

September 9, 2020

## Nordic Morning Group's Interim Report, January 1 – June 30, 2020

### Driving change during turbulent times

- The Nordic Morning Group's consolidated net revenue was EUR 39,2 million (EUR 42.1 million). Net revenue grew in the Edita Prima business area in Finland thanks to high volume of postal deliveries and large service projects. In the Edita Publishing business area, net revenue declined due to the last year of current school curriculum, which decreased the sales of educational materials. In the Nordic Morning business area, net revenue declined due to the COVID-19 pandemic, which led to significantly lower business volumes with some of the key customers during the second quarter of 2020.
- The Group's gross margin before non-operating items decreased from EUR 22.9 million to EUR 20.5 million and EBITDA before non-operating items weakened from EUR 3.0 million to EUR 2.9 million.
- Operating profit for January–June increased to EUR 0.4 million (EUR 0.3 million). The operating profit includes non-operating items in the amount of EUR -0.5 million (EUR -0.4 million)
- Operating profit before non-operating items was EUR 1.0 million (EUR 0.8 million). The results improved in the Nordic Morning business area thanks to lower fixed costs. In the Edita Publishing business area, operating profit grew as legal services and publications performed well. In the Edita Prima business area, high volume of postal deliveries and large service projects led to an improved operating profit.
- The equity ratio at the end of the review period was 40.6 percent (36.2 percent).
- Cash and cash equivalents amounted to EUR 0.1 million (EUR 0.2 million) and net debt was EUR 11.3 million (EUR 12.5 million).

#### Nordic Morning Group Plc

GROUP KEY FIGURES (IFRS)		1-6/2020	1-6/2019	1-12/2019
Net sales	T€	39 247	42 107	77 550
Exports and foreign operations	%	30,4 %	35,8 %	34,1 %
Adjusted operating gross margin	T€	20 521	22 926	42 750
% of net revenue	%	52,3 %	54,4 %	55,1 %
Adjusted operating EBITDA	T€	2 907	3 023	5 954
% of net revenue	%	7,4 %	7,2 %	7,7 %
Adjusted operating profit/loss	T€	950	776	1 470
% of net revenue	%	2,4 %	1,8 %	1,9 %
Operating profit/loss	T€	416	348	611
% of net revenue	%	1,1 %	0,8 %	0,8 %
Profit before taxes	T€	241	22	304
% of net revenue	%	0,6 %	0,1 %	0,4 %
Profit for the period	T€	185	133	254
Equity-to-assets ratio		40,6 %	36,2 %	38,6 %
Gearing (%)	%	62,4 %	69,4 %	62,6 %
Gross capital expenditure	T€	2 988	1 114	2 034
% of net revenue	%	7,6 %	2,6 %	2,6 %
Average number of employees		408	452	442
Earnings per share (EPS)	€	0,03	0,02	0,04
Equity per share	€	3,02	3,00	2,98
Interest-bearing liabilities	T€	11 446	12 699	11 463
Cash and cash equivalents	T€	130	180	256
Net debt	T€	11 316	12 519	11 207

CEO Anne Årneby:

### **Transformation continues despite the global crisis**

During the first half of 2020, COVID-19 pandemic hit the world and had a negative impact on the Nordic Morning Group's business as well. Crisis management, ensuring employee safety and business continuity were strongly in focus during the whole spring. We continued to develop our business operations and structures to better respond to the changing needs of customers, and immediately adopted agile approaches to walk hand in hand with our customers through the crisis.

The global crisis required rapid actions and focus, but it did not change our strategy. We are still on a journey of change. The COVID-19 crisis accelerates digital transformation and change in customer behavior. Digital transformation makes a major impact in the society through usage of data, digitalization and changed ways of working within learning, marketing, communication services and media consumption. An even faster change in customer behavior paired with rapid technological progress will increase our client's needs, which works in our favour.

Challenging year 2020 is in the halfway and the uncertainty will continue throughout the year. We will continue to develop our business with the aim of changing our operating methods, improve our efficiency and drive innovation. We will also continue the integration of our fragmented information systems structure to establish a more coherent platform for our business. During the fall 2020, the new group-wide ERP system will be taken into use to strengthen our own development towards becoming a data-driven company.

