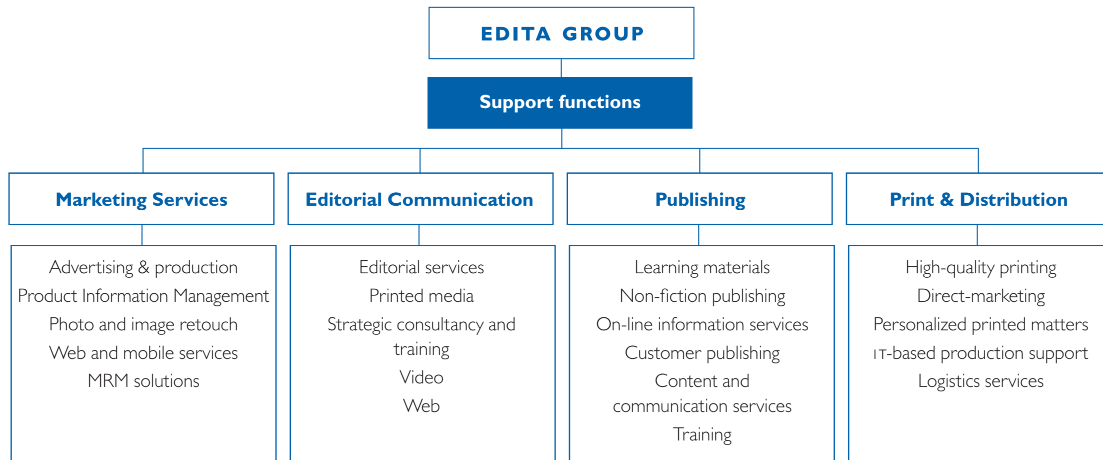
# ANNUAL REPORT

Financial Statements 2010

EDITA




## GROUP COMPANIES OPERATING IN THE BUSINESS AREAS IN 2010

**MARKETING SERVICES**

*Citat* AB, *Mods Graphic Studio* AB and associate company *Brand Systems* AB in Sweden, *Citat Finland Oy* and *Morning Digital Design Oy* in Finland and *Citat Ukraine* LLC in Ukraine.

**EDITORIAL COMMUNICATION**

*JG Communication* AB in Sweden and *Edita Press Oy* in Finland.

**PUBLISHING**

*Edita Publishing Oy* in Finland.

**PRINT & DISTRIBUTION**

*Edita Prima Oy* in Finland and *Edita Västra Aros* AB and associate company *Edita Bobergs* AB in Sweden.

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*Ecological footprint of this publication is described on page 68.*

# BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL YEAR JANUARY 1 – DECEMBER 31, 2010

**MARKET REVIEW**

The improved general economic cycle was reflected in an upturn in demand for communications services. Advertising sales grew in Finland by almost 5 percent (see * below) and in Sweden by 10 percent (see ** below). However, the demand for traditional printed material declined and, as a result, the market for the printing industry decreased both in Finland and Sweden in 2010.

**THE EDITA GROUP AND CHANGES IN GROUP STRUCTURE**

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

In January, the Edita Group acquired ownership of the Swedish company, Kampanjfabriken AB's entire capital stock. The company's operations were sold to Edita Västra Aros AB in January 2011. In September, Edita Västra Aros AB acquired Rolge AB's book-binding business. The acquisitions will strengthen the Group's expertise in personalized direct marketing.

In June, the Group increased its holding in the Ukrainian company, Citat Ukraine LLC, by 20 percent and subsequently owns 90 percent.

The streamlining of the group structure continued in the merging and dissolution of small companies. The most significant internal adjustment was the merging of Käpylä Print Oy with Edita Prima Oy in January and the dissolution of Edita Holding AB in December.

**NET REVENUE**

In 2010, the consolidated net revenue was EUR 110.3 million (EUR 110.9 million). The net revenue in Finland was EUR 55.6 million (EUR 61.9 million). The net revenue in other EU countries was EUR 54.1 million (EUR 47.7 million) and exports outside the EU totaled EUR 0.7 million (EUR 1.3 million). The net revenue was 52% (57%) for the Finnish companies and 48% (43%) for the Swedish companies of the Group net revenue.

**The Marketing Services** business area's net revenue was EUR 20.4 million (EUR 17.1 million), which is EUR 3.3 million up on the previous year. In Finland, net revenue remained at the level of the previous year. Net revenue grew in Sweden, mainly as a result of the strengthening of the Swedish krona. The recovery of the Swedish economy also increased net revenue.

**The Editorial Communication** business area's net revenue was EUR 15.6 million (EUR 15.2 million), which is EUR 0.4 million up on the previous year. The strengthening of the Swedish krona boosted net revenue. If the strengthening of the krona is disregarded, the net revenue showed a decrease, primarily due to the decline of the Swedish customer magazine industry.

**The Publishing** business area's net revenue was EUR 14.8 million (EUR 15.4 million), which is EUR 0.6 million down from the previous year. The discontinuation of unprofitable publishing programs caused a decrease in net revenue. Electronic publications and learning materials retained a healthy marketing position and their net revenue grew.

**The Print & Distribution** business area's net revenue was EUR 64.1 million (EUR 68.4 million), which is EUR 4.3 million down from the previous year. The shrinking of the printing markets and the continuation of the fierce competition on price brought net revenue down in Finland. Net revenue improved in Sweden, owing to the strengthening of the Swedish krona.

**OPERATING PROFIT**

The Group's operating profit for 2010 was EUR 2.7 million (EUR 3.7 million), which is EUR 1.0 million down from the previous year. In addition to the slow revival of demand for communications services and the tougher price competition, the Group's operating profit was weakened by the broad adjustment measures carried out in the Print & Distribution and Editorial Communication business areas, in which business operations were developed to respond better to the increasing demand for digital communications services. Total costs for those measures were EUR 2.4 million.

