EDITA

Interim report
11 August 2011

# Edita's Interim Report 1 January–30 June 2011:

## Net revenue and profitability remained at reasonable levels

The net revenue for the Edita Group was EUR 55.7 million, a fall of 4% compared to the period January-June 2010 (EUR 57.9 million). This was mainly due to the drop in sales in the Publishing and Print & Distribution business areas. Forty-six per cent of the Group's net revenue (54%) came from Finland and 54% (46%) from Sweden. The Group's operating profit was EUR 1.1 million (EUR 2.0 million). Operating profit was up in the Marketing Services and Editorial Communication business areas, but fell in the Print & Distribution and Publishing business areas.

**Edita Plc**

| EDITA GROUP KEY FIGURES | | 1-6/2011 | 1-6/2010 | 1-12/2010 |
|---|---|---|---|---|
| Net revenue | T€ | 55 655 | 57 938 | 110 349 |
| Exports and foreign operations | % | 53.3 | 47.8 | 49.6 |
| Operating profit/loss | T€ | 1 118 | 1 951 | 2 727 |
| % of net revenue | % | 2.0 | 3.4 | 2.5 |
| Profit before tax | T€ | 893 | 1 239 | 1 804 |
| % of net revenue | % | 1.6 | 2.1 | 1.6 |
| Profit for the period | T€ | 777 | 918 | 1 560 |
| Equity-to-assets ratio | % | 42.4 | 38.0 | 40.4 |
| Net indebtedness | % | 52.4 | 59.0 | 58.0 |
| Gross capital expenditure | T€ | 3 094 | 1 704 | 3 312 |
| % of net revenue | % | 5.6 | 2.9 | 3.0 |
| Average number of employees | | 770 | 829 | 820 |
| Earnings per share (EPS) | € | 0.13 | 0.15 | 0.26 |
| Equity per share | € | 5.75 | 5.56 | 5.87 |
| Interest-bearing liabilities | T€ | 24 476 | 29 612 | 27 529 |
| Cash and cash equivalents | T€ | 6 411 | 9 938 | 7 115 |
| Net debt | T€ | 18 065 | 19 674 | 20 414 |

**Timo Lepistö, CEO:**

"The fact that net revenue and profitability kept at reasonable levels shows that we have succeeded in responding to our customers' communications needs. In the early part of the year, demand was up both in Finland and Sweden. Moderate growth is also forecast to continue through the rest of the year. The first part of the year was a period of fierce price competition, something that is also expected to continue for the rest of the year. The digital switchover continues, which is reflected in a decrease in demand for printed matter and a growth in demand for digital communications services."

## Group structure

The Edita Group divides into four business areas: Marketing Services (Citat AB, Mods Graphic Studio AB, Citat Oy and the affiliate Brand Systems AB), Editorial Communication (JG Communication AB), Publishing (Edita Publishing Oy) and Print & Distribution (Edita Prima Oy, Edita Västra Aros AB and the affiliate Edita Bobergs AB).

In January, Edita Prima Oy sold the printing operation at Vilppula and its fixed assets to Painotalo Miktor Oy. In March, Edita Oyj bought Gospel Communications Oy and, at the same time, all the shares of Paperjam Oy, a company specialized in digital communications design. In April, the business operations of Paperjam Oy and Citat Finland Oy were merged to form Morning Digital Design Oy, whose name was changed to Citat Oy.

## Net revenue and profit

The net revenue for the Edita Group was EUR 55.7 million (EUR 5.9 million), of which EUR 26.5 million (EUR 31.1 million) came from Finland and EUR 29.2 million (EUR 26.8 million) came from Sweden. The increase in net revenue in Sweden, compared to the same period the previous year, is mainly due to the strengthening Swedish krona. The Group’s operating profit was EUR 1.1 million (EUR 2.0 million). Operating profit was weakened by the adjustments made to business operations, which cost a total of EUR 0.2 million. In accordance with the Group strategy, the business areas were strengthened through acquisitions and developments in the range of services offered.

