

Nordic Morning Group's Interim Report, January 1 – June 30, 2021

Driving change in the second year of the pandemic

- The Nordic Morning Group's consolidated net revenue was EUR 45.3 million (EUR 39.2 million). Net revenue grew in the Edita Prima business area thanks to new customers, high volume of postal deliveries, and large service projects. In the Edita Publishing business area, net revenue declined mainly due to a shift in the timing of learning material sales from Q2 to Q3. In the Nordic Morning business area, net revenue declined as a result of the COVID-19 pandemic, which has continued to lead to lower business volumes with some of the key customers.
- The Group's gross margin before non-operating items increased from EUR 20.5 million to EUR 20.6 million and EBITDA before non-operating items strengthened from EUR 2.9 million to EUR 3.3 million.
- Operating profit for January–June increased to EUR 0.7 million (EUR 0.4 million). The operating profit includes non-operating items in the amount of EUR -0.5 million (EUR -0.5 million).
- Operating profit before non-operating items was EUR 1.1 million (EUR 1.0 million). In the Edita Prima business area, new customers, high volume of postal deliveries, and large service projects lead to an improved operating profit. In the Edita Publishing business area, operating profit declined as learning material sales shifted from Q2 to Q3. The results developed negatively in the Nordic Morning business area due to lower sales. However, the business area managed to lower its fixed costs.
- The equity ratio at the end of the review period was 33.6 percent (40.6 percent).
- Cash and cash equivalents amounted to EUR 0.3 million (EUR 0.1 million) and net debt was EUR 15.0 million (EUR 11.3 million).
- Cash flow from operating activities was EUR -2.1 million (EUR +2.6 million).

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GROUP KEY FIGURES (IFRS)		1-6/2021	1-6/2020	1-12/2020
Net sales	T€	45 253	39 247	73 920
Exports and foreign operations	%	25,0 %	30,4 %	30,5 %
Adjusted operating gross margin	T€	20 576	20 521	37 555
% of net revenue	%	45,5 %	52,3 %	50,8 %
Adjusted operating EBITDA	T€	3 281	2 907	4 820
% of net revenue	%	7,3 %	7,4 %	6,5 %
Adjusted operating profit/loss	T€	1 127	950	839
% of net revenue	%	2,5 %	2,4 %	1,1 %
Operating profit/loss	T€	664	416	-2 165
% of net revenue	%	1,5 %	1,1 %	-2,9 %
Profit before taxes	T€	419	241	-2 076
% of net revenue	%	0,9 %	0,6 %	-2,8 %
Profit for the period	T€	310	185	-2 116
Equity-to-assets ratio		33,6 %	40,6 %	32,8 %
Gearing (%)	%	95,0 %	62,4 %	77,1 %
Gross capital expenditure	T€	721	2 988	5 249
% of net revenue	%	1,6 %	7,6 %	7,1 %
Average number of employees		340	391	372
Earnings per share (EPS)	€	0,05	0,03	-0,35
Equity per share	€	2,63	3,02	2,56
Interest-bearing liabilities	T€	15 234	11 446	12 130
Cash and cash equivalents	T€	266	130	283
Net debt	T€	14 968	11 316	11 847

CEO Anne Årneby:

Transformation continues despite the second year of global pandemic

The COVID-19 pandemic has continued during the first half of 2021, still having a negative impact on the Nordic Morning Group's business. Ensuring employee safety and business continuity have still been in focus throughout the spring. The global pandemic has demanded rapid actions and focus, but it has not changed our strategy. We are still on a journey of transformation. We have continued to develop our business operations and structures to better respond to the changing needs of customers.

Digital transformation makes a major impact in society through usage of data, digitalization and changed ways of working within learning, marketing, communication services and media consumption. We will continue to develop our business with the aim of changing our operating methods, improve our efficiency and drive innovation. Uncertainty in the market is turning into growth and economies are recovering. The pace of recovery will vary between industries and economies. The positive development is already visible among our client base which covers various industries. Our plan to return to the office in a hybrid working model is ongoing and we look forward to meeting each other safely during the second half of 2021.