**) The Finnish Advertising Council (MNK) / TNS Gallup, The media advertising sales 2010.*

***) Institute for Advertising and Media Statistics (IRM), Sweden, Monthly index, December 2010.*

The **Marketing Services** business area's operating profit was EUR 0.5 million (loss: EUR 0.5 million). Sweden's operations made a profit. The Finnish operating result was weakened by adjustment measures and came out as a loss.

The **Editorial Communication** business area's operating loss was EUR 0.1 million (profit: EUR 1.1 million). The Swedish operating result was a profit, although the cost of adjustment measures brought it down compared with the previous year. Finland made a loss, which was the consequence of tough competition in the customer magazine market.

The **Publishing** business area's operating profit was EUR 3.6 million (EUR 3.3 million). This improvement in results was down to growth in the net revenue in electronic publishing programs.

The **Print & Distribution** business area's operating profit was EUR 0.3 million (EUR 2.8 million). The continued tough price competition and cost of adjustment measures weakened the result compared with the previous year both in Finland and in Sweden. Sweden's result was a profit, but Finland ran at a loss.

The operating loss of **Other Operations** was EUR 1.5 million (loss: EUR 3.0 million). Other Operations include group administration and concluded operations. The year of comparison result includes the Business Development unit abolished in 2010.

### FINANCIAL POSITION

The net cash flow from the Group's operating activities was EUR 5.8 million (EUR 6.6 million). Investments totaled EUR 3.2 million (EUR 6.8 million). Loan installments and repayments of leasing liabilities accounted for EUR 5.4 million (EUR 6.8 million). The Group's cash and cash equivalents at the end of the year totaled EUR 7.1 million (EUR 10.4 million).

The Group's equity ratio was 40.4 percent (37.3 percent). The strengthening of the Swedish krona and the positive profit performance improved the equity-to-assets ratio.

| | 2010 | 2009 |
|---|---|---|
| Return on equity (ROE) % | 4.6% | 10.6% |
| Equity-to-assets ratio % | 40.4% | 37.3% |

### INVESTMENTS

The Group's gross capital expenditure was EUR 3.3 million (EUR 6.8 million). The parent company's capital expenditure was EUR 0.3 million (EUR 0.3 million).

The most significant investments were the acquisition of the Swedish company Kampanjfabriken AB's entire capital stock, acquiring Rolge AB´s business operation from a bankruptcy estate and Edita Prima Oy's purchase of an envelope-stuffing machine.

## Net revenue by business area (EUR 1000)

| | 2010 | 2009 | Change 2010–2009 |
|---|---|---|---|
| Marketing Services | 20 446 | 17 129 | 19.4% |
| Editorial Communication | 15 581 | 15 194 | 2.5% |
| Print & Distribution | 64 137 | 68 413 | -6.2% |
| Publishing | 14 825 | 15 380 | -3.6% |
| Internal transactions and other operations | -4 641 | -5 221 | 11.1% |
| **Group** | **110 349** | **110 895** | **-0.5%** |

## Operating profit/loss by business area (EUR 1000)

| | 2010 | 2009 | Change 2010–2009 |
|---|---|---|---|
| Marketing Services | 516 | -516 | 199.9% |
| Editorial Communication | -111 | 1 128 | -109.8% |
| Print & Distribution | 291 | 2 846 | -89.8% |
| Publishing | 3 571 | 3 307 | 8.0% |
| Other operations | -1 540 | -3 046 | 49.5% |
| **Group** | **2 727** | **3 719** | **-26.7%** |
| **Operating profit %** | **2.5%** | **3.4%** | |

## Average number of employees

| | 2010 | 2009 | Change 2010–2009 |
|---|---|---|---|
| Marketing Services | 166 | 154 | 7.8% |
| Editorial Communication | 121 | 131 | -7.6% |
| Print & Distribution | 423 | 481 | -12.1% |
| Publishing | 68 | 74 | -8.1% |
| Other operations | 42 | 50 | -16.0% |
| **Group** | **820** | **890** | **-7.9%** |
| **By country** | | | |
| Finland | 447 | 514 | -13.0% |
| Sweden and Ukraine | 373 | 376 | -0.8% |
| **Group** | **820** | **890** | **-7.9%** |
| **Employee benefits expense (EUR 1000)** | **50 342** | **50 140** | **0.4%** |

### PERSONNEL

During the financial period, the Group employed an average of 820 staff (890) in its ongoing operations. The parent company employed an average of 31 persons (35).

The number of personnel fell in the Print & Distribution business area by 58 persons, in the Editorial Communication business area by 10 persons and in the Publishing business area by 6 persons. The number of personnel in other operations fell by 8 persons. In the Marketing Services business area, the average personnel number grew by 12 staff members.

Of the Group's employees, 55 percent worked in Finland and 45 percent worked in other countries, mainly in Sweden.

### RISK MANAGEMENT

The Edita Group's primary risks come from the economic downturn, significant structural changes in the printing market, the weakening of the Swedish krona and competence of the personnel. The Group assesses risks at regular intervals by conducting risk surveys.

Due to the declining economic situation, the Group had already initiated adjustment of its business operations as early as autumn 2008 in both Finland and Sweden and in all four business areas. Streamlining continued in 2010 in all business areas except Publishing.

A particular challenge is the adjustment of Edita's printing operations to the market developments in the printing industry. The shift of focus in communications towards digital channels has accelerated the shrinking of the printing industry during the economic downturn. The demand for printed matter has dropped sharply, and price competition has been very tough during the past two years.

The Group's foreign exchange risk depends on developments in the value of the Swedish krona. At the beginning of the year, Edita's Board of Directors approved the Group's foreign exchange risk policy, according to which 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 period.

