

August 23, 2019

Nordic Morning Group's Interim Report, January 1–June 30, 2019

The Nordic Morning Group continues its transformation

- The Nordic Morning Group's consolidated net revenue was EUR 42.1 million (EUR 41.8 million). Net revenue grew particularly in Finland in the Edita Prima business area thanks to new, more extensive customer agreements. The growth was particularly attributable to postal delivery. In the Edita Publishing business area, net revenue decreased due to delays in service development and publishing schedules. In the Nordic Morning business area, net revenue declined due to lost customers.
- The Group's gross margin before non-recurring items decreased from EUR 24.9 million to EUR 22.9 million and EBITDA before non-recurring items weakened from EUR 3.4 million to EUR 3.0 million.
- Operating profit for January–June amounted to EUR 0.3 million (EUR 1.1 million). The operating profit includes non-recurring expenses in the amount of EUR -0.4 million (EUR -0.0 million)
- Operating profit before non-recurring items was EUR 0.8 million (EUR 1.1 million). Profit excluding non-recurring items improved in the Nordic Morning business area thanks to favorable development in Mods Graphic Studio AB. In the Edita Publishing business area, operating profit declined due to lower net revenue. In the Edita Prima business area, the result remained at the previous year's level.
- The equity ratio at the end of the review period was 36.2 percent (37.8 percent).
- Cash and cash equivalents amounted to EUR 0.2 million (EUR 0.3 million) and net debt was EUR 12.5 million (EUR 14.2 million).

Nordic Morning Group Plc

GROUP KEY FIGURES		1-6/2019	1-6/2018	1-12/2018
Net sales	T€	42 107	41 805	76 379
Exports and foreign operations	%	35.8 %	44.7 %	43.9 %
Adjusted operating gross margin	T€	22 926	24 859	46 786
% of net revenue	%	54.4 %	59.5 %	61.3 %
Adjusted operating EBITDA	T€	3 023	3 360	5 907
% of net revenue	%	7.2 %	8.0 %	7.7 %
Adjusted operating profit/loss	T€	776	1 072	1 337
% of net revenue	%	1.8 %	2.6 %	1.8 %
Operating profit/loss	T€	348	1 061	880
% of net revenue	%	0.8 %	2.5 %	1.2 %
Profit before taxes	T€	22	407	244
% of net revenue	%	0.1 %	1.0 %	0.3 %
Profit for the period	T€	133	268	218
Equity-to-assets ratio		36.2 %	37.8 %	40.3 %
Gearing (%)	%	69.4 %	71.3 %	64.9 %
Gross capital expenditure	T€	1 114	401	1 796
% of net revenue	%	2.6 %	1.0 %	2.4 %
Average number of employees		452	478	472
Earnings per share (EPS)	€	0.02	0.04	0.03
Equity per share	€	3.00	3.31	3.27
Interest-bearing liabilities	T€	12 699	14 454	12 974
Cash and cash equivalents	T€	180	277	234
Net debt	T€	12 519	14 177	12 740

CEO Anne Årneby:

The Nordic Morning Group accelerates its transformation

During the first half of 2019, the Nordic Morning Group continued to develop its business operations and structures to better respond to the changing needs of customers. We achieved our key targets, with the Group's net revenue showing a favorable trend and the Nordic Morning business area's profitability before non-recurring items improving compared to the previous year.

Nevertheless, we are still on a journey of change. The digital transformation has a tremendous impact by introducing rapid technological progress to learning, marketing, customer behavior, and media consumption. We will continue to develop our business with the aim of changing our operating methods and improving our efficiency. We will also focus on the integration of our fragmented information systems structure to establish a more coherent platform for our business. The deployment of a new Group-wide ERP system is planned for January 2020.

While 2019 will be a challenging year due to our comprehensive investment and change program, the Group's net revenue and profit before non-recurring items are expected to improve year-on-year.

The Nordic Morning Group and changes in Group structure

The Nordic Morning Group consists of three business areas:

- *Nordic Morning*, comprised of Nordic Morning Finland Oy, Nordic Morning Sweden AB, and Mods Graphic Studio AB.
- *Edita Prima*, comprised of Edita Prima Oy. The business area also includes the associated company Edita Bobergs Förvaltnings AB, but the company is no longer engaged in the actual business operations.
- *Edita Publishing*, comprised of Edita Publishing Oy.