The net revenue for the **Marketing Services business area** was EUR 11.3 million (EUR 10.3 million), with operating profit at EUR 0.4 million. Net revenue increased in both Finland and Sweden. In March, the business area was strengthened by acquiring Paperjam Oy, a Finnish company specialized in digital communications design. Paperjam Oy and two other Finnish companies in the business area, Morning Digital Design Oy and Citat Finland Oy, merged to form Citat Oy in April. The adjustments that had to be made on account of the merger and improved efficiency incurred one-off costs.

The net revenue for the **Editorial Communication business area** was EUR 8.2 million (EUR 8.1 million), with operating profit at EUR 0.2 million (EUR -0.4 million). The results improved because of the steps taken in 2010 to make the operation more efficient and to developments in the range of services offered.

The net revenue for the **Publishing business area** was EUR 7.1 million (EUR 7.9 million), with operating profit at EUR 1.2 million (EUR 2.0 million). The fall in net revenue led to lower profits.

The net revenue for the **Print & Distribution business area** was EUR 30.9 million (EUR 34.0 million), with operating profit at EUR 0.9 million (EUR 1.1 million). For the third year running, the rapid decline in demand for printed matter had an adverse effect on net revenue in Finland. In Sweden, net revenue for this business area increased, mainly because of the strengthening krona. In Finland, operating profit suffered from the adjustments to operations made in the early part of the year. In Sweden, operating profit remained at the same level, owing to the steps taken in 2010 to make the operation more efficient and to developments in the range of services offered.

## Solvency and financial position

The Edita Group’s equity ratio was 42.4% (38%). Its cash and cash equivalents amounted to EUR 6.4 million (EUR 9.9 million), and its interest-bearing debts stood at EUR 24.5 million (EUR 29.6 million).

## Capital expenditure

The Edita Group’s gross capital expenditure totaled EUR 3.1 million (EUR 1.7 million). The main strategic investment was the acquisition of Paperjam Oy’s entire capital stock in March. Investments in production chiefly consisted of replacement investments.

## Risks and risk management

The Group's greatest risks relate to the varying demand for communications services and the expertise and commitment of its staff. Risks are assessed on the basis of regular risk surveys.

With the continued and robust communications switchover to digital, the demand for traditional printed matter is falling. A challenge is how to adapt the Group's printing business profitably to this change and, at the same time, develop its range of digital communications services. The diversity of knowledge and skills relating to communications is being strengthened in the Group through training, recruitment and company acquisitions.

The Group's foreign exchange risk is related to trends in the value of the Swedish krona. Foreign exchange risks are monitored regularly and, if necessary, the risk is hedged. No hedging was done during the period under review.

## Board of Directors

The Annual General Meeting on 8 April 2011 elected Kaj Friman and Jussi Lystimäki as new board members. Lauri Ratia (Chairman), Jarmo Väisänen (Vice Chairman), Carina Brorman, Riitta Laitasalo and Eva Persson stayed on as board members.

## Staff

The Edita Group employed an average of 770 staff (829) during the period January-June, and at the end of June there were 761 on the staff (835) converted to full-time employees. The Print & Distribution business area had an average of 63 fewer employees than in the corresponding period the previous year. The number of staff was also slightly down in the Editorial Communication business area. The parent company employed an average of 31 staff (32), and at the end of June there were 32 (30).

Edita's key success factors are its staff's skills and expertise and its success in the recruitment and commitment of key personnel. The staff and management development program that got under way in 2010 has continued in 2011.

## Outlook for the remainder of 2011

The demand for communications services is expected to grow moderately, while structural changes in the communications sector is predicted to continue. It is believed that the demand for digital communications services will increase, with that for printed services continuing to decline. Edita continues to develop the Group companies' range of services to meet the customers' communications needs effectively.