In relation to financial risks, Edita hedged part of its current interest-bearing liability in previous years and the hedges are valid until the end of the loan period.

The Group has paid special attention to the management of credit loss risks and the efficient monitoring of sales receivables. Collection of outstanding debts, as well as monitoring the solvency and creditworthiness of customers, was enhanced. No significant credit losses were incurred during the review period.

The personnel's expertise plays a crucial role in strengthening the Group's competitiveness. The increasing digitalization of communication has added pressure to develop personnel's expertise. The key factors which will contribute to Edita's success include development of intellectual capital and success in gaining commitment from and recruiting key personnel. In 2010, the Group carried out assessments of key personnel and further developed its incentives scheme. Particular attention was paid to recruitment in strengthening the competence areas that are of strategic importance to the Group.

### ENVIRONMENT

The Nordic environment program set up in 2008, Green Edita, progressed in all of the program's key areas, which are: ecologically sustainable purchases,

minimization of waste products, carbon neutrality and energy efficiency.

Edita's environmental activity has previously focused heavily on companies that carry out production activities. In 2010, Edita began to work to reduce its environmental impact, including also in service units which carry out primarily office-based work. The WWF Green Office system was selected as the environmental standard for our offices. Edita Publishing Oy was the first Group company to be granted the right to display the Green Office logo in December 2010.

In the fall of 2008 Edita began a program to measure the carbon dioxide emissions resulting from the company's operations. In 2010, JG Communication AB, Edita Prima Oy and Citat AB all achieved climate neutrality. Climate neutrality had previously been achieved by Edita Västra Aros AB and Edita Bobergs AB. The abovementioned companies have all reduced the carbon dioxide emissions in their operations and compensated the remaining emissions by donating to UN-supervised projects.

Edita also encourages environmental responsibility on the part of its customers by developing its own operations and by offering environmentally friendly products and services. In 2010, Edita published websites in Finland and Sweden informing people about sustainable publishing. They provide guidance on how environmental considerations can be made at various stages of planning and production. They provide guidance on how environmental impact can be considered at various stages of planning and production.

Edita's environmental program received public recognition in Sweden. Edita Västra Aros AB was awarded the Environmental Management Council's "Excellent Green Supplier" prize and Guldstänk Environment prize for 2010. In Finland, the Global Responsibility online service created by Morning Digital Design for Stora Enso topped the European Excellence Awards category for Best Website.

### BOARD OF DIRECTORS, CEO AND AUDITORS

At Edita Plc's Annual General Meeting of April 30, 2010, all Board members were re-elected: **Lauri Ratia** (Chairperson), **Jarmo Väisänen** (Vice Chairperson), **Carina Broman, Liisa Jauri, Riitta Laitasalo, Timo Löyttyniemi** and **Eva Persson**. Further information on the Board members can be found in the Annual Report.

**Timo Lepistö** is the company's CEO.

Edita's Annual General Meeting of April 30, 2010 re-elected KPMG Oy, Authorized Public Accountants, as the Auditor for 2010, and **Minna Riihimäki**, APA, as the principal auditor.

### POST-STATEMENT EVENTS

Edita Prima Oy's production unit at Vilppula was sold to Painotalo Miktor Oy in January 2011.

### OUTLOOK FOR 2011

Demand for communications services is expected to grow modestly in Finland and Sweden (see * below). The growth in demand for digital communications will continue to be strong, but it is expected to begin to level off gradually.

Edita Group's profitability is expected to remain at a similar level to the preceding year. Edita Group will continue to reinforce its position as a provider of communications services in the Nordic countries.

Various factors bring uncertainty to Edita's business operations. The decline in demand for printing services and the increase in paper prices could cause the profits for printing operations to decrease in 2011.

### BOARD'S PROPOSAL ON THE DISPOSAL OF DISTRIBUTABLE FUNDS

Edita Plc's equity was EUR 43 000 288.87 at the end of the financial year. The company's distributable funds are EUR 11 130 678.53, of which profit for the year was EUR 8 397 254.41.

The Board proposes to the Annual General Meeting that the distributable funds be disposed of as follows:

| | |
|---|---|
| – A dividend of EUR 0,165 per share to be paid, totaling: | EUR 990 000.00 |
| (63% of the Group's profit for the financial year) | |
| – The remainder to be left in retained earnings: | EUR 10 140 678.53 |
| | EUR 11 130 678,53 |

No material changes have occurred in the company's financial position since the end of the previous financial year. The company's liquidity is good, and, in the opinion of the Board, payment of the proposed dividend will not jeopardize the company's liquidity position.

*) The Finnish Association of Marketing Communication Agencies (MTL), MTL-Barometer (Q4/2010);

Institute for Advertising and Media Statistics (IRM), Sweden, Forecast 2010-2011.

# EDITA PLC
# CONSOLIDATED INCOME STATEMENT (IFRS) (EUR 1000)

| | Note | 1.1. -31.12.2010 | 1.1. -31.12.2009 |
|---|---|---|---|
| **Net revenue** | **2** | **110 349** | **110 895** |
| Other operating income | 5 | 301 | 690 |
| Change in inventories of finished and unfinished goods | | -469 | -53 |
| Work performed for company use | | 258 | 268 |
| Materials and services | 6 | -30 133 | -30 276 |
| Employee benefits expense | 7 | -50 342 | -50 140 |
| Depreciation | 8 | -6 433 | -6 388 |
| Impairment | 8 | -85 | 0 |
| Other operating expenses | 9 | -20 952 | -21 347 |
| Share of profit in associates | 16 | 232 | 70 |
| **Operating profit** | | **2 727** | **3 719** |
| Financial income | 11 | 136 | 242 |
| Financial expenses | 12 | -1 059 | -1 858 |
| **Profit before taxes** | | **1 804** | **2 103** |
| Income taxes | 13 | -244 | 1 164 |
| **Profit for the financial year** | | **1 560** | **3 267** |
| **Distribution** | | | |
| Parent company's shareholders | | 1 555 | 3 252 |
| Non-controlling interest | | 5 | 15 |
| Earnings per share calculated on the profit attributable to shareholders of the parent company: | | | |
| earnings per share, EUR | | 0.26 | 0.54 |

