



## NORDIC MORNING GROUP

Nordic Morning Group's Interim Report, January 1-June 30, 2018

### The Nordic Morning Group's consolidated net revenue and operating profit declined in the first half of the year

- The Nordic Morning Group's consolidated net revenue was EUR 41.8 million (EUR 51.3 million). Net revenue declined particularly in Sweden due to restructuring measures carried out in the Edita Prima and Nordic Morning business areas in the previous year. In the Edita Publishing business area, net revenue decreased due to lower advertising sales revenue.
- The Group's gross margin before non-recurring items decreased from EUR 29.6 million to EUR 24.9 million and EBITDA before non-recurring items decreased from EUR 4.9 million to EUR 3.4 million.
- Operating profit for January-June amounted to EUR 1.1 million (EUR 4.0 million). The operating profit includes a minor amount (EUR -0.0 million) of non-recurring income. The previous year's operating profit included a net gain of EUR 3.1 million on the sale of a land area in Hakuninmaa.
- Operating profit before non-recurring items was EUR 1.1 million (EUR 1.9 million). Profit excluding non-recurring items improved in the Nordic Morning and Edita Prima business areas thanks to successful efficiency improvement measures and new customer acquisition. In the Edita Publishing business area, operating profit declined due to lower net revenue.
- The equity ratio at the end of the review period was 37.8 percent (36.9 percent).
- Cash and cash equivalents amounted to EUR 0.3 million (EUR 3.7 million), and net debt was EUR 14.2 million (EUR 7.7 million).

#### Nordic Morning Group Plc

GROUP KEY FIGURES		1-6/2018	1-6/2017	1-12/2017
Net sales	T€	41 805	51 298	93 402
Exports and foreign operations	%	44.7%	52.9%	51.8 %
Adjusted operating gross margin	T€	24 859	29 639	53 876
% of net revenue	%	59.5 %	57.8 %	57.7 %
Adjusted operating EBITDA	T€	3 360	4 851	8 693
% of net revenue	%	8.0 %	9.5 %	9.3 %
Adjusted operating profit/loss	T€	1 071	1 853	3 078
% of net revenue	%	2.6 %	3.6 %	3.3 %
Operating profit/loss	T€	1 061	4 032	5 939
% of net revenue	%	2.5 %	7.9%	6.4%
Profit before taxes	T€	407	3 910	5 518
% of net revenue	%	1.0 %	7.6 %	5.9 %
Profit for the period	T€	268	4 032	4 502
Equity-to-assets ratio		37.8 %	36.9%	37.2%
Gearing (%)	%	71.3 %	36.9 %	67.0 %
Gross capital expenditure	T€	401	1 390	11 024
% of net revenue	%	1.0 %	2.7 %	11.8 %
Average number of employees		478	591	548
Earnings per share (EPS)	€	0.04	0.67	0.74
Equity per share	€	3.31	3.44	3.53
Interest-bearing liabilities	T€	14 454	11 384	15 664
Cash and cash equivalents	T€	277	3 712	1 326
Net debt	T€	14 177	7 673	14 338



## NORDIC MORNING GROUP

**CEO Anne Årneby:**

### **Moving into three business areas with clear offerings**

We are on a change journey. Our client's needs are changing due to the digital transformation that affects all industries, as well as society.

In the beginning of 2017, Nordic Morning Group was made up of the parent company, Nordic Morning Group Plc, as well as six Finnish and six Swedish subsidiaries. During 2017 and the first half of 2018, the repackaging of our capabilities and services to better meet today's client needs and the digital business environment of tomorrow, have been in focus. We have done this work in close collaboration with our clients to deliver a superior customer experience, driving growth and customer loyalty.

Our business areas target three different markets:

- Nordic Morning - Data-driven marketing & service design to drive growth and customer loyalty
- Edita Prima - Services for automated customer communication and sales support material
- Edita Publishing - Smart Learning and problem solving using digital technology and content in new ways

In line with the repackaging, organizational structure and the management and steering structures have been simplified. We continue the overhaul of our business operations step by step to develop our ways of working and increase efficiency. A special focus is now put on our fragmented information system structure in order to harmonize it to support our business in an optimal way.

Nordic Morning Group's change journey continues. As expected, the Group's consolidated net revenue declined slightly due to restructuring measures carried out in 2017, but the operating profit excluding non-recurring items is still expected to be well in the positive for the full year 2018.