There were no changes in the Group's legal structure in January–June 2019.

Net revenue and profit

The Nordic Morning Group's consolidated net revenue was EUR 42.1 million (EUR 41.8 million). The net revenue in Finland was EUR 27.5 (23.6) million, and the net revenue in Sweden was EUR 14.6 (18.2) million. Net revenue grew substantially in the Edita Prima business area, primarily due to postal delivery services being included in new customer agreements. The Edita Publishing business area's net revenue declined particularly due to delays in new service development and the publishing schedules of existing services. Net revenue decreased in the Nordic Morning business area in Finland due to subcontracting invoicing and in Sweden due to lost customers.

The Nordic Morning Group's operating profit was EUR 0.3 (1.1) million, representing a year-on-year decrease of EUR 0.7 million. The non-recurring income included in the operating profit totaled EUR 0.1 (0.0) million. Non-recurring expenses amounted to EUR -0.5 (-0.0) million. The Nordic Morning Group's operating profit excluding non-recurring items was EUR 0.8 (1.1) million.

In the Nordic Morning business area, net revenue was EUR 19.7 (24.4) million and operating profit was EUR -0.4 (-0.2) million. The operating profit was weighed down by non-recurring termination provisions. The operating profit excluding non-recurring items nevertheless improved thanks to efficiency improvement measures. Profit excluding non-recurring items was EUR -0.0 (-0.2) million. Profit excluding non-recurring items improved in Sweden primarily due to the favorable development of Mods Graphic Studio AB, but declined in Finland due to lower net revenue.

In the Edita Publishing business area, net revenue was EUR 6.6 (7.4) million and operating profit was EUR 0.8 (1.7) million. The operating profit was reduced by lower net revenue and increased expenses allocated to the development of new products and services.

In the Edita Prima business area, net revenue was EUR 15.9 (10.2) million and operating profit was EUR 0.8 (0.7) million. The increase in net revenue was largely attributable to postal delivery, which is included in new customer agreements and represents a significant share of net revenue. The operating profit was close to the previous year's level

Other operations include group administration, the operating profit of which was EUR -0.8 (-1.1) million. The profit improved substantially due to cost savings and efficiency improvement measures.

Non-recurring items

Exceptional transactions outside the ordinary course of business are treated as non-recurring items. Among such transactions are gains and losses on disposal of business operations and assets, impairment, costs of discontinuing significant business operations and restructuring provisions. 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 Nordic Morning Group's equity ratio was 36.2 percent (37.8 percent). Cash and cash equivalents amounted to EUR 0.2 million (EUR 0.3 million). Interest-bearing debt stood at EUR 12.7 million (EUR 14.5 million). Loan installments and lease liabilities were paid according to schedule, which reduced the amount of interest-bearing debt.

Investments

The Nordic Morning Group's gross capital expenditure totaled EUR 1.1 million (EUR 0.4 million). The most significant investment project is the Group-wide ERP system scheduled to be deployed in January 2020.

Risks and risk management

The Nordic Morning Group's most significant risks are related to the development of the general economic situation, the structural changes in the marketing and communications industry, risks related to operations and the development of the value of the Swedish krona. The Group's risks are assessed regularly as part of operational planning and reporting.

The key to business growth lies in attracting and retaining highly competent personnel. As our business depends heavily on our human capital, this is of critical importance to the Nordic Morning Group. Failing to attract and retain talented professionals could pose significant challenges to the Group's business areas. With this in mind, the retention and development of competence is one of the focus areas of our strategy.

For the Group's solvency as well as cash and cash equivalents, to remain at a good level, the profitability of business operations must be improved and the management of working capital must be enhanced.

Nordic Morning Group has grown largely through acquisitions, which have created acquisition-related goodwill in the balance sheet. The Group's balance sheet includes EUR 14.3 million in goodwill, which has been allocated to the Nordic Morning business area. If the structural change of the marketing and communications market continues to be more intense than anticipated, the Nordic Morning Group may have to consider write-downs of goodwill.