# EDITA PLC
# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS) (EUR 1000)

| | Note | 1.1. -31.12.2010 | 1.1. -31.12.2009 |
|---|---|---|---|
| **Profit for the financial year** | | **1 560** | **3 267** |
| **Other comprehensive income** | 13 | | |
| Net investment hedging | | 0 | -164 |
| Available-for-sale financial assets | | 8 | 27 |
| Translation differences | | 2 533 | 1 016 |
| Taxes relating to OCI items | | -2 | -4 |
| Post-tax OCI items for the financial year | | 2 539 | 876 |
| **Accumulated comprehensive income for the financial year** | | **4 099** | **4 143** |
| Distribution of comprehensive income | | | |
| Parent company's shareholders | | 4 090 | 4 128 |
| Non-controlling interest | | 9 | 15 |

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

| ASSETS | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Tangible fixed assets | 14 | 28 220 | 30 613 |
| Goodwill | 15 | 20 026 | 18 777 |
| Other intangible assets | 15 | 1 882 | 2 052 |
| Interests in associated companies | 16 | 2 720 | 2 337 |
| Other financial assets | 17 | 432 | 432 |
| Deferred tax assets | 18 | 574 | 822 |
| | | 53 854 | 55 032 |
| CURRENT ASSETS | | | |
| Inventories | 19 | 4 761 | 5 167 |
| Sales receivables and other receivables | 20,21 | 21 662 | 19 453 |
| Tax receivables based on taxable income for the financial year | | 767 | 20 |
| Other current financial assets | 22 | 77 | 82 |
| Cash and cash equivalents | 22 | 7 038 | 10 361 |
| Assets held for sale | 3 | 472 | 0 |
| | | 34 777 | 35 082 |
| **Total assets** | | **88 631** | **90 115** |

| EQUITY AND LIABILITIES | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 6 000 | 6 000 |
| Share premium fund | | 25 870 | 25 870 |
| Translation differences | | -83 | -2 613 |
| Fair value fund | | 43 | 37 |
| Retained earnings | | 3 362 | 3 546 |
| Shareholders' equity attributable to parent company shareholders | 23 | 35 191 | 32 841 |
| Non-controlling interest | | 11 | 18 |
| Total shareholders' equity | | 35 201 | 32 858 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Pension obligations | 24 | 2 161 | 1 860 |
| Interest-bearing non-current liabilities | 26 | 20 482 | 24 604 |
| Non-current provisions | 25 | 1 910 | 1 777 |
| Deferred tax liabilities | 18 | 1 426 | 1 540 |
| | | 25 979 | 29 780 |
| Current liabilities | | | |
| Short-term interest-bearing liabilities | 26 | 4 887 | 5 346 |
| Accounts payable and other current liabilities | 20,27 | 22 224 | 21 604 |
| Tax liabilities based on taxable income for the financial year | | 340 | 528 |
| | | 27 451 | 27 478 |
| **Total shareholders' equity and liabilities** | | **88 631** | **90 115** |

## EDITA PLC
## CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1000)

| | Note | 1.1. -31.12.2010 | 1.1. -31.12.2009 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the financial year | | 1 560 | 3 267 |
| Adjustments | | | |
| Non-cash transactions | 30 | 6 947 | 5 891 |
| Interest expenses and other financial expenses | | 1 059 | 1 858 |
| Interest income | | -133 | -242 |
| Dividend income | | -3 | -3 |
| Taxes | | 244 | -1 164 |
| Changes in working capital: | | | |
| Change in sales receivables and other receivables | | -1 996 | 1 233 |
| Change in inventories | | 296 | -744 |
| Change in accounts payable and other liabilities | | -507 | -872 |
| Change in provisions | | 133 | -1 027 |
| Interest paid | | -868 | -1 726 |
| Interest received | | 148 | 238 |
| Taxes paid | | -1 120 | -123 |
| **Cash flow from operating activities** | | **5 760** | **6 586** |
| **Investing activities** | | | |
| Income from divestment of business operations | | 800 | 0 |
| Sale of tangible fixed assets | | 180 | 2 727 |
| Acquisition of subsidiaries and business operations (net of cash and cash equivalents acquired) | 4 | -707 | 0 |
| Investments in tangible fixed assets | | -2 203 | -6 406 |
| Investments in intangible assets | | -316 | -432 |
| Dividends received | | 114 | 101 |
| **Cash flow used from investing activities** | | **-2 131** | **-4 010** |
| **Financing activities** | | | |
| Borrowing | | 0 | 2 500 |
| Repayment of loans | | -4 582 | -5 341 |
| Payment of finance lease liabilities | | -860 | -894 |
| Dividends paid | | -1 740 | 0 |
| **Net cash flow from financing activities** | | **-7 182** | **-3 735** |
| **Change in cash and cash equivalents** | | **-3 553** | **-1 159** |
| Cash and cash equivalents at 1 Jan | | 10 443 | 11 468 |
| Changes in exchange rates | | 220 | 110 |
| Changes in fair value of investments | | 6 | 23 |
| **Cash and cash equivalents at 31 Dec.** | | **7 115** | **10 443** |

