EDITA

Financial Statements Bulletin

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EDITA GROUP’S FINANCIAL STATEMENT BULLETIN 2012

# Edita achieved a satisfactory operative result in a difficult market situation

**Edita Group’s net revenue increased by EUR 7.4 million and the operative result was EUR 2.1 million. The cash flow was good. Thanks to measures carried out in 2012, Edita will be able to develop its business operations efficiently and to offer its customers a more versatile selection of communication services and products.**

Edita Group’s net revenue was EUR 113.2 million (EUR 105.8 million). The net revenue in Finland was EUR 52.0 million (EUR 49.2 million). The net revenue in other EU countries was EUR 58.6 million (EUR 55.5 million) and exports outside the EU totaled EUR 2.6 million (EUR 1.1 million). The net revenue of Finnish companies was 48% (48%) of the Group net revenue and that of Swedish companies 52% (52%) of the Group net revenue.

Considerable structural changes were carried out in the Group, generating one-time expenses that impaired the Group’s result. One-time expenses totaled EUR 7.9 million (EUR 2.5 million), of which EUR 3.6 million was items without cash impact. The Group’s operating profit, including one-time items, was EUR -4.1 million (EUR 2.2 million). The operating profit without one-time items was EUR 2.1 million (EUR 3.3 million). In strategic focus areas business grew and profitability developed as expected. The Group’s cash and cash equivalents as well as gross margin remained at a good level.

| EDITA GROUP'S KEY FIGURES | | 2012 | 2011 |
|---|---|---|---|
| Net revenue | T€ | 113 192 | 105 844 |
| Exports and foreign operations | % | 54.1% | 53.5% |
| Operating profit without IFRS 3 depreciations* | T€ | 219 | 2 850 |
| % of net revenue | % | 0.2% | 2.7% |
| Operating profit | T€ | -4 115 | 2 185 |
| % of net revenue | % | -3.6% | 2.1% |
| Profit before tax | T€ | -4 716 | 1 479 |
| % of net revenue | % | -4.2% | 1.4% |
| Profit for financial year | T€ | -4 461 | 1 519 |
| Equity-to-assets ratio | % | 36.8 | 42.7 |
| Net indebtedness | % | 46.0 | 48.5 |
| Gross capital expenditure | T€ | 7 368 | 5 017 |
| % of net revenue | % | 6.5 | 4.7 |
| Average number of employees | | 705 | 747 |
| Earnings per share (EPS) | € | -0.75 | 0.25 |
| Equity per share | € | 5.25 | 5.92 |
| Interest-bearing liabilities | T€ | 21 227 | 23 451 |
| Cash and cash equivalents | T€ | 6 686 | 6 229 |
| Net liabilities | T€ | 14 541 | 17 222 |

*Operating profit without IFRS 3 depreciations refers to operating profit that does not include depreciations or goodwill impairments resulting from allocation of acquisition costs related to business acquisitions.

## Outlook for 2013

If economic growth continues to be slow, demand for communications services will grow very moderately. The growth in demand for digital communications is forecasted to continue growing.*

Edita is continuing to develop its operations and services in order to respond to customer needs and is investing in the reinforcement of its position as a Nordic communications group. Thanks to measures carried out in 2012, Edita will be able to develop its business operations efficiently and to offer its customers a more versatile selection of communication services and products. The Group's result is expected to improve clearly.

## Market Review

In 2012, demand for communications services grew modestly. Most of this growth occurred in demand for digital communications services. When compared to the previous year, advertising decreased in Finland (-3.8%, 11/2012)** and in Sweden (-1.6%, 9/2012)***. The decline in demand for traditional printed material diminished the market for the printing industry in Finland and Sweden.

## The Edita Group and Changes in Group Structure

The Edita Group is comprised of four business areas: Marketing Services, Editorial Communication, Publishing, and Print & Distribution.

In 2012, Edita Plc acquired Klikkicom Oy, a digital marketing company operating in the Nordic countries, as well as the National Centre for Professional Development in Education Educode Ltd, operating in Finland, and a 70 per cent share in the Swedish Sandvikens Tryckeri och Bokbinderi AB.