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.
- *Edita Publishing*, comprised of Edita Publishing Oy.

There were no changes in the Group's legal structure in January–June 2021.

Net revenue and profit

The Nordic Morning Group's consolidated net revenue was EUR 45.3 million (EUR 39.2 million). The net revenue in Finland amounted to EUR 33.9 (27.3) million. In Sweden and other EU countries net revenue was EUR 11.2 (11.7) million, while exports outside the EU totaled EUR 0.1 (0.2) million. Net revenue grew in the Edita Prima business area, primarily due to a few large service projects, new customers, and postal delivery services. The Edita Publishing business area's net revenue declined particularly due to a shift in the timing of learning material sales. Much of the sales earlier realized during Q2 are now expected during Q3. Net revenue decreased in the Nordic Morning business area largely due to the effects of the COVID-19 pandemic.

The Nordic Morning Group's operating profit was EUR 0.7 (0.4) million, representing a year-on-year increase of EUR 0.2 million. The non-operating income included in the operating profit totaled EUR 0.0 (0.0) million. Non-operating expenses amounted to EUR -0.5 (-0.5) million. The Nordic Morning Group's operating profit excluding non-operating items was EUR 1.1 (1.0) million.

In the Nordic Morning business area, net revenue was EUR 15.4 (15.7) million and operating profit was EUR -0.2 (-0.1) million. The operating profit was impacted by non-operating restructuring provisions. Operating profit excluding non-operating items was EUR -0.1 (+0.1) million. It improved in Finland but decreased in Sweden.

In the Edita Publishing business area, net revenue was EUR 6.0 (6.3) million and operating profit was EUR 0.3 (0.9) million. Excluding non-operating items the operating profit was EUR 0.4 (0.9) million. The operating profit declined due a shift in learning material sales from Q2 to Q3.

In the Edita Prima business area, net revenue was EUR 23.9 (17.3) million and operating profit was EUR 2.1 (1.1) million. The increase in net revenue and operating profit was largely attributable to new customers, high volume of postal deliveries, and a few large service projects.

Other operations include group administration, the operating profit of which was EUR -1.6 (-1.5) million. The loss increased due to higher ICT costs and depreciations.

Non-operating items

Exceptional transactions outside the ordinary course of business are treated as non-operating 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-operating items are included in segment-specific operating results. Restructuring costs and other costs outside the ordinary course of business are included in this accounting period's results.

Solvency and financial position

The Nordic Morning Group's equity ratio was 33.6 percent (40.6 percent). Cash and cash equivalents amounted to EUR 0.3 million (EUR 0.1 million). Interest-bearing debt stood at EUR 15.2 million (EUR 11.4 million). Loan installments and lease liabilities were paid according to the schedule. The company has available limits amounting to EUR 7.0 million (EUR 7.0 million), and they were not in use at the end of the accounting period. The Group's existing non-current loans do not have covenants.

Investments

The Nordic Morning Group's gross capital expenditure totaled EUR 0.7 million (EUR 3.0 million). The most significant investments were made in production machinery in Edita Prima.

Risks and risk management

The Nordic Morning Group's most significant risks are related to the development of the general economic situation, structural changes in customers' marketing and communications activities, and development of the value of the Swedish krona. The development of the Swedish krona did not have a significant impact in the results of the accounting period. In 2020-2021, there are also significant risks relating to the COVID-19 pandemic and its business impacts. 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 heavily depends on our human capital, this is of critical importance to the Nordic Morning Group. Retention and development of competence are focus areas of our strategy.

Nordic Morning Group has historically grown largely through acquisitions, which have created acquisition-related goodwill in the balance sheet. On the Interim Report date, the Group's balance sheet included EUR 13.4 million in goodwill, which has been allocated to the Nordic Morning business area's Finnish and Swedish units. Positive development of future cash flows is essential to avoid impairment of goodwill.