# EDITA 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** | | |
| Shareholders' equity, January 1, 2009 | 6 000 | 25 870 | -3 465 | 14 | 294 | 28 712 | 0 | 28 712 |
| **Comprehensive income** | | | | | | | | |
| Profit for financial year | | | | | 3 252 | 3 252 | 15 | 3 267 |
| Other comprehensive income (adjusted with tax effect) | | | | | | | | |
| Net investment hedging | | | -164 | | | -164 | | -164 |
| Available-for-sale financial assets | | | | 23 | | 23 | | 23 |
| Translation differences | | | 1 016 | | | 1 016 | | 1 016 |
| Accumulated comprehensive income for the financial year | | | 853 | 23 | 3 252 | 4 128 | 15 | 4 143 |
| **Changes in subsidiary holdings** | | | | | | | | |
| Change in non-controlling interests | | | | | | | 3 | 3 |
| Shareholders' equity, December 31, 2009 | 6 000 | 25 870 | -2 613 | 37 | 3 546 | 32 841 | 18 | 32 858 |
| Shareholders' equity, January 1, 2010 | 6 000 | 25 870 | -2 613 | 37 | 3 546 | 32 841 | 18 | 32 858 |
| **Comprehensive income** | | | | | | | | |
| Profit for financial year | | | | | 1 555 | 1 555 | 5 | 1 560 |
| Other comprehensive income (adjusted with tax effect) | | | | | | | | |
| Net investment hedging | | | | | | | | |
| Available-for-sale financial assets | | | | 6 | | 6 | | 6 |
| Translation differences | | | 2 529 | | | 2 529 | 4 | 2 533 |
| Accumulated comprehensive income for the financial year | | | 2 529 | 6 | 1 555 | 4 090 | 9 | 4 099 |
| **Transaction with owners** | | | | | | | | |
| Dividend distribution | | | | | -1 740 | -1 740 | | -1 740 |
| **Changes in subsidiary holdings** | | | | | | | | |
| Change in non-controlling interests | | | | | | | -16 | -16 |
| Shareholders' equity, December 31, 2010 | 6 000 | 25 870 | -83 | 43 | 3 362 | 35 191 | 11 | 35 201 |

# EDITA PLC
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Accounting Policies Applied to the Consolidated Financial Statements

### Basic Information

The Edita Group produces printing and marketing communications production services, publishes books and maintains online services. The Group's parent company, Edita Plc, is a Finnish public limited company domiciled in Helsinki. The registered address of the parent company is Hakuninmaantie 2, FI-00430, Helsinki, Finland. The consolidated financial statements are available on the Group's website at the address www.edita.fi and at the parent company's head office.

These financial statements were approved for publication by the Board of Directors of Edita Plc at its meeting held on February 15, 2011. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to accept or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting may also decide to amend the financial statements.

### Accounting Basis

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). In preparing them, the International Accounting Standards (IAS) and IFRS, together with their Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, valid on December 31, 2010 have been applied. The IFRS refer to the standards and associated interpretations given in the Finnish Accounting Act and in regulations issued under it that are approved by the EU for application in accordance with the procedure laid down in Regulation (EC) No 1606/2002. The Notes to the Consolidated Financial Statements also meet the provisions of Finnish accounting and company law that supplement the IFRS.

The consolidated financial statements' figures are presented in thousands of euros and are based on original acquisition costs unless otherwise notified in the accounting policies.

The Group has applied the following new and revised standards and interpretations as of January 1, 2010:

- Revised IFRS 3 Business Combinations (effective for financial periods beginning on or after July 1, 2009). It includes many changes of significance to the Group. Under the revised standard, the same acquisition method will be applied to business mergers, despite the various significant changes that the method has undergone, compared with the previous IFRS 3 standard. For example, all payments made towards acquisitions will be recorded at the fair value at the time of the acquisition and certain conditional payments classed as liabilities will be valued later at the fair value through the statement of comprehensive income. For each individual acquisition, it may be decided whether the valuation of the the non-controlling interests should be based on the fair value or a relative share of the acquired company's net assets. All costs associated with acquisitions will be recorded as expenses. The amendments to the standard affect the amount of goodwill that can be recognized on acquisitions and the results of business disposals. The amendments also have an effect on gains or losses recognized both in the financial year of acquisition and in the financial periods in which an additional purchase price is paid or extra acquisitions are made. In accordance with the standard's transfer provisions, business combinations in which the acquisition date is prior to the standard's mandatory application will not be adjusted.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for financial periods beginning on or after July 1, 2009). The amended standard requires the effects of changes in subsidiary ownership to be recognized directly in the Group's equity when the parent company retains control. If the parent company loses control in a subsidiary, any remaining investment will be measured at fair value through profit or loss. A corresponding accounting treatment will also be applied in the future to investments in associates (IAS 28) and joint ventures (IAS 31). As a result of the amendments, a subsidiary's losses can be allocated to the non-controlling interests, even when these losses exceed the amount of the latter's investment.
- Amendments to IAS 39 Financial Instruments: Instruments: Recognition (ADD SPACE) and Measurement - Eligible Hedged Items (effective for

financial periods beginning on or after July 1, 2009). The amendments concern hedge accounting. They provide further clarification to IAS 39's guidance on the hedging of a one-way risk in a hedged item and the hedging of an inflationary risk, when it concerns financial assets or liabilities. The amendment had no effect on Edita's consolidated financial statements.
– Improvements to IFRSs – amendments, April 2009 (effective mainly for financial periods beginning on or after January 1, 2010). Through the Annual Improvements procedure, small and less urgent amendments to the standards are collected and implemented together once a year. The amendments in the project apply to 12 standards. Their impact varies from standard to standard, but they had no significance for the consolidated financial statements.