### **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, Nordic Morning Data-Driven Content AB, and Mods Graphic Studio AB.
- *Edita Prima*, comprised of Edita Prima Oy, Edita Bobergs AB, and Edita Bobergs Förvaltnings AB. The foreign companies no longer engage in actual business operations.
- *Edita Publishing*, comprised of Edita Publishing Oy.

On January 1, 2018, the business operations of CountQuest AB and Ottoboni AB were merged into Nordic Morning Sweden AB. The legal merger between the companies was carried out on March 14, 2018.

On May 1, 2018, the business operations of Nordic Morning Data-Driven Content AB were merged into Nordic Morning Sweden AB. The legal merger will take place in the second half of 2018.



## NORDIC MORNING GROUP

### Net revenue and profit

The Nordic Morning Group's consolidated net revenue was EUR 41.8 million (EUR 51.3 million). The net revenue in Finland was EUR 23.6 million (24.4), and the net revenue in Sweden was EUR 18.2 million (26.9). The Nordic Morning business area's net revenue increased in Finland due to subcontract invoicing, but declined in Sweden, where the focus was on improving profitability by discontinuing loss-making operations in the previous year. The net revenue of the Edita Prima business area in Sweden decreased due to the divestment of business operations in the previous year. In the Edita Publishing business area, net revenue decreased by EUR 1.1 million due to lower advertising sales revenue.

The Nordic Morning Group's operating profit was EUR 1.1 (4.0) million, which is EUR 2.9 million lower than in 2017. The non-recurring income included in the operating profit totaled EUR 0.0 (3.8) million. Non-recurring expenses amounted to EUR 0.0 (1.6) million. The Nordic Morning Group's operating profit excluding non-recurring items was EUR 1.1 (1.9) million.

**In the Nordic Morning business area**, net revenue was EUR 24.4 (27.8) million and profit was EUR -0.2 (-1.7) million. The previous year's profit was weighed down by rationalization expenses of EUR 1.4 million related to the discontinuation of Nordic Morning Data-Driven Content AB operations in Malmö and Gothenburg. Operating profit excluding non-recurring items was EUR -0.2 (-0.3) million. In Finland, revenue grew but profit excluding non-recurring items declined substantially. In Sweden, profit excluding non-recurring items improved primarily due to the favorable development of Mods Graphic Studio AB.

**In the Edita Publishing business area**, net revenue was EUR 7.4 (8.5) million and profit was EUR 1.7 (2.9) million. Net revenue and operating profit were decreased by lower advertising sales but increased by the positive development in orders for learning materials.

**In the Edita Prima business area**, net revenue was EUR 10.2 (15.6) million and profit was EUR 0.7 (0.7) million. In Finland, net revenue decreased but profitability improved year-on-year. The business operations in Sweden were divested in the previous year, which explains the decline in net revenue during this financial year.

**Other operations** include group administration, the operating profit of which was EUR -1.1 (2.0) million. The previous year's profit included a net gain of EUR 3.1 million from a land area owned by the parent company.

### 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 37.8 percent (36.9 percent). Cash and cash equivalents amounted to EUR 0.3 million (EUR 3.7 million). Interest-bearing debt stood at EUR 14.5 million (EUR 11.4 million). Loan installments were paid according to schedule, which reduced the amount of interest-bearing debt.



## NORDIC MORNING GROUP

### Investments

The Nordic Morning Group's gross capital expenditure totaled EUR 0.4 million (EUR 1.4 million). The most significant capital expenditure was related to the new office premises in Helsinki, to which the company relocated in December 2017.

### 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 digital transformation has a tremendous impact by introducing rapid technological progress to learning, marketing, customer behavior and media consumption as well as the increasing use of data analytics. Using data analytics at the core of business operations creates deeper customer insight to serve as the foundation of operations and also enables a better customer experience.

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 additional 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 harmonizing the information systems structure in a manner that supports cooperation and information sharing between the business areas.

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.



## NORDIC MORNING GROUP

### Board of Directors and CEO

The Annual General Meeting on March 21, 2018, decided that Per Sjödell (Chairman), Jukka Ruuska (Vice Chairman), Anni Ronkainen and Ingrid Jonasson Blank will continue as members of the Board of Directors of Nordic Morning Group Oyj. Pekka Hurtoła and Anne Korkiakoski were elected as new members.