The Nordic Morning Group's currency risk is modest and 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 loans. The Group's most current hedging arrangement expired in the first quarter of 2020 when the final installment of the bank loan in question was made.

Board of Directors and CEO

The Annual General Meeting on March 11, 2021, decided that Jukka Ruuska (Chairman), Mervi Airaksinen (Vice Chairman), Anne Korhikoski, and Jani Engberg will continue as members of the Board of Directors of Nordic Morning Group Oyj. Jukka Ohtola and Niko Korte were elected as new members.

The Nordic Morning Group's CEO is Anne Årneby.

Personnel

The Nordic Morning Group employed an average of 340 persons (391) during the period from January to June, converted to full-time equivalents (FTEs). At the end of June, the total number of FTEs stood at 332 (348). In the Nordic Morning business area, the average number of FTEs decreased by 35. The parent company employed an average of 23 FTEs (23) and the number of FTEs at the end of June stood at 20 (20).

While the COVID-19 pandemic has continued and the incidence of Coronavirus has been high in both Finland and Sweden, most of the employees have continued working remotely during the spring. The positive results from our Corona Pulse Survey in May confirmed that it has worked quite well to do work tasks from home for now, the recommendations from authorities are followed and working remotely continues. We have started planning a flexible workplace solution to be implemented as soon as the circumstances allow it.

Supporting the managers and personnel in coping with the Corona situation has been of great importance throughout the spring. Visible leadership and regular and active communication have formed the basis for good collaboration in the teams. We have also continued to develop our performance management capabilities and improved our role and goal clarity and have thus enabled higher levels of self-leadership throughout the organization.

Our investments and persistent efforts in developing the company culture focusing on self-leadership have continued to pay off even during the COVID-19 pandemic. The results are confirmed by our engagement survey in September 2020 and the pulse survey in May 2021.

The remainder of 2021

Despite the recovery starting, uncertainty related to the global economy due to the COVID-19 virus variants is expected to continue throughout the year. 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. Profitability of the Nordic Morning business is one of the main focus areas in addition to enabling growth for the future in the whole Nordic Morning Group.

The company does not give guidance related to the financial result development.

The figures in this interim report have not been audited.

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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

Note: Reported subtotals added together may deviate marginally from reported total figures due to rounding

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FORMULAE FOR CALCULATING KEY INDICATORS

Equity-to-assets ratio, %	$\frac{\text{Shareholders' equity}}{\text{Total assets — advances received}}$
Gross margin	$\text{Operating income — variable cost}$
EBITDA	$\text{Operating profit — depreciation and impairment}$
Operating profit	$\text{Profit before tax and financial items}$
Undiluted EPS, EUR	$\frac{\text{Profit for financial year attributable to parent company shareholders}}{\text{Average number of shares (adjusted for share issue)}}$
Gearing ratio, %	$\frac{\text{Interest-bearing liabilities — cash and cash equivalents}}{\text{Shareholders' equity}}$

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CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)	1.1. - 30.06.2021	1.1. - 30.06.2020	1.1. - 31.12.2020
Net sales	45 253	39 247	73 920
Other operating income	487	641	1 173
Change in inventories of finished and unfinished goods	24	-77	-201
Work performed for company use	0	32	48
Materials and services	-21 570	-15 782	-30 904
Expenses arising from employee benefits	-14 485	-14 987	-28 729
Depreciation	-2 154	-1 957	-3 980
Impairment	0	0	-1 024
Other operating expenses	-6 891	-6 702	-12 467
Operating profit	664	416	-2 165
Financial income	28	6	659
Financial expenses	-273	-180	-570
Result before taxes	419	241	-2 076
Income taxes	-109	-56	-40
Result for the period	310	185	-2 116
Distribution			
Parent company's shareholders	310	185	-2 116
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR	0,05	0,03	-0,35

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**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (IFRS) (EUR 1000)****1.1. - 30.06.2021 1.1. - 30.06.2020 1.1. - 31.12.2020**