In order to prepare the financial statements in compliance with the IFRS, the Group management must make estimates and use its judgment in selecting and applying accounting policies. Information on the judgments made by the management in applying the financial statements accounting policies of the Group, and which have the greatest impact on the figures presented in the financial statements, is presented in the accounting policies section "Accounting policies requiring the management's judgment, and key uncertainties associated with estimates".

### Subsidiaries

The consolidated financial statements cover the parent company, Edita Plc, and all its subsidiaries. Subsidiaries are companies in which the Group exercises control. Control is constituted when the Group holds over half of the voting power or otherwise exercises control.

The existence of potential voting power is also taken into account when assessing the conditions for control. Control refers to the right to determine a company's financial and business policies in order to derive benefit from its operations.

Accounting for the subsidiaries is reported using the acquisition cost method. Acqusition value for the subsidiaries is allocated in accordance with identifiable assets and assumed liabilities, which are evaluated at the fair value at the time of acquisition. Costs associated with acquisitions are recorded as expenses. A possible contingent additional purchase price is valuated at the fair value at the time of acquisition and it is recognized as a liability. An additional purchase price classified as a liability is valuated at the fair value on the ending date of each reporting period and any profit or loss derived from this is recorded as either profit or loss.

Subsidiaries acquired are consolidated in the consolidated financial statements from the date when the Group obtained control, while subsidiaries divested are consolidated up to the date when control ceases. All business transactions within the Group, internal receivables and liabilities and distribution of profit are eliminated in the consolidated financial statements.

The allocation of profit or loss for the financial period to the parent company shareholders and non-controlling interests is presented in a separate income statement and the allocation of comprehensive income to the parent company shareholders and non-controlling interests is presented in connection with the comprehensive income statement.

Any shares held by shareholders and non-controlling interests in the acquiree are measured either at the fair value or at an amount which corresponds to the share of the share held by the non-controlling owners relative to the identifiable net assets of the acquiree. The basis of measurement is defined separately for each acquisition. Comprehensive income is allocated to the parent company shareholders and non-controlling interests, even if this should mean that the shares held by the latter become negative.

The share of shareholders' equity owing to non-controlling interests is presented as a separate item on the balance sheet under shareholders' equity. Changes in the parent company's shareholding in a subsidiary, which do not lead to loss of control, are treated as equity-related transactions.

A previous shareholding in a staggered acquisition is measured at the fair price and any profit or loss derived from this is recorded as either profit or loss. When the Group loses control in a subsidiary, the remaining investment is measured at the fair price on the date of the expiry of control and the difference derived from this is recorded as either profit or loss.

Acquisitions made prior to January 1, 2010 have been treated according to the policies effective at the time.

### Associates

Associates are companies in which the Group has significant influence. Significant influence is reached when the Group owns more than 20% of the company's voting power or when the Group otherwise has significant influence, but not control.

Associates are consolidated by using the equity method.

If the Group's share of an associate's losses exceeds the carrying amount of the investment, the investment is recognized at zero value on the balance sheet. Losses exceeding the carrying amount are not aggregated, unless the Group is committed to fulfilling the obligations of the associates.

An investment in an associate includes the goodwill resulting from the acquisition. A share of associates' profits for the financial year that corresponds with the Group's holding is presented as a separate item under operating profit. The Group's share in associates' changes recognized in other items of comprehensive income are recognized accordingly in the Group's other items of comprehensive income. The Group's associates have not had any such items during the 2009–2010 financial periods.

### Translation of Items Denominated in Foreign Currencies

The figures related to the profit and financial position of the Group's units are measured in the currency of each unit's main operating environment ("the operating currency"). The consolidated financial statements are presented in euros, which is the operating and reporting currency of the Group's parent company.

Business transactions denominated in foreign currencies are recognized in the operating currency according to the exchange rate prevailing on the transaction date. Monetary items denominated in foreign currencies are translated into operating currency amounts using the exchange rates of the balance sheet date. Non-monetary items are measured at the exchange rates of the measurement date.

Gains and losses arising from transactions denominated in foreign currencies and from the translation of monetary items are recognized through profit or loss. Exchange rate gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange rate gains and losses related to foreign currency loans are included in financial income and expenses.

Income and expense items on the comprehensive income statements and separate income statements of foreign Group companies are translated into euros at the average exchange rate of each company's financial year and their balance sheets are translated at the exchange rates of the end date of the reporting period.

Translating income and comprehensive income for the year at different exchange rates in the income statement and comprehensive income statement and in the balance sheet results in a translation difference, which is recognized under shareholders' equity, in the balance sheet. Changes in translation difference are recognized under other items of comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accumulated after the acquisition, as well as the effect of hedging instruments on net investments are recognized under other items of comprehensive income. When subsidiaries are divested in whole or in part, the aggregated translation differences are recognized in the income statement under sales gains or losses.

According to the exemption permitted by IFRS 1, translation differences arising before January 1, 2007, the date when the Group adopted the IFRS, are recognized under retained earnings in conjunction with the transfer to IFRS, and will not be recognized in the income statement at a later date in conjunction with the sale of a subsidiary. As of the transfer date, translation differences arising in drawing up the consolidated financial statements are recognized as a separate item under shareholders' equity.

As of January 1, 2007, goodwill resulting from the acquisition of foreign units, and fair value adjustments made to the carrying amounts of said foreign units' assets and liabilities in conjunction with the acquisition, are treated as assets and liabilities of said foreign units and are translated into euros using the exchange rates of the balance sheet date.

### Tangible Fixed Assets

Tangible fixed assets are recognized at cost less accumulated depreciation and, when applicable, impairment.

If a fixed asset comprises several parts whose useful lives are of different lengths, each part is treated as a separate asset. In this case, the costs associated with renewing each part are capitalized and, in connection with the renewal, any remaining carrying amount is recognized off balance sheet. In other cases, costs arising later are included in the carrying amount of a tangible fixed asset only when it is likely that the future financial benefit associated with the asset will benefit the Group and when the acquisition cost of the asset can be reliably calculated. Other repair and maintenance costs are recognized through profit or loss, once they are realized.