The Nordic Morning Group's CEO is Anne Årneby.

### Personnel

The Nordic Morning Group employed an average of 478 persons (591) during the period from January to June. At the end of June, the total number of employees stood at 482 (568), converted to full-time employees. Business rationalization efforts and the discontinuation of businesses reduced the number of employees by 40 persons in the Nordic Morning business area and by 53 persons in the Edita Prima business area. The parent company employed an average of 26 employees (28) and the number of employees at the end of June stood at 27 (28).

To support the renewal of the Group's business, an extensive company culture development project was launched in spring 2018. The project is aimed at building a shared foundation of values and creating operating principles that span the entire Group. The development effort has been a participatory process in which the entire organization has been engaged in the creation of the Group's new culture. During the spring, members of personnel have participated in interactive workshops, and development ideas and initiatives have also been widely collected outside the workshops. The ongoing process of establishing the Group's values has also created an excellent framework for cooperation across team and unit boundaries throughout the Group.

### 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 2018, 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.



**NORDIC MORNING  
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**Outlook for the remainder of 2018**

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 to increase cooperation between the Group's companies and competencies. These numerous changes are anticipated to reduce net revenue and profit for the remainder of the year. Both net revenue and profit are expected to be lower than in the previous year.

*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  
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Nordic Morning Group Plc

<b>CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)</b>	<b>1.1. - 30.06.2018</b>	<b>1.1. - 30.06.2017</b>	<b>1.1. - 31.12.2017</b>
<b>Net sales</b>	<b>41 805</b>	<b>51 298</b>	<b>93 402</b>
Other operating income	260	3 697	4 634
Change in inventories of finished and unfinished goods	-348	-406	-142
Work performed for company use	50	101	157
Materials and services	-13 028	-16 626	-31 478
Expenses arising from employee benefits	-18 488	-23 643	-41 455
Depreciation	-2 286	-3 077	-5 830
Impairment	0	0	-311
Other operating expenses	-6 902	-7 391	-14 188
Share of results in associated companies	-2	78	1 150
<b>Operating profit</b>	<b>1 061</b>	<b>4 032</b>	<b>5 939</b>
Financial income	6	37	59
Financial expenses	-659	-159	-480
<b>Result before taxes</b>	<b>407</b>	<b>3 910</b>	<b>5 518</b>
Income taxes	-140	121	-1 016
<b>Result for the period</b>	<b>268</b>	<b>4 032</b>	<b>4 502</b>
<b>Distribution</b>			
Parent company's shareholders	261	4 050	4 456
Non-controlling interest	7	-18	45
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR	0,04	0,67	0,74



**NORDIC MORNING  
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**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME (IFRS) (EUR 1000)**

**1.1. - 30.06.2018 1.1. - 30.06.2017 1.1. - 31.12.2017**

<b>Result for the period</b>	<b>268</b>	<b>4 032</b>	<b>4 502</b>
<b>Other comprehensive income</b>			
Items that may be recognized through profit and loss later			
Available-for-sale financial assets	16	-65	-67
Translation differences	203	62	204
Taxes relating to OCI items	-3	13	13
Post-tax OCI items for the financial year	216	10	150
<b>Accumulated comprehensive income for the financial year</b>	<b>484</b>	<b>4 042</b>	<b>4 652</b>
<b>Distribution of comprehensive income</b>			
Parent company's shareholders	444	4 061	4 607
Non-controlling interests	40	-19	45