Result for the period	310	185	-2 116
Other comprehensive income			
<i>Items that may be recognized through profit and loss later</i>			
Translation differences	80	38	-425
Post-tax OCI items for the financial year	80	38	-425
Accumulated comprehensive income for the financial year	390	223	-2 542
Distribution of comprehensive income			
Parent company's shareholders	390	223	-2 542

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

ASSETS	30.06.2021	30.06.2020	31.12.2020
NON-CURRENT ASSETS			
Tangible fixed assets	14 206	15 652	15 447
Goodwill	13 397	14 281	13 426
Other intangible assets	2 622	2 453	2 863
Other financial assets	26	26	26
Deferred tax assets	106	140	124
	30 356	32 553	31 886
CURRENT ASSETS			
Inventories	1 554	1 433	1 316
Sales receivables and other receivables	15 393	11 816	14 982
Tax receivables based on taxable income for the period	228	402	239
Other current financial assets	0	126	0
Cash and cash equivalents	266	130	283
	17 441	13 906	16 820
Total assets	47 797	46 459	48 706
EQUITY AND LIABILITIES	30.06.2021	30.06.2020	31.12.2020
SHAREHOLDERS' EQUITY			
Share capital	6 000	6 000	6 000
Share premium fund	25 870	25 870	25 870
Translation differences	-74	309	-154
Fair value reserve	0	54	0
Retained earnings	-16 044	-14 107	-16 354
Equity attributable to shareholders of the parent company	15 751	18 126	15 361
LIABILITIES			
Non-current liabilities			
Interest-bearing non-current liabilities	5 556	7 480	6 575
Non-current provisions	1	173	62
Deferred tax liabilities	0	-5	0
	5 557	7 649	6 637
Current liabilities			
Short-term interest-bearing liabilities	9 679	3 966	5 555
Accounts payable and other current liabilities	16 799	16 700	21 109
Tax liabilities based on taxable income for the period	11	19	44
	26 489	20 684	26 708
Total liabilities	32 046	28 333	33 345
Total shareholders' equity and liabilities	47 797	46 459	48 706

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Consolidated statement of cash flows (EUR 1 000)

	1.1. - 30.6.2021	1.1. - 30.6.2020	1.1. - 31.12.2020
Cash flow from operating activities			
Profit for the financial year	310	185	-2 116
Adjustments			
Non-cash transactions	2 176	1 973	4 969
Interest expenses and other financial expenses	273	180	570
Interest income and other financial income	-28	-1	-655
Dividend income	0	-4	-4
Taxes	109	56	40
Changes in working capital			
Change in sales receivables and other receivables	-411	2 795	-371
Change in inventories	-238	-27	90
Change in accounts payable and other liabilities	-4 010	-2 393	2 151
Change in provisions	-61	170	59
Interest and other financial expenses paid	-184	-163	-288
Interest received	1	1	37
Taxes paid (-) received (+)	-115	-154	74
Net cash flow from operating activities (A)	-2 178	2 620	4 557
Cash flow from investing activities			
Investments in tangible fixed assets	-555	-91	-1 341
Investments in intangible assets	-361	-612	-1 377
Proceeds from other investments	0	0	103
Dividends received	0	4	4
Net cash flow from investing activities (B)	-916	-698	-2 610
Cash flow from financing activities			
Use of cash pool liability	7 533	1 902	3 331
Loans withdrawn	2 000	0	0
Repayment of loans	-5 331	-2 893	-2 893
Lease payments	-1 155	-1 072	-2 214
Net cash flow from financing activities (C)	3 047	-2 063	-1 775
Change in cash and cash equivalents (A+ B + C)	-46	-141	171
Cash and cash equivalents at start of the period	283	256	256
Effect of changes in exchange rates	30	16	-144
Cash and cash equivalents at end of the period	266	130	283

