Interim Report January 1 – June 30, 2014
August 19, 2014

Delays in the restructuring of Swedish print operations weakened the net result Digital communication services will be further strengthened

The decrease in the demand for printed products and the resulting restructuring of the printing operations in Sweden reduced the operating profit of Nordic Morning compared to that of the previous year. The consolidated net revenue decreased as well, which was mostly caused by the reduction of third-party invoicing in the Klikki companies.
The Group's cash situation remained good, at EUR 10.9 (EUR 10.1) million. The net revenue was EUR 57.3 million (EUR 61.8 million), of which 42 per cent (45%) came from Finland and 58 per cent (55%) mostly from Sweden.
The Group's operating profit before non-recurring items was EUR -0.3 million (EUR 1.9 million). The operating profit, non-recurring items included, was EUR 3.2 million (EUR 2.8 million).

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GROUP KEY FIGURES		1-6/2014	1-6/2013	1-12/2013
Net sales	T€	57 267	61 834	121 292
Exports and foreign operations	%	59.0 %	56.3 %	57.5 %
Operating profit before non-operating items	T€	-254	1 870	3 978
% of net revenue	%	-0.4 %	3.0 %	3.3 %
Operating profit	T€	3 223	2 802	4 025
% of net revenue	%	5.6 %	4.5 %	3.3 %
Result before tax	T€	3 340	2 802	4 045
% of net revenue	%	5.8 %	4.5 %	3.3 %
Result for the period	T€	3 443	2 770	3 922
Equity-to-assets ratio	%	47.4	42.5	42.2
Net indebtedness	%	4.0	32.8	17.0
Gross capital expenditure	T€	1 335	844	3 579
% of net revenue	%	2.3 %	1.4 %	3.0 %
Average number of employees		681	664	668
Earnings per share (EPS)	€	0.66	0.46	0.66
Equity per share	€	6.15	5.65	5.82
Interest-bearing liabilities	T€	12 455	17 716	16 322
Cash and cash equivalents	T€	10 946	6 552	10 134
Net debt	T€	1 509	11 164	6 188

Timo Lepistö, CEO:

"The development of the diverse offering of communication services, outlined in the Group's strategy, proceeded as planned. However, the demand for printing services decreased even more than expected. The primary reason for the decrease in the Group's profitability was the wide restructuring of the Swedish printing operations. The development of the communications market as a whole was moderate, but the demand for digital communication services increased both in Finland and Sweden. Nordic Morning will continue to strengthen digital communication services in all the Group companies."

The Nordic Morning Group and Changes in Group Structure

The Nordic Morning Group is divided into four business areas:

Marketing Services, comprised of Citat AB, Klikki AB, Mods Graphic Studio AB, Klikkicom Oy, Citat Oy and the affiliate BrandSystems AB.
Editorial Communication, comprising JG Communication AB.
Publishing, comprised of Edita Publishing Oy and the National Centre for Professional Development in Education Educode Oy.
Print & Distribution, comprised of Edita Prima Oy, Edita Bobergs AB and Sandvikens Tryckeri AB.

In the Marketing Services business area, the subsidiaries wholly owned by the Group, Klikki AS and Klikki ApS, were liquidated in March and May 2014, respectively. No business operations took place in the liquidated subsidiaries in 2014.

Net revenue and profit

The Group's net revenue was EUR 57.3 million (EUR 61.8 million). The net revenue in Finland was EUR 24.2 million (EUR 28.0 million) and in other Nordic countries, primarily in Sweden, EUR 33.1 million (EUR 33.8 million). The revenue was reduced by the strong reduction in the demand for printed products, which particularly affected the sales of the Print & Distribution business area.

The Group's operating profit was EUR 3.2 million (EUR 2.8 million), which is EUR 0.4 million up from the previous year. The profit for the first half of 2014 contained significantly more non-recurring items than last year. The non-recurring net profits totaled EUR 3.5 million (EUR 0.9 million). The most significant non-recurring items were the profit from the sale of land owned by the parent company, EUR 2.4 million, and the value added tax refunds of the Swedish Print & Distribution business area, EUR 1.0 million. The Group's operating profit without non-recurring items was EUR -0.3 million (EUR 1.9 million).

The **Marketing Services** business area's net revenue was EUR 19.9 million (EUR 23.1 million) and the operating profit was EUR 0.4 million (EUR 0.7 million). The net revenue was decreased by the reduction of third-party invoicing mainly in the Klikki Group, and the operating profit was decreased primarily by the non-recurring development operations carried out at Citat AB.