## Net Revenue

In 2012, the consolidated net revenue was EUR 113.2 million (EUR 105.8 million). The net revenue in Finland was EUR 52.0 million (EUR 49.2 million). The net revenue in other EU countries was EUR 58.6 million (EUR 55.5 million) and exports outside the EU totaled EUR 2.6 million (EUR 1.1 million). The net revenue of Finnish companies was 48% (48%) of the Group net revenue and that of Swedish companies 52% (52%) of the Group net revenue.

| **Net revenue (EUR 1,000)** | **2012** | **2011** | **Change 2012-2011** |
|---|---|---|---|
| Marketing Services | 32 896 | 20 316 | 61.9% |
| Editorial Communication | 14 832 | 15 474 | -4.2% |
| Print & Distribution | 52 798 | 59 314 | -11.0% |
| Publishing | 15 439 | 14 221 | 8.6% |
| Internal transactions and other operations | -2 773 | -3 481 | 20.3% |
| **Group** | **113 192** | **105 844** | **6.9%** |

The **Marketing Services** business area's net revenue was EUR 32.9 million (EUR 20.3 million). The acquisition of the Klikkicom Group increased the net revenue by EUR 13.1 million. The net revenues of Citat Oy and Mods AB grew, while Citat AB's net revenue decreased as the company reduced its subcontract invoicing.

The **Editorial Communication** business area's net revenue decreased slightly from the previous year and was EUR 14.8 million (EUR 15.5 million).

The **Publishing** business area's net revenue was EUR 15.4 million (EUR 14.2 million). The acquisition of the National Centre for Professional Development in Education Educode Ltd increased net revenue by EUR 1.5 million. Edita Publishing Oy's net revenue decreased slightly.

* The Finnish Association of Marketing Communication Agencies (MTL), MTL-Barometer (Q4/2012); Institute for Advertising and Media Statistics (IRM), Sweden, Revised advertising and media forecast, December 2012.
** TNS Media Intelligence, Media advertising, November 2012.
*** Institute for Advertising and Media Statistics (IRM), Sweden, Media market Q3 2012.

The **Print & Distribution** business area's net revenue was EUR 52.8 million (EUR 59.3 million). The net revenue decreased by EUR 6.5 million from the previous year due to the shrinking of the printing markets and the continuation of the fierce pricing competition. The acquisition of Sandvikens Tryckeri och Bokbinderi AB's shares increased net revenue by EUR 1.3 million.

## Consolidated Operating Profit

The Group's operating profit for 2012 was EUR -4.1 million (EUR 2.2 million), which is EUR 6.3 million down from the previous year. In addition to the declining demand for printing services and the minor growth of the communications market, the operating profit was impaired by costs related to the adjustment measures carried out in the Print & Distribution and Editorial Communication business areas as well as by the depreciations of goodwill in the Print & Distribution and Marketing Services business areas.

Costs of one-time measures totaled EUR 7.9 million (EUR 2.5 million), of which salaries paid for the period of notice account for EUR 3.4 million (EUR 1.7 million), impairment for EUR 3.7 million (EUR 0 million) and other one-time expenses for EUR 0.8 million (EUR 0.8 million). Swedish VAT returns, sales of fixed assets and other one-time profits amounted to EUR 1.7 million (EUR 1.4 million). The Group's operating profit without one-time items was EUR 2.1 million (EUR 3.3 million). The result is satisfactory, considering the market conditions.

| **Operating profit/loss (EUR 1,000)** | **2012** | **2011** |
|---|---|---|
| Marketing Services | -1 115 | -368 |
| Editorial Communication | -1 276 | 487 |
| Print & Distribution | -1 385 | 1 523 |
| Publishing | 2 433 | 2 973 |
| Other operations | -2 773 | -2 429 |
| **Group** | **-4 115** | **2 185** |
| **Operating profit %** | **-3.6%** | **2.1%** |

The **Marketing Services** business area's operating loss was EUR 1.1 million (EUR 0.4 million). The operating profit includes EUR 2.2 million (EUR -1.1 million) in one-time expenses, the majority of which (EUR 2.0 million) is impairment of intangible assets due to goodwill and business mergers. Without impairment, the operating profit was positive and higher than in the previous year both in Finland and in Sweden.