As a result of acquisitions, the Nordic Morning Group's information systems structure is fragmented. The risk this causes to business operations will be reduced by developing the information systems structure in order to establish a coherent and modern platform for business processes.

The Nordic Morning Group's currency risk is related to developments in the value of the Swedish krona. Currency risks are monitored regularly and hedged when necessary. No hedging of the Group's transaction or translation positions took place during the beginning of the year.

Financing risks are managed by hedging part of the interest rates on current loans. The hedging arrangements will remain in effect until the loans mature.

Board of Directors and CEO

The Annual General Meeting on March 18, 2019, decided that Per Sjödel (Chairman), Jukka Ruuska (Vice Chairman), Anne Korkeakoski, Pekka Hurtola, and Ingrid Jonasson Blank will continue as members of the Board of Directors of Nordic Morning Group Oyj. Mervi Airaksinen was elected as a new member.

The Nordic Morning Group's CEO is Anne Årneby.

Personnel

The Nordic Morning Group employed an average of 452 persons (478) during the period from January to June. At the end of June, the total number of employees stood at 445 (482), converted to full-time employees. In the Nordic Morning business area, the average number of personnel decreased by 34. The parent company employed an average of 25 employees (26) and the number of employees at the end of June stood at 26 (27).

In spring 2019, we continued our efforts to strengthen behavior that supports our shared company culture and guiding principles. We believe that openness and a strong feedback culture have a positive impact on the development of the workplace community. With this in mind, we highlighted growth-oriented thinking and feedback as our themes for the spring. We organized workshops for our personnel to discuss the significance of a growth mindset to individual development as well as the Group's development and learn how to achieve the best possible results through the use of feedback. In workshops for managers, the growth mindset and feedback theme was also approached from the perspective of dialog between managers and employees. We will pay special attention this year to our managers' ability to hold high-quality performance and development discussions with their teams.

Compensation

The compensation of the CEO and members of the Group Management Team consists of a fixed monthly salary, standard benefits, a performance-based bonus based on annually-decided criteria that must be met for the bonus to be paid, and a long-term compensation system. Nordic Morning Group Plc does not use incentive systems based on shares or share derivatives.

The contractual retirement age of the parent company's CEO complies with the general legislation.

The Board of Directors of Nordic Morning Group Plc decides the terms and conditions of the contracts of the CEO and directors directly accountable to the CEO. Every year, the Board sets targets, based on the budget and operating plans, that must be met for bonuses to be paid and decides on the compensation of the CEO and directors directly accountable to the CEO. As regards others than the CEO and members of the Group Management Team, the Board decides on the principles of compensation.

In 2019, the Group has an incentive program under which the CEO is entitled to a performance-based bonus not exceeding 100 percent of the CEO's annual taxable earnings. The other individuals covered by the incentive program are entitled to a performance-based bonus not exceeding 60–80 percent of their annual taxable earnings.

Outlook for the remainder of 2019

During the fall, we will continue to develop the Nordic Morning Group's businesses and structures to support our services and ensure our ability to respond to our customers' constantly changing needs. The key goals are to improve the profitability of the Nordic Morning business area and develop shared information systems. Net revenue for 2019 is expected to grow compared to the previous year and the profit before non-recurring items is expected to improve.

The figures in this interim report have not been audited.

Nordic Morning Group Plc

Anne Årneby
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 Group Plc

CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)	1.1. - 30.06.2019	1.1. - 30.06.2018	1.1. - 31.12.2018
Net sales	42 107	41 805	76 379
Other operating income	357	260	600
Change in inventories of finished and unfinished goods	-254	-348	-270
Work performed for company use	44	50	121
Materials and services	-15 094	-13 028	-22 826
Expenses arising from employee benefits	-17 651	-18 488	-35 339
Depreciation	-2 247	-2 286	-4 567
Impairment	0	0	0
Other operating expenses	-6 914	-6 902	-13 220
Share of results in associated companies	-1	-2	3
Operating profit	348	1 061	880
Financial income	6	6	25
Financial expenses	-331	-659	-661
Result before taxes	22	407	244
Income taxes	111	-140	-26
Result for the period	133	268	218
Distribution			
Parent company's shareholders	133	261	208
Non-controlling interest	0	7	10
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR	0,02	0,04	0,03