The **Editorial Communication** business area's net revenue was EUR 6.0 million (EUR 5.6 million) and the operating profit was EUR 0.4 million (EUR 0.4 million). Factors increasing net revenue were the successful acquisition of new customers and the focusing of the operations towards services that support the customers' business strategy.

The **Publishing** business area's net revenue was EUR 7.1 million (EUR 7.5 million) and the operating profit was EUR 1.2 million (EUR 1.2 million). The operating profit was weakened by the rationalization of the operations of the National Centre for Professional Development in Education Educode Ltd in early 2014.

The **Print & Distribution** business area's net revenue was EUR 25.0 million (EUR 26.7 million) and the operating profit was EUR 0.1 million (EUR 2.1 million). The net revenue and operating profit decreased both in Finland and in Sweden due to a significant decrease in the demand for printing services. The operating profit includes EUR 1.0 million (EUR 0.7 million) in income from Swedish value added tax refunds.

Other Operations include group administration, the operating profit of which was EUR 1.2 million (EUR -1.5 million). The operating profit was significantly increased by the non-recurring recognition of the profits from the sale of land area owned by Nordic Morning Plc.

Non-recurring items

Exceptional transactions outside the ordinary course of business, such as gains and losses on disposal of business operations and assets, impairment, costs of discontinuing significant business operations and restructuring provisions are treated as non-recurring items. 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 Group’s equity ratio was 47.4% (42.5%). Cash and cash equivalents amounted to EUR 10.9 million (EUR 6.6 million) and interest-bearing debts stood at EUR 12.5 million (EUR 17.7 million).

Capital Expenditure

The Group’s gross capital expenditure totaled EUR 1.3 million (EUR 0.8 million). The capital expenditure is mostly related to the development of the land area owned by the parent company’s and to the development of the operations of subsidiaries as the focus of demand has shifted to multi-channel and digital communication services.

Risks and Risk Management

Nordic Morning’s most significant risks are related to the development of the general economic situation, the development and substantial structural changes underway in the marketing communications industry, as well as the value development of the Swedish krona. The Group’s risks are assessed on a regular basis as part of operational planning and reporting.

The economic development and cost-saving pressures in the public sector have an impact on the demand for communication services and customers’ investments in marketing communications. At the same time, technical development and changes in media consumption influence the communication needs of companies and organizations. The Group strives to predict its operational development needs by co-operating closely with its customers.

The Group’s balance sheet includes EUR 21.2 million in goodwill, which has been allocated to the Marketing Services and Editorial Communication business areas. If the structural change of the communication market is faster and larger than expected, the Group might have to consider write-downs of goodwill.

The Group’s currency risk is related to developments in the value of the Swedish krona. According to the Group’s foreign exchange risk policy, currency risks are monitored regularly. The Group uses hedging to manage currency risk, where necessary. No hedging of the Group’s transaction or translation positions took place during the first half of 2014.

Financing risks are managed by hedging part of the interest rates on current loans. The hedging arrangements will remain in force until the loans mature.

Corporate responsibility

Nordic Morning publishes annually a Corporate Responsibility Report that complies with the Global Reporting Initiative (GRI) guidelines. The Corporate Responsibility program consists of financial, social and environmental responsibility.

For Nordic Morning, financial responsibility means producing financial added value for the company’s key stakeholders, personnel, customers and owner. Important target groups also include partners, investors and the countries and municipalities in which we operate. The Group reports its tax footprint annually in the corporate responsibility report.

The Group’s environmental strategy is based on environmental awareness, environmentally responsible operations, services and products. In early 2014, WWF awarded Green Office certificates to Klikkicom Oy and Klikki AB, and Edita Prima Oy was granted the right to use the Swan ecolabel, pursuant to the new criteria.

The following offices of the Group are Green Office certified: the head office in Helsinki, Edita Publishing Oy’s office in Helsinki, JG Communication AB’s office in Stockholm, Citat companies’ offices in Helsinki and Stockholm and the Klikki companies’ offices in Helsinki, Stockholm and Piteå.

Nordic Morning’s production plants in Helsinki and Falun are ISO14001 certified, climate-neutral, and entitled to use the Swan ecolabel. Moreover, they have been granted the right to use the paper chain of custody labels.

Nordic Morning 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. The Group maintains websites informing people about sustainable publishing (ekojulkaisu.fi and miljoanpassadtrycksak.se). They provide guidance on how environmental considerations can be made at various planning and production stages of a printed publication.