The **Editorial Communication** business area's operating loss was EUR 1.3 million (profit: EUR 0.5 million). This includes EUR 1.7 million (EUR 0.1 million) in costs related to the adjustment measures. Excluding these one-time expenses, the result decreased only a little from the previous year.

The **Publishing** business area's operating profit was EUR 2.4 million (EUR 3.0 million). Depreciation of goodwill resulting from the acquisition of the National Centre for Professional Development in Education Educode Ltd and the company's rationalization expenses impaired the operating profit by EUR 0.3 million.

The **Print & Distribution** business area's operating loss was EUR 1.4 million (profit: EUR 1.5 million), which is EUR 2.9 million down from the previous year. The operating profit was weakened by goodwill impairments (EUR 1.3 million) and the costs of the adjustment measures. On the other hand, it was improved by one-time profits yielded by Swedish VAT returns. In Finland, the operating profit without one-time items was positive and higher than in the previous year. In Swedish operations, the operating profit without one-time items was negative.

**Other Operations** include group administration, the costs of which were EUR 2.8 million (EUR 2.4 million).

## Financial Position

The net cash flow from the Group's operating activities was EUR 7.3 million (EUR 8.2 million). Investments totaled EUR 3.8 million (EUR 4.2 million). Loan installments and repayments of leasing liabilities accounted for EUR 4.5 million (EUR 4.9 million). The Group's cash and cash equivalents at the end of the year totaled EUR 6.7 million (EUR 6.2 million). The Group's equity ratio was 36.8% (42.7%).

| | 2012 | 2011 |
|---|---|---|
| Return on equity (ROE) % | -13.3% | 4.3% |
| Equity-to-assets ratio % | 36.8% | 42.7% |

## Investments

The Group's gross capital expenditure, as per international financial statements standards, was EUR 7.4 million (EUR 5.0 million). The parent company's gross capital expenditure, as per the Finnish accounting legislation, was EUR 7.1 million (EUR 2.7 million). The most significant investments were the acquisition of Klikkicom Oy and digital production investments made by printing operations.

## Personnel

During the financial year, the Group employed an average of 705 (747) persons (full-time equivalents). The parent company employed an average of 30 (30) persons (FTE).

The average number of employees fell in the Print & Distribution business area by 66 persons, in the Editorial Communication business area by 10 persons and in Other Operations by 3 persons. In the Marketing Services business area, the number of employees grew by 23 persons, and in the Publishing business area by 14 persons. Acquisitions increased the average number of employees by 59 persons.

Of the Group's employees, 49% worked in Finland and 51% in other countries, mainly in Sweden.

| **Average number of employees (FTE)** | **2012** | **2011** | **Change 2012-2011** |
|---|---|---|---|
| Marketing Services | 186 | 163 | 14.1% |
| Editorial Communication | 107 | 117 | -8.5% |
| Print & Distribution | 283 | 349 | -18.9% |
| Publishing | 90 | 76 | 18.4% |
| Other operations | 39 | 42 | -7.1% |
| **Group** | **705** | **747** | **-5.6%** |
| | | | |
| **By country** | | | |
| Finland | 344 | 371 | |
| Sweden | 345 | 360 | |
| Other | 16 | 16 | |
| **Group** | **705** | **747** | |
| | | | |
| **Employee benefits expense (EUR 1,000)** | **51 273** | **48 798** | |

## Risk Management

The Edita Group's primary risks come from economic instability in the market, the significant decline and structural changes in the printing market and the weakening of the Swedish krona. Risks are assessed regularly.

Instability in the European economy influences the customers' investments in marketing communications – the largest projects are being postponed or cancelled or their scope is being curtailed. Edita works closely with its customers in order to be able to anticipate any development needs for its operations well in advance and to meet customer requirements.