**NORDIC MORNING  
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Nordic Morning Group Plc

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

<b>ASSETS</b>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	18 928	15 290	20 843
Goodwill	14 296	14 607	14 524
Other intangible assets	1 508	2 508	1 679
Interests in associated companies	272	1 044	1 459
Other financial assets	190	190	190
Deferred tax assets	104	88	69
	<b>35 297</b>	<b>33 726</b>	<b>38 765</b>
<b>CURRENT ASSETS</b>			
Inventories	1 620	2 031	1 813
Sales receivables and other receivables	16 746	19 115	18 072
Tax receivables based on taxable income for the period	60	59	44
Other current financial assets	92	79	76
Cash and cash equivalents	277	3 712	1 326
	<b>18 796</b>	<b>24 995</b>	<b>21 331</b>
<b>Total assets</b>	<b>54 093</b>	<b>58 721</b>	<b>60 095</b>
<b>EQUITY AND LIABILITIES</b>	<b>30.06.2018</b>	<b>30.06.2017</b>	<b>31.12.2017</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6 000	6 000	6 000
Premium reserve	25 870	25 870	25 870
Translation differences	266	-314	-167
Fair value reserve	61	50	48
Retained earnings	-12 357	-10 950	-10 544
Equity attributable to shareholders of the parent company	19 839	20 655	21 207
Non-controlling interest	42	138	197
Total shareholders equity	19 881	20 793	21 404
<b>LIABILITIES</b>			
Non-current liabilities			
Interest-bearing non-current liabilities	10 585	7 217	12 080
Non-current provisions	115	257	146
Deferred tax liabilities	331	664	440
	<b>11 031</b>	<b>8 137</b>	<b>12 665</b>
Current liabilities			
Short-term interest-bearing liabilities	3 869	4 168	3 584
Accounts payable and other current liabilities	19 312	25 518	21 634
Tax liabilities based on taxable income for the period	0	105	807
	<b>23 181</b>	<b>29 791</b>	<b>26 026</b>
<b>Total liabilities</b>	<b>34 212</b>	<b>37 928</b>	<b>38 691</b>
<b>Total shareholders' equity and liabilities</b>	<b>54 093</b>	<b>58 721</b>	<b>60 095</b>



**NORDIC MORNING  
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**Consolidated statement of cash flows (EUR 1000)**

	1.1. - 30.6.2018	1.1. - 30.6.2017	1.1. - 31.12.2017
<b>Cash flow from operating activities</b>			
Profit for the financial year	268	4 032	4 502
Adjustments			
Non-cash transactions	1 950	-126	1 028
Interest expenses and other financial expenses	659	75	480
Interest income	-6	-37	-59
Dividend income	-4	-1	-8
Taxes	140	-123	1 026
Changes in working capital			
Change in sales receivables and other receivables	1 325	1 731	2 657
Change in inventories	193	254	121
Change in accounts payable and other liabilities	-2 750	-1 046	-4 356
Change in provisions	-31	-32	-142
Interest paid	-223	-178	-277
Interest received	6	34	70
Taxes paid (-) received (+)	-1 107	-90	-660
<b>Net cash flow from operating activities (A)</b>	<b>421</b>	<b>4 494</b>	<b>4 382</b>
<b>Cash flow from investing activities</b>			
Sale of business operations (net of cash)	136	314	1 422
Sale of tangible fixed assets	0	3 205	3 205
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	-287	-640	-934
Investments in tangible fixed assets	-112	-926	-1 380
Investments in intangible assets	-124	-111	-111
Proceeds from other investments	0	319	319
Dividends received	1 104	208	786
<b>Net cash flow from investing activities (B)</b>	<b>717</b>	<b>2 370</b>	<b>3 306</b>
<b>Cash flow from financing activities</b>			
Use of cash pool liability	536	0	0
Repayment of loans	-751	-750	-2 797
Finance lease liabilities	-919	-1 411	-2 578
Dividends paid	-1 225	-2 000	-2 000
<b>Net cash flow from financing activities (C)</b>	<b>-2 359</b>	<b>-4 161</b>	<b>-7 375</b>
<b>Change in cash and cash equivalents (A+ B + C)</b>	<b>-1 220</b>	<b>2 703</b>	<b>313</b>
Cash and cash equivalents at start of the period	1 326	1 007	1 007
Effect of changes in exchange rates	171	2	6
<b>Cash and cash equivalents at end of the period</b>	<b>277</b>	<b>3 712</b>	<b>1 326</b>