*The figures in this report have not been audited.*

Edita Oyj

Timo Lepistö
CEO

**Appendix:** Financial statements and notes to the financial statements

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**CC:** State's Ownership Steering Department and key media

# APPENDIX: Financial statements and notes to the financial statements

**Edita Plc**

| CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000) | 1.1.- 30.6.2011 | 1.1.- 30.6.2010 | 1.1.- 31.12.2010 |
|---|---|---|---|
| **Net Revenue** | **55 655** | **57 938** | **110 349** |
| Other operating income | 936 | 215 | 301 |
| Change in inventories of finished and unfinished goods | -504 | -502 | -469 |
| Work performed for company use | 94 | 148 | 258 |
| Materials and services | -15 485 | -15 489 | -30 133 |
| Expenses arising from employee benefits | -25 648 | -26 365 | -50 342 |
| Depreciation | -3 146 | -3 282 | -6 433 |
| Impairment charges | 0 | 0 | -85 |
| Other operating expenses | -10 729 | -10 823 | -20 952 |
| Share of profit in associated companies | -56 | 110 | 232 |
| **Operating profit** | **1 118** | **1 951** | **2 727** |
| Financial income | 222 | 70 | 136 |
| Financial expenses | -447 | -782 | -1 059 |
| **Profit before taxes** | **893** | **1 239** | **1 804** |
| Income taxes | -116 | -321 | -244 |
| **Profit for the period** | **777** | **918** | **1 560** |
| **Distribution** | | | |
| Parent company's shareholders | 777 | 917 | 1 555 |
| Non-controlling interest | 0 | 1 | 5 |
| Earnings per share calculated on the profit attributable to shareholders of the parent company, EUR | 0.13 | 0.15 | 0.26 |

**Edita Plc**

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) (EUR 1000) | 1.1.- 30.6.2011 | 1.1.- 30.6.2010 | 1.1.- 31.12.2010 |
|---|---|---|---|
| **Profit for the period** | **777** | **918** | **1 560** |
| **Other comprehensive income** | | | |
| Available-for-sale financial assets | -7 | -2 | 8 |
| Translation differences | -477 | 1 341 | 2 533 |
| Taxes relating to components of other comprehensive income | 2 | 1 | -2 |
| Other comprehensive income after taxes | -482 | 1 339 | 2 539 |
| **Accumulated comprehensive income for the period** | **295** | **2 257** | **4 099** |
| **Distribution of comprehensive income** | | | |
| Parent company's shareholders | 296 | 2 254 | 4 090 |
| Non-controlling interest | -1 | 4 | 9 |

**Edita Plc**

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

| **ASSETS** | **30.6.2011** | **30.6.2010** | **31.12.2010** |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Tangible fixed assets | 27 098 | 29 486 | 28 220 |
| Goodwill | 20 177 | 19 441 | 20 026 |
| Other intangible assets | 1 834 | 2 257 | 1 882 |
| Interests in associated companies | 2 440 | 2 481 | 2 720 |
| Other financial assets | 432 | 432 | 432 |
| Deferred tax assets | 438 | 379 | 574 |
| | 52 418 | 54 475 | 53 854 |
| CURRENT ASSETS | | | |
| Inventories | 4 348 | 4 776 | 4 761 |
| Sales receivables and other receivables | 19 536 | 18 660 | 21 662 |
| Tax receivables based on taxable income for the period | 37 | 416 | 767 |
| Other current financial assets | 70 | 67 | 77 |
| Cash and cash equivalents | 6 341 | 9 871 | 7 038 |
| Assets held for sale | 0 | 0 | 472 |
| | 30 331 | 33 790 | 34 777 |
| **Total assets** | **82 748** | **88 265** | **88 631** |