The shift of focus in communications towards digital channels will continue. In the future, it will continue to be challenging for the Group to develop its operations to reflect the change in demand. This change will be strongest in the Print & Distribution business area, where operations were adjusted in 2012, too. In the Editorial Communication business area, business operations were adjusted in the latter part of the year to respond to the anticipated decrease in net revenue in early 2013. Profitable management of the transformation taking place in communications will continue to be a key challenge for the Group.

The consolidated statement of financial position includes consolidated goodwill amounting to EUR 21.7 million. The consolidated goodwill of the Print & Distribution business area was depreciated in full, and the consolidated goodwill of the Marketing Services business area was depreciated in part. If the general economic conditions continue to weaken and significantly slow down the development of the communications market, it may result in a need to consider new depreciations of goodwill in the Editorial Communication and Marketing Services business areas.

The expertise of the personnel plays a crucial role in strengthening the Group's competitiveness. The key factors which will contribute to Edita's success include developing intellectual capital and gaining commitment from and recruiting key personnel. In 2012, Edita invested in strategic HR, launched planning and training related to the long-term development of the Group's key personnel, developed commitment enhancement and incentive programs and expanded them to cover a larger proportion of the personnel, and initiated a survey on key roles.

The Group's foreign exchange risk depends on developments in the value of the Swedish krona. According to Edita's foreign exchange risk policy, the foreign exchange risk will be monitored regularly. If necessary, the foreign exchange risk will be hedged. No exchange contracts were hedged during this financial year.

Financial risks have been taken into account by hedging part of Edita's current interest-bearing liability. The hedges are valid until the end of the loan period.

Special attention was paid to the speed of invoicing and the efficient turnover of sales receivables and inventories.

## Environment

The Nordic environment program set up in 2008, Green Edita, was developed in all of the program's key areas, which are: environmental awareness, environmentally responsible operations and sustainable products and services.

In 2012, Green Office certificates were granted to JG Communication AB, Citat AB and Citat Oy. Five of the Group's offices currently have a Green Office certificate. Edita's printing plants in Helsinki and Västerås are certified in accordance with the ISO 14001 standard for environmental management.

In 2012, the energy efficiency of Edita's printing plants improved by more than 10 per cent, thanks to the development of building automation at the printing plants in Helsinki and Västerås. The improvement of energy efficiency can be seen in the Group's carbon footprint, which was more than 30 per cent smaller at the end of 2012 than in 2008.

Edita also encourages environmental responsibility on the part of its customers by reducing the environmental impact of its own operations and by offering sustainable products and services. Edita maintains websites informing people about sustainable publishing and providing guidance on taking environmental aspects into account at various stages of planning and producing a printed publication (ekojulkaisu.fi and miljoanpassadtrycksak.se).

## Board of Directors, CEO and Auditors

At Edita Plc's Annual General Meeting of April 3, 2012, Maritta Iso-Aho, Executive Vice President was elected as a new Board member. Lauri Ratia, MSc (Eng) continued as the Chairman, Kaj Friman, Senior Adviser as the Vice Chairman and Carina Brorman Head of Group Communications, Jussi Lystimäki, CEO, Eva Persson, Managing Director and Petri Vihervuori, Financial Counselor as other Board members. Further information on the Board members can be found in the Business Review of the Annual Report.

Edita Plc

Timo Lepistö
CEO

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**Attachment:** Edita Group's income statement, comprehensive income statement, balance sheet, cash flow statement and consolidated statement of changes in shareholders' equity.

Edita Group's Financial Statements are published online at www.edita.fi

ATTACHMENT:

Edita Group’s income statement, comprehensive income statement, balance sheet, cash flow statement and consolidated statement of changes in shareholders’ equity.