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

	Shareholders' equity attributable to parent company shareholders					Total	Non-controlling interest	Total shareholders' equity
	Share capital	Share premium fund	Translation differences	Fair value fund	Retained earnings			
<b>Shareholders' equity, January 1, 2017</b>	<b>6 000</b>	<b>25 870</b>	<b>-377</b>	<b>102</b>	<b>-13 000</b>	<b>18 594</b>	<b>157</b>	<b>18 751</b>
<b>Comprehensive income</b>								
Profit for financial year					4 050	4 050	-18	4 032
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-52		-52		-52
Translation differences			63			63	-1	62
<b>Accumulated comprehensive income</b>			<b>63</b>	<b>-52</b>	<b>4 050</b>	<b>4 061</b>	<b>-19</b>	<b>4 042</b>
<b>Transaction with owners</b>								
Parent company dividend distribution					-2 000	-2 000		-2 000
<b>Shareholders' equity, June 30, 2017</b>	<b>6 000</b>	<b>25 870</b>	<b>-314</b>	<b>50</b>	<b>-10 950</b>	<b>20 655</b>	<b>138</b>	<b>20 793</b>
<b>Shareholders' equity, January 1, 2018</b>	<b>6 000</b>	<b>25 870</b>	<b>-167</b>	<b>48</b>	<b>-10 544</b>	<b>21 207</b>	<b>197</b>	<b>21 404</b>
<b>Comprehensive income</b>								
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
<b>Accumulated comprehensive income</b>			<b>434</b>	<b>13</b>	<b>261</b>	<b>708</b>	<b>-5</b>	<b>703</b>
<b>Transaction with owners</b>								
Parent company dividend distribution					-2 000	-2 000		-2 000
Subsidiary dividend distribution					-75	-75	-151	-226
<b>Shareholders' equity, June 30, 2018</b>	<b>6 000</b>	<b>25 870</b>	<b>267</b>	<b>61</b>	<b>-12 358</b>	<b>19 839</b>	<b>42</b>	<b>19 881</b>



**NORDIC MORNING  
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OPERATING SEGMENTS (EUR 1000)

<b>NET REVENUE</b>	<b>1.1. - 30.06.2018</b>	<b>1.1. - 30.06.2017</b>	<b>Change %</b>	<b>1.1. - 31.12.2017</b>
Nordic Morning				
External net revenue	24 329	27 387		52 112
Inter-segment net revenue	107	425		879
Nordic Morning, total	24 437	27 812	-12,1 %	52 991
Edita Publishing				
External net revenue	7 349	8 449		14 876
Inter-segment net revenue	18	10		18
Edita Publishing, total	7 367	8 459	-12,9 %	14 894
Edita Prima				
External net revenue	10 127	15 462		26 414
Inter-segment net revenue	115	152		283
Edita Prima, total	10 242	15 615	-34,4 %	26 698
Other operations				
External net revenue	0	0		0
Inter-segment net revenue	2 650	2 522		5 065
Other operations, total	2 650	2 522	5,1 %	5 065
Eliminations	-2 891	-3 109		-6 244
<b>Group</b>	<b>41 805</b>	<b>51 298</b>	<b>-18,5 %</b>	<b>93 402</b>

<b>OPERATING PROFIT/LOSS</b>	<b>1.1. - 30.06.2018</b>	<b>1.1. - 30.06.2017</b>	<b>1.1. - 31.12.2017</b>
Nordic Morning	-199	-1 656	-2 929
Edita Publishing	1 662	2 880	4 528
Edita Prima	741	710	2 904
Other operations	-1 143	2 098	1 436
<b>Group</b>	<b>1 061</b>	<b>4 032</b>	<b>5 939</b>
Financial income and expenses	-654	-122	-421
<b>Profit before taxes</b>	<b>407</b>	<b>3 910</b>	<b>5 518</b>

<b>INVESTMENTS</b>	<b>1.1. - 30.06.2018</b>	<b>1.1. - 30.06.2017</b>	<b>1.1. - 31.12.2017</b>
Nordic Morning	0	10	59
Edita Publishing	54	69	75
Edita Prima	150	936	1 011
Other operations	198	375	9 878
<b>Group</b>	<b>401</b>	<b>1 390</b>	<b>11 022</b>

<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>1.1. - 30.06.2018</b>	<b>1.1. - 30.06.2017</b>	<b>1.1. - 31.12.2017</b>
Nordic Morning	271	331	307
Edita Publishing	79	77	78
Edita Prima	87	140	122
Other operations	41	42	41
<b>Group</b>	<b>479</b>	<b>591</b>	<b>548</b>



## NORDIC MORNING GROUP

### Nordic Morning Group Plc

COLLATER AND CONTINGENT LIABILITIES (EUR 1000)	30.06.2018	30.06.2017	31.12.2017
Other collateral given on behalf of shareholders			
Rent guarantees	828	1 042	561
Other collateral given	0	5	0
Minimum leases payable on the basis of non-cancellable operating leases:			
Within one year	80	134	95
1 - 5 years	109	93	121
	189	227	215