Board of Directors

The Annual General Meeting on April 4, 2014, decided that Kaj Friman (Chairman), Jussi Lystimäki (Vice Chairman), Carina Brorman, Maritta Iso-Aho, Eva Persson and Petri Vihervuori will continue as members of Nordic Morning's Board of Directors.

Personnel

The Group employed an average of 681 persons (664) during the period from January to June. At the end of June, the total number of employees stood at 654 (661), converted to full-time employees. The number of employees in the Print & Distribution business increased by 20 persons thanks to the acquisition and integration of Edita Bobergs AB completed in late 2013. The parent company employed an average of 30 employees (31) and the number of employees at the end of June stood at 30 (30).

The key theme for the HR strategy in 2014 is the development of management. Good management creates the conditions for wellbeing among all employees. The development was started in the management teams of the Group companies in January and, by fall, it will cover all employees in managerial positions. An important channel for feedback on management is the personnel study that was conducted in March as a smaller scope survey targeting the selected development areas. The overall results of the study indicate a slight positive development compared to the personnel study conducted in 2013. Development operations in the selected areas have been started and their implementation will be monitored until the personnel study of 2015.

The development program for youth potential, The Nordic Bond 001, ended in May, when 15 young people selected for the program completed their 18-month development paths. One of their final assignments was to create a plan for increasing innovation within the Group. The Management Team approved the plan and its execution will begin in the fall. The next development program, The Nordic Bond 002, will start in late fall.

Outlook for the remainder of 2014

The structural change in the communications business will go on and economic growth will be slow, particularly in Finland. Companies and organizations will probably increase their investments in online media and social media. However, the demand for communications services on the whole is not expected to grow in the second half of the year. Nordic Morning will continue to develop its diverse offering of services in line with customer needs. All Group companies will continue to strengthen digital communication services.

The figures in this interim report have not been audited.

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Timo Lepistö
CEO

Appendix: Financial statements and notes to the financial statements

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APPENDIX: Financial statements and notes to the financial statements

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CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)	1.1. - 30.06.2014	1.1. - 30.06.2013	1.1. - 31.12.2013
Net sales	**57 267**	**61 834**	**121 292**
Other operating income	4 993	1 108	2 251
Change in inventories of finished and unfinished goods	-538	-425	-571
Work performed for company use	59	89	158
Materials and services	-19 806	-22 216	-44 761
Expenses arising from employee benefits	-24 885	-24 661	-48 393
Depreciation	-2 329	-2 279	-4 618
Impairment	0	0	0
Other operating expenses	-11 536	-10 679	-21 366
Share of results in associated companies	-1	31	33
Operating profit	**3 223**	**2 802**	**4 025**
Financial income	200	114	394
Financial expenses	-83	-115	-375
Result before taxes	**3 340**	**2 802**	**4 045**
Income taxes	103	-32	-123
Result for the period	**3 443**	**2 770**	**3 922**
Distribution			
Parent company's shareholders	3 955	2 746	3 948
Non-controlling interest	-512	23	-26
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
earnings per share, EUR	0.66	0.46	0.66

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) (EUR 1000)	1.1. - 30.06.2014	1.1. - 30.06.2013	1.1. - 31.12.2013
Result for the period	**3 443**	**2 770**	**3 922**
Other comprehensive income			
Items that may be recognized through profit and loss later			
Available-for-sale financial assets	15	-8	12
Translation differences	-514	-317	-428
Taxes relating to OCI items	-3	2	0
Post-tax OCI items for the financial year	-502	-323	-416
Accumulated comprehensive income for the financial year	**2 940**	**2 447**	**3 506**
Distribution of compehensive income			
Parent company's shareholders	3 494	2 426	3 535
Non-controlling interests	-554	20	-29

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

ASSETS	30.06.2014	30.06.2013	31.12.2013
NON-CURRENT ASSETS			
Tangible fixed assets	21 088	22 553	23 134
Goodwill	21 152	21 502	21 427
Other intangible assets	1 444	1 026	1 632
Interests in associated companies	2 171	2 617	2 513
Other financial assets	413	413	413
Deferred tax assets	203	368	142
	46 471	48 480	49 263
CURRENT ASSETS			
Inventories	2 794	3 714	3 764
Sales receivables and other receivables	21 018	23 137	26 050
Tax receivables based on taxable income for the period	87	9	29
Other current financial assets	106	71	91
Cash and cash equivalents	10 946	6 552	10 134
	34 951	33 482	40 069
Total assets	**81 422**	**81 962**	**89 331**