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

Shareholders' equity attributable to parent company shareholders						
	Share capital	Share premium fund	Trans- lation differen- ces	Fair value fund	Retained earnings	Total
Shareholders' equity, January 1, 2020	6 000	25 870	271	54	-14 292	17 903
Comprehensive income						
Profit for financial year					185	185
Other comprehensive income (adjusted with tax effect)						
Translation differences			38			38
Accumulated comprehensive income			38	0	185	223
Shareholders' equity, June 30, 2020	6 000	25 870	309	54	-14 107	18 126
Shareholders' equity, January 1, 2021	6 000	25 870	-154	0	-16 354	15 361
Comprehensive income						
Profit for financial year					310	310
Other comprehensive income (adjusted with tax effect)						
Translation differences			80			80
Accumulated comprehensive income			80	0	310	390
Shareholders' equity, June 30, 2021	6 000	25 870	-74	0	-16 044	15 751

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OPERATING SEGMENTS (EUR 1000)

NET REVENUE	1.1. - 30.06.2021	1.1. - 30.06.2020	Change %	1.1. - 31.12.2020
Nordic Morning				
External net revenue	15 364	15 685		29 720
Inter-segment net revenue	36	32		107
Nordic Morning, total	15 400	15 717	-2,0 %	29 827
Edita Publishing				
External net revenue	6 016	6 279		12 134
Inter-segment net revenue	0	3		4
Edita Publishing, total	6 016	6 282	-4,2 %	12 138
Edita Prima				
External net revenue	23 873	17 282		32 065
Inter-segment net revenue	32	28		63
Edita Prima, total	23 905	17 310	38,1 %	32 128
Other operations				
External net revenue	0	0		1
Inter-segment net revenue	2 557	2 442		4 860
Other operations, total	2 557	2 443	4,7 %	4 861
Eliminations	-2 625	-2 505		-5 033
Group	45 253	39 247	15,3 %	73 920

OPERATING PROFIT/LOSS	1.1. - 30.06.2021	1.1. - 30.06.2020	1.1. - 31.12.2020
Nordic Morning	-193	-112	-2 448
Edita Publishing	293	943	2 158
Edita Prima	2 122	1 052	1 146
Other operations	-1 558	-1 466	-3 022
Group	664	416	-2 165
Financial income and expenses	-245	-175	89
Profit before taxes	419	241	-2 076

INVESTMENTS	1.1. - 30.06.2021	1.1. - 30.06.2020	1.1. - 31.12.2020
Nordic Morning	0	0	0
Edita Publishing	249	92	250
Edita Prima	677	128	1 477
Other operations	-205	2 768	3 522
Group	721	2 988	5 249

AVERAGE NUMBER OF EMPLOYEES	1.1. - 30.06.2021	1.1. - 30.06.2020	1.1. - 31.12.2020
Nordic Morning	148	183	170
Edita Publishing	80	84	83
Edita Prima	80	90	87
Other operations	31	34	33
Group	340	391	372

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COLLATERALS AND CONTINGENT LIABILITIES (EUR 1000)	30.06.2021	30.06.2020	31.12.2020
Other collateral given on behalf of shareholders			
Rent guarantees	795	777	798
Leases with a term of less than 12 months and leases for which the underlying asset is of low value			
Within one year	42	62	51
1 - 5 years	14	32	30
	55	94	82

Principal accounting policies for the interim report (IFRS)

The preparation of this Interim Report was compliant with the IFRS standards and interpretations approved for application in the EU and valid on June 30, 2021. This interim report was prepared in accordance with the same principles as the annual financial statements for 2020.

In April 2021, IFRS IC finalized its agenda decision Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognizes an intangible asset in relation to configuration or customization of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customization costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. As the Nordic Morning Group has cloud computing arrangements in place, it has started to analyze if this agenda decision has an impact to the accounting policies applied to implementation costs in cloud computing arrangements. The Group will undertake this analysis during the fall 2021, and the possible impacts will be implemented retrospectively in the financial statements 2021 at the latest.