Tangible fixed assets are depreciated using the straightline method throughout their estimated useful life. Land is not depreciated. The estimated useful lives are as follows:

| | |
|---|---|
| Buildings and structures | 10–30 years |
| Machinery and equipment | 4–15 years |

The residual values and useful lives of assets are checked for all financial statements and, if necessary, are adjusted to reflect changed conditions.

When tangible fixed assets are classified as for sale according to IFRS 5 Non-current assets held for sale

and discontinued operations, depreciation is no longer recognized.

Sales gains and losses resulting from the retiring and sale of tangible fixed assets are included in other operating income or expenses. Sales gains are defined as the difference between the sale price and the remaining acquisition cost.

## Intangible Assets

*Goodwill*

Goodwill derived from business mergers taking place after January 1, 2010 is recognized as the amount at which the compensation paid out, the share held by non-controlling interests in the acquiree and any previously owned holding combined exceed the Group's share of the fair value of acquired net assets.

Acquisitions that took place in the period January 1, 2007 – December 31, 2009 are recognized according to previous IFRS regulation (IFRS 3 (2004)). Goodwill arising from business mergers taking place before 2007 corresponds with the carrying amount in accordance with practices used in earlier financial statements, and this amount is used as the deemed cost under the IFRS.

Goodwill (and other intangible assets with unlimited useful life) is not subject to depreciation, but is tested annually for any impairment. For this purpose goodwill is allocated to cash-generating units, or, in the case of associates, is included in the acquisition cost of the said associates. Goodwill is measured at cost less impairment.

*Research and Development Expenditure*

Research expenses are recognized as income statement expenses for the period in which they arise. Development expenses from the planning of newer or more highly developed products are capitalized as intangible assets in the balance sheet once the product can be implemented technically and used commercially and once it can be expected that the product will generate future financial benefit. Capitalized development expenses include the material, work and testing costs that are directly associated with completing the asset for its intended purpose. Development expenses that have already been recorded as expenses are not capitalized later.

Assets are subject to depreciation as soon as they are ready for use. After their initial recognition, capitalized development expenses are measured at acquisition cost less accumulated depreciation and impairment. The useful life of capitalized development expenditure is four years, during which time the capitalized costs are recognized as expenses depreciated using the straightline method.

*Other Intangible Assets*

Intangible assets are recognized in the balance sheet at original acquisition cost when the acquisition cost can be calculated reliably and when it is likely that the expected economic benefits of the asset will flow to the Group.

Intangible assets with limited useful life are recognized in the income statement as expenses depreciated using the straightline method during their known or estimated useful life. The depreciation periods of intangible assets are as follows:

| | |
|---|---|
| Customer agreements and associated customer relationships | 4–8 years |
| Patents and licenses | 4 years |
| IT software | 4–5 years |
| Trademarks | 10 years |

The consolidated financial statements do not cover trademarks which have unlimited useful lives.

## Inventories

Materials, accessories and unfinished and finished goods are recognized under inventories. Inventories are measured at the lower of cost or net realizable value. Acquisition cost is calculated using the first in, first out (FIFO) method. The acquisition cost of finished and unfinished products is made up of raw materials, direct costs resulting from work carried out, other direct costs and an appropriate share of the variable and indirect fixed general costs of manufacturing at normal capacity utilization. The net realizable value is the estimated sales price obtainable through normal business, less the estimated expenses of completing the product and the estimated essential expenses of selling the product.

## Leases

Leases of tangible assets in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. They are recognized in the balance sheet at the start of the lease term, at the fair value of the leased asset or at the present value of minimum lease payments, whichever is lower.

The assets acquired through finance leases are depreciated during the useful life of the assets or during the lease term, whichever is shorter. Leasings due for payment are distributed to financial expenditure and liability reduction during the lease

term, so that each liability remaining during the period receives the same percentage of interest at the end of each month. Lease liabilities are recorded under interest-bearing liabilities.

The Group does not have any leases classifiable as finance leases where a Group company is the lessor, nor does it have any purchase contacts, according to the IFRIC 4 Determining Whether an Arrangement Contains a Lease interpretation, which, on the basis of their actual content, could be interpreted as a lease.

Leases in which substantially all the risks and rewards incidental to ownership remain with the lessor are classified as operating leases. Operating lease expenses are recognized under other operating expenses and the total value of future minimum lease payments is disclosed in the Notes as off-balance sheet liabilities.

## Impairment of Tangible and Intangible Assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated.

Recoverable amounts are also evaluated annually for the following asset items, irrespective of whether or not there is any indication of impairment: goodwill, intangible assets if they have unlimited useful life, and unfinished intangible assets.

The recoverable amount is the fair value of the asset less expenses arising from sale or the value in use, whichever is higher.

The value in use is the future net cash flows expected to be derived from an asset or cash-generating unit, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment requirement is considered at the cash-generating unit (CGU) level, or the level formed by groups of cash generating units, which are mainly independent of other units and whose cash flows can be extracted from other cash flows. Six cash-generating units have been defined in the Group:

1. Marketing Services Finland
2. Marketing Services Sweden
3. Editorial Communication Sweden
4. Print & Distribution Finland
5. Print & Distribution Sweden
6. Publishing

An impairment loss is recognized when the carrying amount of an asset is greater than its recoverable amount. An impairment loss is recognized immediately in the income statement. If an impairment loss affects a cash-generating unit, it is first allocated by lowering the goodwill allocated to the cash-generating unit and then by lowering the unit's other assets in the same ratio.