EQUITY AND LIABILITIES	30.06.2014	30.06.2013	31.12.2013
SHAREHOLDERS' EQUITY			
Share capital	6 000	6 000	6 000
Premium reserve	25 870	25 870	25 870
Translation differences	-384	200	88
Fair value reserve	69	39	58
Retained earnings	5 338	1 812	2 883
Equity attributable to shareholders of the parent company	36 892	33 920	34 899
Non-controlling interest	935	136	1 489
Total shareholderss equity	37 827	34 057	36 387
LIABILITIES			
Non-current liabilities			
Pension obligations	0	2 702	0
Interest-bearing non-current liabilities	2 966	10 957	10 334
Non-current provisions	602	363	309
Deferred tax liabilities	663	863	788
	4 231	14 885	11 432
Current liabilities			
Short-term interest-bearing liabilities	9 489	4 057	5 988
Accounts payable and other current liabilities	29 817	28 900	35 152
Tax liabilities based on taxable income for the period	57	64	372
	39 363	33 021	41 512
Total liabilities	43 594	47 906	52 944
Total shareholders' equity and liabilities	**81 422**	**81 962**	**89 331**

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Consolidated statement of cash flows (EUR 1000)

	1.1. - 30.06.2014	1.1. - 30.06.2013	1.1. - 31.12.2013
Cash flow from operating activities			
Profit for the financial year	3 443	2 770	3 922
Adjustments	-647	2 221	4 970
Non-cash transactions	-420	2 195	4 874
Interest expenses and other financial expenses	83	115	375
Interest income	-200	-114	-394
Dividend income	-7	-7	-7
Taxes	-103	32	123
Changes in working capital	3 089	-1 809	-1 164
Change in sales receivables and other receivables	5 033	3 224	311
Change in inventories	969	499	449
Change in accounts payable and other liabilities	-3 205	-5 246	-1 585
Change in provisions	292	-285	-339
Interest paid	-150	-199	-396
Interest received	200	115	395
Taxes paid (-) received (+)	-124	-33	-105
Net cash flow from operating activities (A)	**5 811**	**3 065**	**7 622**
Cash flow from investing activities			
Sale of business operations	175	0	0
Sale of tangible fixed assets	3 884	887	875
Acquisition of subsidiaries and businesses (net of cash and equivalents acquired)	-82	0	-2
Investments in tangible fixed assets	-933	-699	-878
Investments in intangible assets	-151	-17	-99
Dividends received	262	197	277
Net cash flow from investing activities (B)	**3 155**	**368**	**172**
Cash flow from financing activities			
Borrowing	0	20	20
Repayment of loans	-6 319	-3 313	-2 861
Finance lease liabilities	-162	-218	-1 427
Dividends paid	-1 500	0	0
Net cash flow from financing activities (C)	**-7 981**	**-3 511**	**-4 268**
Change in cash and cash equivalents (A+ B + C)	**985**	**-78**	**3 527**
Cash and cash equivalents at start of the period	10 134	6 686	6 686
Effect of changes in exchange rates	-172	-56	-79
Cash and cash equivalents at end of the period	**10 946**	**6 552**	**10 134**

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

	Shareholders' equity attributable to parent company shareholders						Non-controlling interest	Total share-holders' equity
	Share capital	Share premium fund	Trans-lation differen-ces	Fair value fund	Retained earnings	Total		
Shareholders' equity, January 1, 2013	**6 000**	**25 870**	**514**	**45**	**-935**	**31 494**	**116**	**31 610**
Compehensive income								
Profit for financial year					2 746	2 746	23	2 769
Other compehensive income (adjusted with tax effect)								
Available-for-sale financial assets				-6		-6		-6
Translation differences			-314			-314	-3	-317
Accumulated compehensive income			**-314**	**-6**	**2 746**	**2 427**	**20**	**2 447**
Shareholders' equity, June 30, 2013	**6 000**	**25 870**	**200**	**39**	**1 811**	**33 920**	**136**	**34 057**
Shareholders' equity, January 1, 2014	**6 000**	**25 870**	**88**	**58**	**2 883**	**34 899**	**1 489**	**36 387**
Compehensive income								
Profit for financial year					3 955	3 955	-512	3 443
Other compehensive income (adjusted with tax effect)								
Available-for-sale financial assets				12		12		12
Translation differences			-473			-473	-41	-514
Accumulated compehensive income			**-473**	**12**	**3 955**	**3 494**	**-554**	**2 940**
Transaction with owners								
Dividend distribution					-1 500	-1 500		-1 500
Shareholders' equity, June 30, 2014	**6 000**	**25 870**	**-384**	**69**	**5 338**	**36 893**	**935**	**37 827**