## Consolidated income statement (IFRS) (EUR 1,000)

| | Note | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|---|
| **Net revenue** | **2** | **113 192** | **105 844** |
| Other operating income | 4 | 2 062 | 1 686 |
| Change in inventories of finished and unfinished goods | | -134 | -137 |
| Work performed for company use | | 146 | 195 |
| Materials and services | 5 | -37 054 | -29 560 |
| Employee benefits expense | 6 | -51 273 | -48 798 |
| Depreciation | 7 | -5 886 | -6 183 |
| Impairment | 7 | -3 712 | 0 |
| Other operating expenses | 8 | -21 693 | -20 944 |
| Share of profit in associates | 15 | 237 | 81 |
| **Operating profit** | | **-4 115** | **2 185** |
| Financial income | 10 | 267 | 184 |
| Financial expenses | 11 | -867 | -891 |
| **Profit before taxes** | | **-4 716** | **1 479** |
| Income taxes | 12 | 255 | 40 |
| **Profit for the financial year** | | **-4 461** | **1 519** |
| **Distribution** | | | |
| Parent company’s shareholders | | -4 499 | 1 521 |
| Non-controlling interest | | 39 | -2 |
| Earnings per share calculated on the profit attributable to shareholders of the parent company: | | | |
| Earnings per share, EUR | | -0.75 | 0.25 |

## Consolidated statement of comprehensive income (IFRS) (EUR 1,000)

| | Note | 1.1.– 31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|---|
| **Profit for the financial year** | | **-4 461** | **1 519** |
| **Other comprehensive income** | **12** | | |
| Available-for-sale financial assets | | 3 | -1 |
| Actuarial gains and losses | | 28 | -268 |
| Translation differences | | 480 | 117 |
| Taxes relating to OCI items | | -8 | 71 |
| Post-tax OCI items for the financial year | | 503 | -80 |
| **Accumulated comprehensive income for the financial year** | | **-3 958** | **1 438** |
| Distribution of comprehensive income | | | |
| Parent company's shareholders | | -3 997 | 1 440 |
| Non-controlling interest | | 38 | -2 |

# Consolidated statement of financial position (IFRS) (EUR 1,000)

| **ASSETS** | **Note** | **31.12.2012** | **31.12.2011** |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Tangible fixed assets | 13 | 24 725 | 26 657 |
| Goodwill | 14 | 21 684 | 20 462 |
| Other intangible assets | 14 | 1 263 | 1 542 |
| Interests in associated companies | 15 | 2 840 | 2 651 |
| Other financial assets | 16 | 413 | 413 |
| Deferred tax assets | 17 | 463 | 487 |
| | | 51 388 | 52 212 |
| CURRENT ASSETS | | | |
| Inventories | 18 | 4 213 | 4 276 |
| Sales receivables and other receivables | 19,20 | 26 362 | 22 554 |
| Tax receivables based on taxable income for the financial year | | 72 | 38 |
| Other current financial assets | 16 | 79 | 76 |
| Cash and cash equivalents | 21 | 6 686 | 6 229 |
| | | 37 412 | 33 173 |
| **Total assets** | | **88 800** | **85 385** |

| **EQUITY AND LIABILITIES** | **Note** | **31.12.2012** | **31.12.2011** |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 6 000 | 6 000 |
| Share premium fund | | 25 870 | 25 870 |
| Translation differences | | 514 | 34 |
| Fair value fund | | 45 | 43 |
| Retained earnings | | -935 | 3 544 |
| Shareholders' equity attributable to parent company shareholders | 22 | 31 494 | 35 491 |
| Non-controlling interest | | 116 | 9 |
| Total shareholders' equity | | 31 610 | 35 500 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Pension obligations | 24 | 2 758 | 2 668 |
| Interest-bearing non-current liabilities | 26 | 12 713 | 16 349 |
| Non-current provisions | 25 | 648 | 738 |
| Deferred tax liabilities | 17 | 944 | 1 184 |
| | | 17 063 | 20 939 |
| Current liabilities | | | |
| Interest-bearing liabilities | 26 | 5 756 | 4 434 |
| Accounts payable and other current liabilities | 19,27 | 33 877 | 24 233 |
| Tax liabilities based on taxable income for the financial year | | 494 | 280 |
| | | 40 127 | 28 947 |
| **Total shareholders' equity and liabilities** | | **88 800** | **85 385** |