### 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, 2018.

This interim report was prepared in accordance with the same principles as the annual financial statements for 2017, except for the following new standards adopted at the beginning of the financial year:

IFRS 9 *Financial instruments* governs the classification, measurement and derecognition of financial assets and liabilities. It also introduces new principles regarding hedge accounting as well as a new model for calculating impairment on financial assets. The new regulations have been applied by the Group starting from January 1, 2018, making use of the practical expedients permitted by the standard. The reference figures for 2017 will not be adjusted. The most significant effects of IFRS 9 adoption in the Group were related to the impairment of sales receivables and the classification of financial assets and liabilities.

In recognizing expected credit losses, the Group applies the simplified procedure defined in IFRS 9, according to which full lifetime expected credit losses can be recognized for all sales receivables. For the purpose of determining expected credit losses, the sales receivables have been classified according to their shared credit risk attributes and delayed payment. In the Group's view, the new standard has not had a significant effect on the consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* is a new standard governing revenue recognition. The Group adopted the standard effective from January 1, 2018. In the Group's view, the new standard has not had a significant effect on the consolidated financial statements.

IFRS 16 *Leases*. As a result of the adoption of IFRS 16, nearly all leases have been recognized on the balance sheet as fixed assets, except for short-term leases of less than 12 months and leases whose underlying asset has a low value. Operating leases and financial leases are no longer separated. The adoption of the standard has reduced off-balance sheet liabilities and increased fixed assets and liabilities.

The approach to lessor accounting has not changed significantly. However, the concepts of agreements recognized as liabilities and leases pursuant to IFRS 16 differ from each other. New agreements recognized in the balance sheet consist of leases for business premises and cars. The Group has applied the standard retrospectively, adjusting the comparison figures for 2017. The adjustments for the comparison years are presented on the following pages.



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CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)	Reported 1.1. - 30.06.2017	IFRS-adjustments	IFRS-adjusted 1.1. - 30.06.2017	Reported 1.1. - 31.12.2017	IFRS-adjustments	IFRS-adjusted 1.1. - 31.12.2017
<b>Net sales</b>	51 298	0	51 298	93 402	0	93 402
Other operating income	3 697	0	3 697	4 634	0	4 634
Change in inventories of finished and unfinished goods	-406	0	-406	-142	0	-142
Work performed for company use	101	0	101	157	0	157
Materials and services	-16 626	0	-16 626	-31 478	0	-31 478
Expenses arising from employee benefits	-23 643	0	-23 643	-41 455	0	-41 455
Depreciation	-1 789	-1 287	-3 077	-3 382	-2 448	-5 830
Impairment	0	0	0	-311	0	-311
Other operating expenses	-8 726	1 336	-7 391	-16 665	2 478	-14 188
Share of results in associated companies	78	0	78	1 150	0	1 150
<b>Operating profit</b>	<b>3 983</b>	<b>49</b>	<b>4 032</b>	<b>5 909</b>	<b>30</b>	<b>5 939</b>
Financial income	37	0	37	59	0	59
Financial expenses	-117	-42	-159	-395	-85	-480
<b>Result before taxes</b>	<b>3 903</b>	<b>7</b>	<b>3 910</b>	<b>5 573</b>	<b>-55</b>	<b>5 518</b>
Income taxes	123	-1	121	-1 026	11	-1 016
<b>Result for the period</b>	<b>4 026</b>	<b>5</b>	<b>4 032</b>	<b>4 547</b>	<b>-45</b>	<b>4 502</b>
<b>Distribution</b>						
Parent company's shareholders	4 044	5	4 050	4 501	-45	4 456
Non-controlling interest	-18	0	-18	45	0	45
Earnings per share calculated on the profit attributable to shareholders of the parent company: earnings per share, EUR	0,67	0,00	0,67	0,75	-0,01	0,74