### **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 2020.

### **Net revenue and profit**

The Nordic Morning Group's consolidated net revenue was EUR 39.2 million (EUR 42.1 million). The net revenue in Finland was EUR 27.2 (27.5) million, and the net revenue in Sweden was EUR 12.1 (14.6) million. Net revenue grew in the Edita Prima business area, primarily due to a few large service projects and postal delivery services being included in new customer agreements. The Edita Publishing business area's net revenue declined particularly due to the last year of current school curriculum, which lead to a decline in learning material sales. 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 0.4 (0.3) million, representing a year-on-year increase of EUR 0.1 million. The non-operating income included in the operating profit totaled EUR 0.0 (0.1) 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 1.0 (0.8) million.

**In the Nordic Morning business area**, net revenue was EUR 15.7 (19.7) million and operating profit was EUR -0.1 (-0.4) million. The operating profit was weighed down by non-operating restructuring provisions. The operating profit excluding non-operating items improved thanks to lower fixed costs. Profit excluding non-operating items was EUR 0.1 (-0.0) million. Profit excluding non-operating items improved in both Finland and Sweden, in Sweden due to the favorable development of Mods Graphic Studio AB.

**In the Edita Publishing business area**, net revenue was EUR 6.3 (6.6) million and operating profit was EUR 0.9 (0.8) million. The operating profit grew due to legal services and publications, and fewer losses from discontinued made-to-order products.

**In the Edita Prima business area**, net revenue was EUR 17.3 (15.9) million and operating profit was EUR 1.1 (0.8) million. The increase in net revenue and operating profit was largely attributable to high volume of postal deliveries included in new customer agreements, and a few large service projects.

**Other operations** include group administration, the operating profit of which was EUR -1.5 (-0.8) million. The profit declined due to increased fixed costs and non-operating expenses.

## 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.

## Solvency and financial position

The Nordic Morning Group's equity ratio was 40.6 percent (36.2 percent). Cash and cash equivalents amounted to EUR 0.1 million (EUR 0.2 million). Interest-bearing debt stood at EUR 11.4 million (EUR 12.7 million). Loan installments and lease liabilities were paid according to the schedule, which reduced the amount of interest-bearing debt, although new leasing agreements had an increasing impact on it.

## Investments

The Nordic Morning Group's gross capital expenditure totaled EUR 3.0 million (EUR 1.1 million). The most significant investment was a new leasing agreement relating to the company's premises in Stockholm. Investments for the new Group-wide ERP system also continued.

## 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 historically 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 impairment of goodwill.

As a result of previous 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 loans. The Group's most current hedging arrangement ended with a final repayment of a bank loan in Q1 2020.

## **Board of Directors and CEO**

The Annual General Meeting on March 12, 2020, decided that Jukka Ruuska (Chairman), Mervi Airaksinen (Vice Chairman), Ingrid Jonasson Blank, and Anne Korhikoski will continue as members of the Board of Directors of Nordic Morning Group Oyj. Jani Engberg and Maija Strandberg were elected as new members.

The Nordic Morning Group's CEO is Anne Årneby.

## **Personnel**

The Nordic Morning Group employed an average of 408 persons (452) during the period from January to June. At the end of June, the total number of employees stood at 387 (445), converted to full-time employees. In the Nordic Morning business area, the average number of personnel decreased by 37. The parent company employed an average of 23 employees (25) and the number of employees at the end of June stood at 20 (26).

The spring has been extraordinary in many ways due to the Corona pandemic. Most of the employees, except for those working in production, have worked remotely since the middle of March. The shift to the home offices was done successfully more or less overnight, which shows a great flexibility and adaptation from everyone involved. Our perception is that the investments and persistent efforts in developing the company culture have started to pay off. The common value ground made the transition relatively easy while the crisis has strengthened our Group identity and brought us closer together. The very positive results from our employee survey in April are in line with this perception.