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

| | Note | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the financial year | | -4 461 | 1 519 |
| Adjustments | | | |
| Non-cash transactions | 30 | 9 250 | 5 048 |
| Interest expenses and other financial expenses | | 867 | 891 |
| Interest income | | -267 | -180 |
| Dividend income | | -6 | -4 |
| Taxes | | -255 | -40 |
| Changes in working capital | | | |
| Change in sales receivables and other receivables | | 1 675 | -621 |
| Change in inventories | | 171 | 605 |
| Change in accounts payable and other liabilities | | 1 162 | 2 318 |
| Change in provisions | | -341 | -1 172 |
| Interest paid | | -730 | -822 |
| Interest received | | 276 | 132 |
| Taxes paid | | 1 | 488 |
| **Cash flow from operating activities** | | **7 344** | **8 162** |
| | | | |
| **Investing activities** | | | |
| Sale of tangible fixed assets | | 243 | 951 |
| Acquisition of subsidiaries and business operations | | | |
| (net of cash and cash equivalents acquired) | 3 | -1 643 | -516 |
| Investments in tangible fixed assets | | -1 993 | -3 469 |
| Investments in intangible assets | | -156 | -249 |
| Dividends received | | 159 | 173 |
| **Cash flow used from investing activities** | | **-3 389** | **-3 111** |
| | | | |
| **Financing activities** | | | |
| Withdrawal of loans | | 909 | 0 |
| Repayment of loans | | -3 520 | -3 802 |
| Payment of finance lease liabilities | | -1 024 | -1 070 |
| Dividends paid | | 0 | -990 |
| **Net cash flow from financing activities** | | **-3 634** | **-5 862** |
| | | | |
| **Change in cash and cash equivalents** | | **320** | **-811** |
| Cash and cash equivalents at 1 Jan | | 6 229 | 7 038 |
| Changes in exchange rates | | 138 | 1 |
| **Cash and cash equivalents at 31 Dec.** | **21** | **6 686** | **6 229** |

## Consolidated statement of changes in shareholders' equity (IFRS) (EUR 1,000)

| | Shareholders' equity attributable to parent company shareholders | | | | | | Non-controlling interest | Total share-holders' equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium fund | Trans-lation differ-ences | Fair value fund | Retained earnings | Total | | |
| **Shareholders' equity, January 1, 2011** | **6 000** | **25 870** | **-83** | **43** | **3 212** | **35 041** | **11** | **35 052** |
| **Comprehensive income** | | | | | | | | |
| Profit for financial year | | | | | 1 521 | 1 521 | -2 | 1 519 |
| Other comprehensive income (adjusted with tax effect) | | | | | | | | |
| Available-for-sale financial assets | | | | 0 | | 0 | | 0 |
| Actuarial losses | | | | | -199 | -199 | | -199 |
| Translation differences | | | 117 | | | 117 | 0 | 117 |
| **Accumulated comprehensive income for the financial year** | | | **117** | **0** | **1 322** | **1 440** | **-2** | **1 438** |
| **Transaction with owners** | | | | | | | | |
| Dividend distribution | | | | | -990 | -990 | | -990 |
| **Shareholders' equity, December 31, 2011** | **6 000** | **25 870** | **34** | **43** | **3 544** | **35 491** | **9** | **35 500** |
| **Shareholders' equity, January 1, 2012** | **6 000** | **25 870** | **34** | **43** | **3 544** | **35 491** | **9** | **35 500** |
| **Comprehensive income** | | | | | | | | |
| Profit for financial year | | | | | -4 499 | -4 499 | 39 | -4 461 |
| Other comprehensive income (adjusted with tax effect) | | | | | | | | |
| Available-for-sale financial assets | | | | 2 | | 2 | | 2 |
| Actuarial losses | | | | | 21 | 21 | | 21 |
| Translation differences | | | 480 | | | 480 | 0 | 480 |
| **Accumulated comprehensive income for the financial year** | | | **480** | **2** | **-4 479** | **-3 997** | **38** | **-3 958** |
| **Changes in subsidiary holdings** | | | | | | | | |
| Acquired subsidiaries | | | | | | | 68 | 68 |
| **Shareholders' equity, December 31, 2012** | **6 000** | **25 870** | **514** | **45** | **-935** | **31 494** | **116** | **31 610** |