| **EQUITY AND LIABILITIES** | **30.6.2011** | **30.6.2010** | **31.12.2010** |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 6 000 | 6 000 | 6 000 |
| Premium reserve | 25 870 | 25 870 | 25 870 |
| Translation differences | -559 | -1 275 | -83 |
| Fair value reserve | 38 | 36 | 43 |
| Retained earnings | 3 149 | 2 724 | 3 362 |
| Equity attributable to shareholders of the parent company | 34 497 | 33 354 | 35 191 |
| Non-controlling interest | 10 | 7 | 11 |
| Total shareholders’ equity | 34 507 | 33 362 | 35 201 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Pension obligations | 2 230 | 2 031 | 2 161 |
| Interest-bearing non-current liabilities | 18 637 | 22 649 | 20 482 |
| Non-current provisions | 1 235 | 1 431 | 1 910 |
| Deferred tax liabilities | 1 448 | 1 471 | 1 426 |
| | 23 550 | 27 583 | 25 979 |
| Current liabilities | | | |
| Short-term interest-bearing liabilities | 3 609 | 4 932 | 4 887 |
| Accounts payable and other current liabilities | 21 083 | 22 389 | 22 224 |
| Tax liabilities based on taxable income for the period | 0 | 0 | 340 |
| | 24 692 | 27 321 | 27 451 |
| **Total shareholders' equity and liabilities** | **82 748** | **88 265** | **88 631** |

**Edita Plc**
**CONSOLIDATED STATEMENT (EUR 1000)**
**OF CASH FLOWS**

| | 1.1.-30.6.2011 | 1.1.-30.6.2010 | 1.1.-31.12.2010 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the financial year | 777 | 918 | 1 560 |
| Adjustments | 2 712 | 4 470 | 8 114 |
| Changes in working capital | 1 196 | 863 | -2 074 |
| Interest paid | -365 | -797 | -868 |
| Interest received | 76 | 47 | 148 |
| Taxes paid | 586 | -398 | -1 120 |
| **Net cash flow from operating activities** | **4 983** | **5 103** | **5 760** |
| | | | |
| **Cash flow from investing activities** | | | |
| Sale of business operations | 0 | 0 | 800 |
| Sale of tangible fixed assets | 570 | 156 | 180 |
| Acquisition of subsidiaries and businesses (net of cash and equivalents acquired) | -604 | -73 | -707 |
| Investments in tangible fixed assets | -1 435 | -1 748 | -2 203 |
| Investments in intangible assets | -113 | -227 | -316 |
| Dividends received | 168 | 105 | 114 |
| **Net cash flow from investing activities** | **-1 414** | **-1 787** | **-2 131** |
| | | | |
| **Cash flow from financing activities** | | | |
| Repayment of loans | -2 780 | -1 864 | -4 582 |
| Finance lease liabilities | -495 | -333 | -860 |
| Dividends paid | -990 | -1 740 | -1 740 |
| **Net cash flow from financing activities** | **-4 265** | **-3 937** | **-7 182** |
| | | | |
| **Change in cash and cash equivalents** | **-696** | **-621** | **-3 553** |
| Cash and cash equivalents at start of the period | 7 115 | 10 443 | 10 443 |
| Effect of changes in exchange rates | -3 | 117 | 220 |
| Effect of changes in fair value investments | -5 | -1 | 6 |
| **Cash and cash equivalents at end of the period** | **6 411** | **9 938** | **7 115** |