Supporting the managers and personnel in coping with the new situation has been of great importance throughout the spring. Our managers have been given tools for leading remote teams where everyone is physically in different locations. Visible leadership and regular 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.

## **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 to others than the CEO and members of the Group Management Team, the Board decides on the principles of compensation.

In 2020, 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.

### **The remainder of 2020**

Uncertainty related to the global economy due to the COVID-19 pandemic is expected to continue throughout the year. The company does not give guidance related to the financial result development. 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 our shared information systems.

*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

**Further information:** Anne Årneby, CEO, tel. +46 708 606 586, [anne.arneby@nordicmorninggroup.com](mailto:anne.arneby@nordicmorninggroup.com) and [www.nordicmorninggroup.com](http://www.nordicmorninggroup.com)

**Distribution:** State Ownership Steering Department and key media

**Contact information:** Nordic Morning Group Oyj, P.O. Box 110, FI-00043 NORDIC MORNING, Business ID 0912752-6

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

## Nordic Morning Group Plc

**CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)**      **1.1. - 30.06.2020**   **1.1. - 30.06.2019**   **1.1. - 31.12.2019**

<b>Net sales</b>	<b>39 247</b>	<b>42 107</b>	<b>77 550</b>
Other operating income	641	357	658
Change in inventories of finished and unfinished goods	-77	-254	-186
Work performed for company use	32	44	102
Materials and services	-15 782	-15 094	-27 836
Expenses arising from employee benefits	-14 987	-17 651	-32 461
Depreciation	-1 957	-2 247	-4 477
Impairment	0	0	0
Other operating expenses	-6 702	-6 914	-12 732
Share of results in associated companies	0	-1	-7
<b>Operating profit</b>	<b>416</b>	<b>348</b>	<b>611</b>
Financial income	6	6	8
Financial expenses	-180	-331	-315
<b>Result before taxes</b>	<b>241</b>	<b>22</b>	<b>304</b>
Income taxes	-56	111	-50
<b>Result for the period</b>	<b>185</b>	<b>133</b>	<b>254</b>
<b>Distribution</b>			
Parent company's shareholders	185	133	254
Non-controlling interest	0	0	0
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR	0,03	0,02	0,04

## Nordic Morning Group Plc

## CONSOLIDATED STATEMENT OF

## COMPREHENSIVE INCOME (IFRS) (EUR 1000)

1.1. - 30.06.2020 1.1. - 30.06.2019 1.1. - 31.12.2019

<b>Result for the period</b>	<b>185</b>	<b>133</b>	<b>254</b>
<b>Other comprehensive income</b>			
<i>Items that are not recognized through profit and loss later</i>			
Financial assets which are measured at fair value through other comprehensive income	0	16	0
Taxes relating to OCI items	0	-3	0
	0	13	0
<i>Items that may be recognized through profit and loss later</i>			
Translation differences	38	248	149
Post-tax OCI items for the financial year	38	261	149
<b>Accumulated comprehensive income for the financial year</b>	<b>223</b>	<b>394</b>	<b>403</b>
<b>Distribution of comprehensive income</b>			
Parent company's shareholders	223	394	403
Non-controlling interests	0	0	0