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) (EUR 1000)	Reported 1.1. - 30.06.2017	IFRS-adjustments	IFRS-adjusted 1.1. - 30.06.2017	Reported 1.1. - 31.12.2017	IFRS-adjustments	IFRS-adjusted 1.1. - 31.12.2017
<b>Result for the period</b>	<b>4 026</b>	<b>5</b>	<b>4 032</b>	<b>4 547</b>	<b>-45</b>	<b>4 502</b>
<b>Other comprehensive income</b>						
Items that may be recognized through profit and loss later						
Available-for-sale financial assets	-65	0	-65	-67	0	-67
Translation differences	61	1	62	203	1	204
Taxes relating to OCI items	13	0	13	13	0	13
Post-tax OCI items for the financial year	9	1	10	150	0	150
<b>Accumulated comprehensive income for the financial year</b>	<b>4 036</b>	<b>6</b>	<b>4 042</b>	<b>4 696</b>	<b>-44</b>	<b>4 652</b>
<b>Distribution of comprehensive income</b>						
Parent company's shareholders	4 055	6	4 061	4 656	-45	4 612
Non-controlling interests	-19	0	-19	40	0	40



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

ASSETS	Reported 30.06.2017	IFRS-adjustments	IFRS-adjusted 30.06.2017	Reported 31.12.2017	IFRS-adjustments	IFRS-adjusted 31.12.2017
<b>NON-CURRENT ASSETS</b>						
Tangible fixed assets	10 946	4 344	15 290	9 340	11 504	20 843
Goodwill	14 607	0	14 607	14 524	0	14 524
Other intangible assets	2 508	0	2 508	1 679	0	1 679
Interests in associated companies	1 044	0	1 044	1 459	0	1 459
Other financial assets	190	0	190	190	0	190
Deferred tax assets	74	14	88	43	26	69
	29 369	4 358	33 726	27 235	11 529	38 765
<b>CURRENT ASSETS</b>						
Inventories	2 031	0	2 031	1 813	0	1 813
Sales receivables and other receivables	19 115	0	19 115	18 072	0	18 072
Tax receivables based on taxable income for the period	59	0	59	44	0	44
Other current financial assets	79	0	79	76	0	76
Cash and cash equivalents	3 712	0	3 712	1 326	0	1 326
	24 995	0	24 995	21 331	0	21 331
<b>Total assets</b>	<b>54 363</b>	<b>4 358</b>	<b>58 721</b>	<b>48 566</b>	<b>11 529</b>	<b>60 095</b>
<b>EQUITY AND LIABILITIES</b>						
			<b>30.06.2017</b>			<b>31.12.2017</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	6 000	0	6 000	6 000	0	6 000
Premium reserve	25 870	0	25 870	25 870	0	25 870
Translation differences	-315	1	-314	-168	1	-167
Fair value reserve	50	0	50	48	0	48
Retained earnings	-10 900	-51	-10 950	-10 443	-101	-10 544
Equity attributable to shareholders of the parent company	20 705	-50	20 655	21 306	-100	21 207
Non-controlling interest	138	0	138	197	0	197
Total shareholders equity	20 843	-50	20 793	21 504	-100	21 404
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Interest-bearing non-current liabilities	4 402	2 815	7 217	2 327	9 753	12 080
Non-current provisions	257	0	257	146	0	146
Deferred tax liabilities	664	0	664	440	0	440
	5 322	2 815	8 137	2 913	9 753	12 665
<b>Current liabilities</b>						
Short-term interest-bearing liabilities	1 969	2 199	4 168	1 669	1 916	3 584
Accounts payable and other current liabilities	26 124	-606	25 518	21 674	-39	21 634
Tax liabilities based on taxable income for the period	105	0	105	807	0	807
	28 198	1 593	29 791	24 150	1 876	26 026
<b>Total liabilities</b>	<b>33 520</b>	<b>4 408</b>	<b>37 928</b>	<b>27 062</b>	<b>11 629</b>	<b>38 691</b>
<b>Total shareholders' equity and liabilities</b>	<b>54 363</b>	<b>4 358</b>	<b>58 721</b>	<b>48 566</b>	<b>11 529</b>	<b>60 095</b>



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## Consolidated statement of cash flows (EUR 1000)

