30.6.2012	Change %	1.1. - 31.12.2012
Print & Distribution	246	291	-15.5 %	283
Marketing Services	215	154	39.6 %	186
Editorial Communication	76	111	-31.5 %	107
Publishing	87	89	-2.2 %	90
Other operations	40	38	5.3 %	39
Group	**664**	**683**	**-2.8 %**	**705**

COLLATER AND CONTINGENT LIABILITIES (EUR 1000)		30.6.2013	30.6.2012	31.12.2012
Loans from financial institutions secured by mortgages and pledges				
Corporate mortgages given	T€	801	3 164	2 819
Property mortgages given	T€	2 018	2 018	2 018
Pledged machinery and equipment	T€	2 009	3 101	3 470
Other collateral given on behalf of shareholders				
Property mortgages given	T€	40	40	40
Pledged deposits	T€	0	0	2
Minimum leases payable on the basis of non-cancelleble operating leases:				
Within one year	T€	2 697	2 486	2 788
Later	T€	6 681	7 843	7 762
		9 378	10 328	10 549

Principal accounting policies for the interim report (IFRS)

The Group's interim report was prepared in accordance with the IAS 34 Interim Financial Reporting standard, and the preparation of the report was in compliance with the IFRS standards and interpretations approved for application in the EU and valid on June 30, 2013.

This interim report was prepared in accordance with the same principles as the annual financial statements for 2012, as well as the new and amended IFRS standards described in the 2012 financial statements. The impact of new standards in the Nordic Morning Group has been minor, as the Group has already discontinued the use of the corridor method related to the amendment to IAS 19 Employee Benefits.