## Nordic Morning Group Plc

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

<b>ASSETS</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	15 652	16 866	15 282
Goodwill	14 281	14 257	14 298
Other intangible assets	2 453	1 543	1 806
Interests in associated companies	0	115	0
Other financial assets	26	26	26
Deferred tax assets	140	118	98
	<b>32 553</b>	<b>32 925</b>	<b>31 510</b>
<b>CURRENT ASSETS</b>			
Inventories	1 433	1 440	1 406
Sales receivables and other receivables	11 816	15 877	14 611
Tax receivables based on taxable income for the period	402	535	422
Other current financial assets	126	100	114
Cash and cash equivalents	130	180	256
	<b>13 906</b>	<b>18 131</b>	<b>16 809</b>
<b>Total assets</b>	<b>46 459</b>	<b>51 056</b>	<b>48 319</b>
<b>EQUITY AND LIABILITIES</b>			
<b>30.06.2020</b>			
<b>30.06.2019</b>			
<b>31.12.2019</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6 000	6 000	6 000
Premium reserve	25 870	25 870	25 870
Translation differences	309	371	271
Fair value reserve	54	67	54
Retained earnings	-14 107	-14 278	-14 292
Equity attributable to shareholders of the parent company	18 126	18 029	17 903
Non-controlling interest	0	0	0
Total shareholders equity	18 126	18 029	17 903
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing non-current liabilities	7 480	7 968	7 352
Non-current provisions	173	42	3
Deferred tax liabilities	-5	141	65
	<b>7 649</b>	<b>8 151</b>	<b>7 420</b>
<b>Current liabilities</b>			
Short-term interest-bearing liabilities	3 966	4 731	4 111
Accounts payable and other current liabilities	16 700	20 144	18 861
Tax liabilities based on taxable income for the period	19	0	25
	<b>20 684</b>	<b>24 876</b>	<b>22 996</b>
<b>Total liabilities</b>	<b>28 333</b>	<b>33 027</b>	<b>30 416</b>
<b>Total shareholders' equity and liabilities</b>	<b>46 459</b>	<b>51 056</b>	<b>48 319</b>



## Nordic Morning Group Plc

## Consolidated statement of cash flows (EUR 1 000)

	1.1. - 30.6.2020	1.1. - 30.6.2019	1.1. - 31.12.2019
<b>Cash flow from operating activities</b>			
Profit for the financial year	185	133	254
Adjustments			
Non-cash transactions	1 973	2 372	4 474
Interest expenses and other financial expenses	180	331	315
Interest income	-1	-6	-8
Dividend income	-4	-4	-4
Taxes	56	-111	50
Changes in working capital			
Change in sales receivables and other receivables	2 795	-1 537	-411
Change in inventories	-27	233	266
Change in accounts payable and other liabilities	-2 393	2 399	1 080
Change in provisions	170	-73	-112
Interest and other financial expenses paid	-163	-104	-219
Interest received	1	6	8
Taxes paid (-) received (+)	-154	-14	-92
<b>Net cash flow from operating activities (A)</b>	<b>2 620</b>	<b>3 624</b>	<b>5 602</b>
<b>Cash flow from investing activities</b>			
Divestment of business operations	0	0	114
Sale of tangible fixed assets	0	0	40
Investments in tangible fixed assets	-91	-912	-978
Investments in intangible assets	-612	-680	-1 094
Dividends received	4	162	163
<b>Net cash flow from investing activities (B)</b>	<b>-698</b>	<b>-1 430</b>	<b>-1 755</b>
<b>Cash flow from financing activities</b>			
Use of cash pool liability	1 902	1 716	2 143
Repayment of loans	-2 893	-1 130	-1 880
Lease payments	-1 072	-941	-2 155
Dividends paid	0	-2 000	-2 000
<b>Net cash flow from financing activities (C)</b>	<b>-2 063</b>	<b>-2 355</b>	<b>-3 892</b>
<b>Change in cash and cash equivalents (A+ B + C)</b>	<b>-141</b>	<b>-161</b>	<b>-46</b>
Cash and cash equivalents at start of the period	256	234	234
Effect of changes in exchange rates	16	107	67
<b>Cash and cash equivalents at end of the period</b>	<b>130</b>	<b>180</b>	<b>256</b>