	Reported 1.1. - 30.06.2017	IFRS adjustments	IFRS adjusted 1.1. - 30.06.2017	Reported 1.1. - 31.12.2017	IFRS adjustments	IFRS adjusted 1.1. - 31.12.2017
<b>Cash flow from operating activities</b>						
Profit for the financial year	4 026	5	4 032	4 547	-45	4 502
Adjustments						
Non-cash transactions	-1 494	1 367	-126	-1 372	2 400	1 028
Interest expenses and other financial expenses	117	42	75	395	85	480
Interest income	-37	0	-37	-59	0	-59
Dividend income	-1	0	-1	-8	0	-8
Taxes	-123	0	-123	1 026	0	1 026
Changes in working capital						
Change in sales receivables and other receivable	1 731	0	1 731	2 657	0	2 657
Change in inventories	254	0	254	121	0	121
Change in accounts payable and other liabilities	-1 046	0	-1 046	-4 356	0	-4 356
Change in provisions	-32	0	-32	-142	0	-142
Interest paid	-136	-42	-178	-192	-85	-277
Interest received	34	0	34	70	0	70
Taxes paid (-) received (+)	-90	0	-90	-660	0	-660
<b>Net cash flow from operating activities (A)</b>	<b>3 205</b>	<b>1 290</b>	<b>4 494</b>	<b>2 027</b>	<b>2 355</b>	<b>4 382</b>
<b>Cash flow from investing activities</b>						
Sale of business operations (net of cash)	314	0	314	1 422	0	1 422
Sale of tangible fixed assets	3 209	0	3 209	3 205	0	3 205
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	-640	0	-640	-934	0	-934
Investments in tangible fixed assets	-913	0	-913	-1 380	0	-1 380
Investments in intangible assets	-128	0	-128	-111	0	-111
Proceeds from other investments	319	0	319	319	0	319
Dividends received	208	0	208	786	0	786
<b>Net cash flow from investing activities (B)</b>	<b>2 370</b>	<b>0</b>	<b>2 370</b>	<b>3 306</b>	<b>0</b>	<b>3 306</b>
<b>Cash flow from financing activities</b>						
Repayment of loans	-750	0	-750	-2 797	0	-2 797
Finance lease liabilities	-122	-1 290	-1 411	-223	-2 355	-2 578
Dividends paid	-2 000	0	-2 000	-2 000	0	-2 000
<b>Net cash flow from financing activities (C)</b>	<b>-2 872</b>	<b>-1 290</b>	<b>-4 161</b>	<b>-5 020</b>	<b>-2 355</b>	<b>-7 375</b>
<b>Change in cash and cash equivalents (A+ B + C)</b>	<b>2 703</b>	<b>0</b>	<b>2 703</b>	<b>313</b>	<b>0</b>	<b>313</b>
Cash and cash equivalents at start of the period	1 007	0	1 007	1 007	0	1 007
Effect of changes in exchange rates	2	0	2	6	0	6
<b>Cash and cash equivalents at end of the period</b>	<b>3 712</b>	<b>0</b>	<b>3 712</b>	<b>1 326</b>	<b>0</b>	<b>1 326</b>



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

	Shareholders' equity attributable to parent company shareholders					Total	Non-controlling interest	Total shareholders' equity
	Share premium fund	Trans-lation differ-ences	Fair value fund	Retained earnings				
<b>Shareholders' equity, December 31, 2016</b>	6 000	25 870	-377	102	-12 944	18 650	157	18 807
Applying new IFRS regulations	0	0	0	0	-56	-56	0	-56
<b>Shareholders' equity, January 1, 2017</b>	6 000	25 870	-377	102	-13 000	18 594	157	18 751
<b>Comprehensive income</b>								
Profit for financial year					4 050	4 050	-18	4 032
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-52		-52		-52
Translation differences			63			63	-1	62
<b>Accumulated comprehensive income</b>			63	-52	4 050	4 061	-19	4 042
<b>Transaction with owners</b>								
Parent company dividend distribution					-2 000	-2 000		-2 000
<b>Shareholders' equity, June 30, 2017</b>	6 000	25 870	-314	50	-10 950	20 655	138	20 793
<b>Shareholders' equity, December 31, 2017</b>	6 000	25 870	-168	48	-10 443	21 306	197	21 504
Applying new IFRS regulations	0	0	1	0	-101	-100	0	-100
<b>Shareholders' equity, January 1, 2018</b>	6 000	25 870	-167	48	-10 544	21 207	197	21 404
<b>Comprehensive income</b>								
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
<b>Accumulated comprehensive income</b>			434	13	261	708	-5	703
<b>Transaction with owners</b>								
Parent company dividend distribution					-2 000	-2 000		-2 000
Subsidiary dividend distribution					-75	-75	-151	-226
<b>Shareholders' equity, June 30, 2018</b>	6 000	25 870	267	61	-12 358	19 839	42	19 881