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OPERATING SEGMENTS (EUR 1000)

NET REVENUE	1.1. - 30.06.2014	1.1. - 30.06.2013	Change %	1.1. - 31.12.2013
Print & Distribution				
External net revenue	24 512	26 043		51 849
Inter-segment net revenue	521	660		1 144
Print & Distribution, total	25 033	26 703	-6.3 %	52 993
Marketing Services				
External net revenue	19 659	22 913		44 478
Inter-segment net revenue	217	159		259
Marketing Services, total	19 876	23 072	-13.9 %	44 737
Editorial Communication				
External net revenue	5 993	5 443		10 581
Inter-segment net revenue	55	180		350
Editorial Communication, total	6 048	5 622	7.6 %	10 932
Publishing				
External net revenue	7 082	7 405		14 327
Inter-segment net revenue	18	68		105
Publishing, total	7 100	7 473	-5.0 %	14 432
Other operations				
External net revenue	22	30		58
Inter-segment net revenue	1 809	1 841		3 691
Other operations, total	1 831	1 871	-2.1 %	3 749
Eliminations	-2 620	-2 908		-5 549
Group	**57 267**	**61 834**	**-7.4 %**	**121 292**

OPERATING PROFIT/LOSS	1.1. - 30.06.2014	1.1. - 30.06.2013	Change %	1.1. - 31.12.2013
Print & Distribution	82	2 082	-96.0 %	2 317
Marketing Services	360	684	-47.3 %	1 086
Editorial Communication	437	358	22.1 %	701
Publishing	1 178	1 151	2.3 %	2 611
Other operations	1 166	-1 473	179.2 %	-2 690
Group	**3 223**	**2 802**	**15.0 %**	**4 025**
Financial income and expenses	117	-1		20
Profit before taxes	**3 341**	**2 802**	**19.2 %**	**4 045**

INVESTMENTS	1.1. - 30.06.2014	1.1. - 30.06.2013	Change %	1.1. - 31.12.2013
Print & Distribution	503	614	-18.1 %	3 110
Marketing Services	235	93	152.8 %	228
Editorial Communication	34	21	62.9 %	53
Publishing	0	0	0.0 %	0
Other operations	563	116	385.4 %	189
Group	**1 335**	**844**	**58.2 %**	**3 579**

AVERAGE NUMBER OF EMPLOYEES	1.1. - 30.06.2014	1.1. - 30.06.2013	Change %	1.1. - 31.12.2013
Print & Distribution	266	246	8.1 %	253
Marketing Services	223	215	3.7 %	214
Editorial Communication	74	76	-2.6 %	75
Publishing	79	87	-9.2 %	87
Other operations	39	40	-2.5 %	39
Group	**681**	**664**	**2.6 %**	**668**

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COLLATER AND CONTINGENT LIABILITIES (EUR 1000)	30.06.2014	30.06.2013	31.12.2013
Loans from financial institutions secured by mortgages and pledges			
Corporate mortgages given	300	801	300
Property mortgages given	2 018	2 018	2 018
Pledged machinery and equipment	1 395	2 009	1 653
Other collateral given on behalf of shareholders			
Property mortgages given	0	40	840
Minimum leases payable on the basis of non-cancelleble operating leases:			
Within one year	1 991	2 697	2 689
1-5 years	1 789	6 681	3 994
	3 780	9 378	6 682

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, and the preparation of the report was in compliance with the IFRS standards and interpretations approved for application in the EU and valid on June 30, 2014.

This interim report was prepared in accordance with the same principles as the annual financial statements for 2013, as well as the new changes to accounting standards adopted on January 1, 2014:

IFRS 10 Consolidated financial statements
IFRS 11 Joint arrangements
IFRS 12 Disclosures of Interests in Other Entities
IAS 28 Associates and Joint Ventures
IFRS 32 Financial Instruments: Presentation revised: Offsetting financial assets and financial liabilities
IAS 36 Impairment of assets revision Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 Financial Instruments: Recognition and Measurement revision: Novation of Derivatives and Continuation of Hedge Accounting.

The impact of the aforementioned new standards in the Nordic Morning Group has been negligible.