## Nordic Morning Group Plc

## 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
<b>Shareholders' equity, January 1, 2019</b>	<b>6 000</b>	<b>25 870</b>	<b>122</b>	<b>54</b>	<b>-12 412</b>	<b>19 634</b>	<b>0</b>	<b>19 634</b>
<b>Comprehensive income</b>								
Profit for financial year					133	133	0	133
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				13		13	0	13
Translation differences			248			248	0	248
<b>Accumulated comprehensive income</b>			<b>248</b>	<b>13</b>	<b>133</b>	<b>394</b>	<b>0</b>	<b>394</b>
<b>Transaction with owners</b>								
Parent company dividend distribution					-2 000	-2 000	0	-2 000
<b>Shareholders' equity, June 30, 2019</b>	<b>6 000</b>	<b>25 870</b>	<b>371</b>	<b>67</b>	<b>-14 279</b>	<b>18 028</b>	<b>0</b>	<b>18 028</b>
<b>Shareholders' equity, January 1, 2020</b>	<b>6 000</b>	<b>25 870</b>	<b>271</b>	<b>54</b>	<b>-14 292</b>	<b>17 903</b>	<b>0</b>	<b>17 903</b>
<b>Comprehensive income</b>								
Profit for financial year					185	185	0	185
Other comprehensive income (adjusted with tax effect)								
Available-for-sale financial assets				0		0	0	0
Translation differences			38			38	0	38
<b>Accumulated comprehensive income</b>			<b>38</b>	<b>0</b>	<b>185</b>	<b>223</b>	<b>0</b>	<b>223</b>
<b>Transaction with owners</b>								
Parent company dividend distribution					0	0	0	0
<b>Shareholders' equity, June 30, 2020</b>	<b>6 000</b>	<b>25 870</b>	<b>309</b>	<b>54</b>	<b>-14 107</b>	<b>18 126</b>	<b>0</b>	<b>18 126</b>

## Nordic Morning Group Plc

## OPERATING SEGMENTS (EUR 1000)

NET REVENUE	1.1. - 30.06.2020	1.1. - 30.06.2019	Change %	1.1. - 31.12.2019
Nordic Morning				
External net revenue	15 685	19 690		36 030
Inter-segment net revenue	32	41		57
Nordic Morning, total	15 717	19 732	-20,3 %	36 087
Edita Publishing				
External net revenue	6 279	6 606		13 317
Inter-segment net revenue	3	5		6
Edita Publishing, total	6 282	6 611	-5,0 %	13 323
Edita Prima				
External net revenue	17 282	15 811		28 202
Inter-segment net revenue	28	63		95
Edita Prima, total	17 310	15 874	9,0 %	28 297
Other operations				
External net revenue	0	0		0
Inter-segment net revenue	2 442	2 788		5 564
Other operations, total	2 443	2 788	-12,4 %	5 564
Eliminations	-2 505	-2 897		-5 721
<b>Group</b>	<b>39 247</b>	<b>42 107</b>	<b>-6,8 %</b>	<b>77 550</b>

OPERATING PROFIT/LOSS	1.1. - 30.06.2020	1.1. - 30.06.2019	1.1. - 31.12.2019
Nordic Morning	-112	-428	-1 086
Edita Publishing	943	802	2 109
Edita Prima	1 052	759	764
Other operations	-1 466	-786	-1 177
<b>Group</b>	<b>416</b>	<b>348</b>	<b>611</b>
Financial income and expenses	-175	-325	-307
<b>Profit before taxes</b>	<b>241</b>	<b>22</b>	<b>304</b>

INVESTMENTS	1.1. - 30.06.2020	1.1. - 30.06.2019	1.1. - 31.12.2019
Nordic Morning	0	0	6
Edita Publishing	92	0	0
Edita Prima	128	404	522
Other operations	2 768	710	1 506
<b>Group</b>	<b>2 988</b>	<b>1 114</b>	<b>2 034</b>

AVERAGE NUMBER OF EMPLOYEES	1.1. - 30.06.2020	1.1. - 30.06.2019	1.1. - 31.12.2019
Nordic Morning	200	237	228
Edita Publishing	84	90	89
Edita Prima	90	87	87
Other operations	35	38	38
<b>Group</b>	<b>408</b>	<b>452</b>	<b>442</b>

<b>COLLATERALS AND CONTINGENT LIABILITIES (EUR 1000)</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
Other collateral given on behalf of shareholders			
Rent guarantees	777	822	823
Minimum leases payable on the basis of non-cancellable operating leases:			
Within one year	62	88	77
1 - 5 years	32	47	51
	94	134	127

### **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, 2020. This interim report was prepared in accordance with the same principles as the annual financial statements for 2019.