**Edita Plc**

**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, 2010** | **6 000** | **25 870** | **-2 613** | **37** | **3 546** | **32 841** | **18** | **32 858** |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | | | | | 917 | 917 | 1 | 918 |
| Other comprehensive income (adjusted with tax effect) | | | | | | | | |
| Available-for-sale financial assets | | | | -1 | | -1 | | -1 |
| Translation differences | | | 1 338 | | | 1 338 | 3 | 1 341 |
| **Accumulated comprehensive income** | | | **1 338** | **-1** | **917** | **2 254** | **4** | **2 257** |
| **Transaction with owners** | | | | | | | | |
| Dividend distribution | | | | | -1 740 | -1 740 | | -1 740 |
| **Changes in subsidiary holdings** | | | | | | | | |
| Change in non-controlling interests | | | | | | | -14 | -14 |
| **Shareholders' equity, June 30, 2010** | **6 000** | **25 870** | **-1 275** | **36** | **2 724** | **33 354** | **7** | **33 362** |
| **Shareholders' equity, January 1, 2011** | **6 000** | **25 870** | **-83** | **43** | **3 362** | **35 191** | **11** | **35 201** |
| **Comprehensive income** | | | | | | | | |
| Profit for the period | | | | | 777 | 777 | 0 | 777 |
| Other comprehensive income (adjusted with tax effect) | | | | | | | | |
| Available-for-sale financial assets | | | | -5 | | -5 | | -5 |
| Translation differences | | | -476 | | | -476 | -1 | -477 |
| **Accumulated comprehensive income** | | | **-476** | **-5** | **777** | **296** | **-1** | **295** |
| **Transaction with owners** | | | | | | | | |
| Dividend distribution | | | | | -990 | -990 | | -990 |
| **Changes in subsidiary holdings** | | | | | | | | |
| Change in non-controlling interests | | | | | | | 0 | 0 |
| **Shareholders' equity, June 30, 2011** | **6 000** | **25 870** | **-559** | **38** | **3 149** | **34 497** | **10** | **34 507** |

**OPERATING SEGMENTS**

| NET REVENUE<br>EUR 1000 | 1.1.-30.6.2011 | 1.1.-30.6.2010 | Change % | 1.1.-31.12.2010 |
|---|---|---|---|---|
| Print & Distribution | | | | |
| External net revenue | 29 488 | 32 021 | | 60 571 |
| Inter-segment net revenue | 1 437 | 1 957 | | 3 566 |
| Print & Distribution, total | 30 925 | 33 978 | -9.0 | 64 137 |
| Marketing Services | | | | |
| External net revenue | 11 143 | 9 994 | | 19 928 |
| Inter-segment net revenue | 143 | 303 | | 518 |
| Marketing Services, total | 11 286 | 10 297 | 9.6 | 20 446 |
| Editorial Communication | | | | |
| External net revenue | 8 070 | 7 732 | | 14 761 |
| Inter-segment net revenue | 148 | 387 | | 820 |
| Editorial Communication, total | 8 218 | 8 119 | 1.2 | 15 581 |
| Publishing | | | | |
| External net revenue | 6 932 | 7 912 | | 14 791 |
| Inter-segment net revenue | 148 | 13 | | 34 |
| Publishing, total | 7 080 | 7 925 | -10.7 | 14 825 |
| Other operations | | | | |
| External net revenue | 22 | 279 | | 298 |
| Inter-segment net revenue | 2 021 | 2 207 | | 4 059 |
| Other operations, total | 2 043 | 2 486 | -17.8 | 4 357 |
| Eliminations | -3 897 | -4 867 | | -8 998 |
| **Group** | **55 655** | **57 938** | **-3.9** | **110 349** |

| OPETING PROFIT/LOSS<br>EUR 1000 | 1.1. 30.6.2011 | 1.1.-30.6.2010 | Change % | 1.1.-31.12.2010 |
|---|---|---|---|---|
| Print & Distribution | 864 | 1 067 | -19.0 | 291 |
| Marketing Services | 370 | 198 | 86.7 | 516 |
| Editorial Communication | 211 | -369 | 157.1 | -111 |
| Publishing | 1 199 | 1 957 | -38.7 | 3 571 |
| Other operations | -1 527 | -902 | -69.1 | -1 540 |
| **Group** | **1 118** | **1 951** | **-42.7** | **2 727** |
| Financial income and expenses | -225 | -712 | 68.4 | -923 |
| **Profit before taxes** | **893** | **1 239** | **-27.9** | **1 804** |