Nordic Morning Group Plc

CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME (IFRS) (EUR 1000)

1.1. - 30.06.2018 1.1. - 30.06.2018 1.1. - 31.12.2018

Result for the period	133	268	218
Other comprehensive income			
<i>Items that are not recognized through profit and loss later</i>			
Financial assets which are measured at fair value through other comprehensive income	16	16	8
Taxes relating to OCI items	-3	-3	-2
	<u>13</u>	<u>13</u>	<u>6</u>
<i>Items that may be recognized through profit and loss later</i>			
Translation differences	<u>248</u>	<u>423</u>	<u>283</u>
Post-tax OCI items for the financial year	261	435	289
Accumulated comprehensive income for the financial year	394	703	507
Distribution of comprehensive income			
Parent company's shareholders	394	708	505
Non-controlling interests	0	-5	2

Nordic Morning Group Plc

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

ASSETS	30.06.2019	30.06.2018	31.12.2018
NON-CURRENT ASSETS			
Tangible fixed assets	16 866	18 928	18 456
Goodwill	14 257	14 296	14 367
Other intangible assets	1 543	1 508	1 140
Interests in associated companies	115	272	282
Other financial assets	26	190	26
Deferred tax assets	118	104	104
	32 925	35 297	34 375
CURRENT ASSETS			
Inventories	1 440	1 620	1 672
Sales receivables and other receivables	15 877	16 746	14 340
Tax receivables based on taxable income for the period	535	60	527
Other current financial assets	100	92	84
Cash and cash equivalents	180	277	234
	18 131	18 796	16 857
Total assets	51 056	54 093	51 232
EQUITY AND LIABILITIES			
30.06.2019			
30.06.2018			
31.12.2018			
SHAREHOLDERS' EQUITY			
Share capital	6 000	6 000	6 000
Premium reserve	25 870	25 870	25 870
Translation differences	371	266	122
Fair value reserve	67	61	54
Retained earnings	-14 278	-12 357	-12 412
Equity attributable to shareholders of the parent company	18 029	19 839	19 634
Non-controlling interest	0	42	0
Total shareholders equity	18 029	19 881	19 634
LIABILITIES			
Non-current liabilities			
Interest-bearing non-current liabilities	7 968	10 585	9 082
Non-current provisions	42	115	115
Deferred tax liabilities	141	331	238
	8 151	11 031	9 436
Current liabilities			
Short-term interest-bearing liabilities	4 731	3 869	3 891
Accounts payable and other current liabilities	20 144	19 312	18 263
Tax liabilities based on taxable income for the period	0	0	7
	24 876	23 181	22 162
Total liabilities	33 027	34 212	31 597
Total shareholders' equity and liabilities	51 056	54 093	51 232

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Consolidated statement of cash flows (EUR 1000)

	1.1. - 30.06.2019	1.1. - 30.6.2018	1.1. - 31.12.2018
Cash flow from operating activities			
Profit for the financial year	133	268	218
Adjustments			
Non-cash transactions	2 372	1 950	4 367
Interest expenses and other financial expenses	331	659	661
Interest income	-6	-6	-25
Dividend income	-4	-4	-4
Taxes	-111	140	26
Changes in working capital			
Change in sales receivables and other receivables	-1 537	1 325	3 731
Change in inventories	233	193	141
Change in accounts payable and other liabilities	2 399	-2 750	-3 575
Change in provisions	-73	-31	-31
Interest paid	-104	-223	-400
Interest received	6	6	25
Taxes paid (-) received (+)	-14	-1 107	-1 547
Net cash flow from operating activities (A)	3 624	421	3 588
Cash flow from investing activities			
Sale of business operations (net of cash)	0	136	71
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	0	-287	-293
Investments in tangible fixed assets	-912	-102	-102
Investments in intangible assets	-680	-134	-319
Proceeds from other investments	0	0	170
Dividends received	162	1 104	1 125
Net cash flow from investing activities (B)	-1 430	717	652
Cash flow from financing activities			
Use of cash pool liability	1 716	536	380
Repayment of loans	-1 130	-751	-1 551
Lease payments	-941	-919	-2 049
Dividends paid	-2 000	-1 225	-2 230
Net cash flow from financing activities (C)	-2 355	-2 359	-5 450
Change in cash and cash equivalents (A+ B + C)	-161	-1 220	-1 210
Cash and cash equivalents at start of the period	234	1 326	1 326
Effect of changes in exchange rates	107	171	118
Cash and cash equivalents at end of the period	180	277	234