| INVESTMENTS<br>EUR 1000 | 1.1.-30.6.2011 | 1.1.-30.6.2010 | Change % | 1.1.-31.12.2010 |
|---|---|---|---|---|
| Print & Distribution | 316 | 1 078 | -70.7 | 1 836 |
| Marketing Services | 1 736 | 262 | 562.5 | 522 |
| Editorial Communication | 360 | 76 | 372.0 | 532 |
| Publishing | 0 | 46 | -100.0 | 57 |
| Other operations | 683 | 242 | 181.7 | 366 |
| **Group** | **3 094** | **1 704** | **81.6** | **3 312** |

| AVERAGE NUMBER OF EMPLOYEES<br>EUR 1000 | 1.1.-30.6.2011 | 1.1.-30.6.2010 | Change % | 1.1.-31.12.2010 |
|---|---|---|---|---|
| Print & Distribution | 365 | 428 | -14.7 | 423 |
| Marketing Services | 168 | 162 | 3.7 | 166 |
| Editorial Communication | 120 | 128 | -6.3 | 121 |
| Publishing | 74 | 69 | 7.2 | 68 |
| Other operations | 43 | 42 | 2.4 | 42 |
| **Group** | **770** | **829** | **-7.1** | **820** |

**Edita Plc**

| COLLATER AND CONTINGENT LIABILITIES (EUR 1000) | | 1-6/2011 | 1-6/2010 | 1-12/2010 |
|---|---|---|---|---|
| Loans from financial institutions secured by mortgages and pledges | | | | |
| Corporate mortgages given | T€ | 2 739 | 2 638 | 2 802 |
| Property mortgages given | T€ | 2 018 | 2 018 | 2 018 |
| Pledged machinery and equipment | T€ | 3 402 | 3 925 | 3 909 |
| Other collateral given on behalf of shareholders | | | | |
| Property mortgages given | T€ | 22 | 0 | 37 |
| Pledged deposits | T€ | 0 | 20 | 0 |
| Minimum leases payable on the basis of non-cancellable operating leases: | | | | |
| Within one year | T€ | 1 590 | 2 020 | 2 585 |
| 1-5 years | T€ | 7 278 | 2 860 | 8 020 |
| | | 8 868 | 4 880 | 10 604 |

## Business acquisitions 2011

On 1 March Gospel Communications Oy, which owns 100% of Paperjam Oy, was acquired for the Marketing Services business area. The purchase generated goodwill valued at EUR 0.4 million.

## Principal accounting policies (IFRS) for the interim report

The Edita 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 30 June 2010.

The preparation of interim report adheres to the same principles as in the financial statements for 2010, except for the standards and interpretations applied as from 1 January 2011, and described here:

IAS 24 Related party disclosures (amendment)
IAS 32 Financial instruments: presentation – classification of rights issues
IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their Interaction
IFRIC 19 Extinguishing financial liabilities with equity instruments.

These new standards and IFRIC interpretations have only had a minor impact on the Edita Group.

*Long-term projects and recognition of income as revenue and expenditure as costs with reference to levels of preparedness*

The Group changed the way it recorded receivables and liabilities in connection with long-term projects relating to its principles for preparing the financial statements for 2010. The reference data in the interim report (June 2010) has been altered accordingly. The change has had no effect on the results, equity or key indicators in the accounting period. The change to the accounting practice has reduced the amount for inventories by EUR 3.2 million in the year of comparison (June 2010), increased the amount for receivables by EUR 2.0 million, and reduced the total in the statement of financial position by EUR 1.2 million.

*Presentation of segment-specific information*

In 2010, the Group changed the way it presented segment-specific operating profits in its financial statements, with management fee services charged to the subsidiaries by the parent companies being excluded from the operating profit for segments of the operation. Segment-specific operating profits for the accounting period in the year of comparison (June 2010) have been adjusted to take account of the new presentation method. The change to the way Group operating profits are presented has had no effect.