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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 shareholders' equity	
	Share capital	Share premium fund	Translation differences	Fair value fund	Retained earnings			Total
Shareholders' equity, January 1, 2018	6 000	25 870	-167	48	-10 544	21 207	197	21 404
Comprehensive income								
Profit for financial year					261	261	7	268
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				13		13		13
Translation differences			434			434	-12	423
Accumulated comprehensive income			434	13	261	708	-5	703
Transaction with owners								
Parent company dividend distribution					-2 000	-2 000		-2 000
Subsidiary dividend distribution					-75	-75	-151	-226
Shareholders' equity, June 30, 2018	6 000	25 870	267	61	-12 358	19 839	42	19 881
Shareholders' equity, January 1, 2019	6 000	25 870	122	54	-12 412	19 634	0	19 634
Comprehensive income								
Profit for financial year					133	133	0	133
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				13		13		13
Translation differences			248			248	0	248
Accumulated comprehensive income			248	13	133	394	0	394
Transaction with owners								
Parent company dividend distribution					-2 000	-2 000		-2 000
Shareholders' equity, June 30, 2019	6 000	25 870	371	67	-14 279	18 029	0	18 029

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OPERATING SEGMENTS (EUR 1000)

NET REVENUE	1.1. - 30.06.2019	1.1. - 30.06.2018	Change %	1.1. - 31.12.2018
Nordic Morning				
External net revenue	19 690	24 329		44 194
Inter-segment net revenue	41	107		187
Nordic Morning, total	19 732	24 437	-19,3 %	44 381
Edita Publishing				
External net revenue	6 606	7 349		13 845
Inter-segment net revenue	5	18		19
Edita Publishing, total	6 611	7 367	-10,3 %	13 864
Edita Prima				
External net revenue	15 811	10 127		18 340
Inter-segment net revenue	63	115		240
Edita Prima, total	15 874	10 242	55,0 %	18 582
Other operations				
External net revenue	0	0		0
Inter-segment net revenue	2 788	2 650		5 311
Other operations, total	2 788	2 650	5,2 %	5 311
Eliminations	-2 897	-2 891		-5 757
Group	42 107	41 805	0,7 %	76 379

OPERATING PROFIT/LOSS	1.1. - 30.06.2019	1.1. - 30.06.2018	1.1. - 31.12.2018
Nordic Morning	-428	-199	-998
Edita Publishing	802	1 662	3 032
Edita Prima	759	741	903
Other operations	-786	-1 143	-2 056
Group	348	1 061	880
Financial income and expenses	-325	-654	-636
Profit before taxes	22	407	244

INVESTMENTS	1.1. - 30.06.2019	1.1. - 30.06.2018	1.1. - 31.12.2018
Nordic Morning	0	0	0
Edita Publishing	0	54	54
Edita Prima	404	150	982
Other operations	710	198	760
Group	1 114	401	1 795

AVERAGE NUMBER OF EMPLOYEES	1.1. - 30.06.2019	1.1. - 30.06.2018	1.1. - 31.12.2018
Nordic Morning	237	271	262
Edita Publishing	90	79	83
Edita Prima	87	87	86
Other operations	38	41	41
Group	452	479	472

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COLLATER AND CONTINGENT LIABILITIES (EUR 1000)	30.06.2019	30.06.2018	31.12.2018
Other collateral given on behalf of shareholders			
Rent guarantees	822	828	838
Minimum leases payable on the basis of non-cancellable operating leases:			
Within one year	88	80	81
1 - 5 years	47	109	151
	<u>134</u>	<u>189</u>	<u>231</u>

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. The preparation of the report was compliant with the IFRS standards and interpretations approved for application in the EU and valid on June 30, 2019. This interim report was prepared in accordance with the same principles as the annual financial statements for 2018.