The useful life of an asset subject to depreciation is reassessed when the impairment loss is recognized. An impairment loss recognized for any assets other than goodwill is reversed if there is a change in the assessments used to calculate the asset's recoverable amount. However, an impairment loss can only be reversed up to the carrying value of the asset before recognition of the impairment loss. An impairment loss recorded for goodwill cannot be reversed under any circumstances.

## Employee Benefits

Employee benefits include short-term employee benefits, other long-term benefits, termination benefits and postemployment benefits.

Short-term post-employment benefits include salary and nonmonetary benefits, annual leave and bonuses. Other long-term benefits include, for example, a celebration, holiday or remuneration in return for many years of service. Benefits provided when employment is terminated are based on termination of employment, not the employee's performance.

Post-employment benefits comprise pensions and other benefits, such as life insurance, provided on the basis of employment. Benefits are classified into defined contribution plans and defined benefit plans. The Group has both defined contribution plans and defined benefit plans.

Contributions to defined contribution plans are recognized in the income statement for the period in which the contributions are payable. Those plans that do not fulfill the definition of defined contribution plans are classified as defined benefit plans.

The company's obligation to defined benefit plans continues even after the contributions made during the financial year. Annual actuarial calculations are made for plans classified as defined benefit plans, and the expense, and the liability or asset, are recognized in the financial statements on the basis of these calculations. The liability recognized in the balance sheet is formed by the difference between the present value of the pension obligation and the fair value of the plan assets and the difference between unrecognized actuarial gains and losses.

Actuarial assumptions are used to calculate the defined benefit plan obligation. They are classified into demographic statistical assumptions and economic assumptions. Demographic statistical assumptions

include mortality rates, the termination of employment relationships and the commencement of work incapacity. Economic assumptions comprise the discount rate, future salary levels, expected return on plan assets and the inflation assumption.

Edita applies the corridor method for accounting actuarial gains and losses which means that actuarial gains and losses are recognized in the balance sheet. Net accumulated actuarial gains and losses that are not recognized in the income statement are recognized if, at the end of the previous financial year, they exceed whichever is the greatest of the following: 10% of the current value of the defined benefit obligation on the day in question (before deducting the plan assets) or 10% of the fair value of the plan assets on the day in question. These limits are calculated and applied separately for each defined benefit plan.

Concerning defined benefit plans, the portion of actuarial gains and losses recognized in the income statement is the amount exceeding the gains and losses divided by the expected average remaining working lives of the participating employees.

### Provisions and Contingent Liabilities

A provision is recognized when the Group has an existing legal or factual obligation resulting from an earlier event, the fulfillment of the payment obligation is probable and its magnitude can be reliably quantified. Provisions are valued according to the current value of the expenditure required to settle the obligation. The provision is discounted if the time value has fundamental significance for the size of the provision.

Provisions in the Group include rental expenses for empty business premises (onerous contracts), other restructuring provisions and pension expense provisions concerning unemployment pension insurance.

A restructuring provision is made when the Group has compiled a company-specific restructuring plan and launched its implementation or informed the affected parties accordingly. A provision for environmental obligations is made when the Group has an obligation, based on environmental legislation and the Group's environmental responsibility policies, which relates to site decommissioning, repairing environmental damage or moving equipment from one place to another.

A contingent liability is an obligation that may arise as a result of earlier events and whose existence will be confirmed only if an uncertain event outside the control of the Group is realized. A contingent liability is also considered to be an existing obligation where the payment obligation will probably not need to be fulfilled or whose magnitude cannot be reliably defined. Contingent liabilities are disclosed in Note 32.

### Income Taxes for the Year and Deferred Taxes

The tax liability in the income statement is made up of income tax for the financial year and deferred tax. Taxes are recognized through profit or loss, except when they relate directly to shareholders' equity or to items recognized in the comprehensive income statement. Thus, tax is also recognized in the relevant items. Income tax for the financial year is calculated on the basis of the valid tax rate for the country in question. Tax is adjusted with any taxes related to earlier financial years.

Deferred taxes are calculated from temporary differences between the carrying amount and the taxable amount. In taxation, deferred tax is not recognized for non-deductible goodwill, or for subsidiaries' undistributed profits if the temporary difference is expected to exist in the foreseeable future.

The largest temporary differences are caused by the depreciation of tangible fixed assets, the measurement of derivative contracts at fair value, defined benefit plans and fair value assessments made in conjunction with corporate acquisitions.

Deferred taxes are calculated using the official tax rates valid on the balance sheet date or those that were approved in practice by the end date of the reporting period.

Deferred tax assets are recognized only to the extent that, in the future, taxable profits against which the temporary difference can be utilized are likely to be available. Recognition of deferred tax assets is evaluated in this respect on the end date of each reporting period.

### Recognition Policies

Revenue includes the income from the sale of products and services measured at fair value adjusted with indirect taxes, discounts granted and exchange differences for foreign currency sales.

*Sale of Goods*

Income from the sale of goods is recognized when the major risks and rewards incidental to ownership of the goods have been transferred to the buyer. This occurs normally at the time of transfer of the goods in accordance with the contract terms and conditions.

*Revenue from sales of services*

Income from the sale of services is recognized according to an income recognition method based on

degree of completion, provided that the degree of completion and the associated income and expenses can be reliably calculated. The degree of completion is defined according to the amount of work carried out in relation to the estimated amount of work required to complete the whole project. If the derived costs and recognized profits are greater than the amount charged from the project, the difference is presented on the balance sheet under the item "sales receivables and other receivables." If the derived costs and recognized profits are less than the amount charged from the project, the difference is presented on the balance sheet under the item "accounts payable and other current liabilities"

Otherwise, the income from the service is recognized once the service has been provided. When it is likely that the overall expenses required to complete the service will exceed the overall income from the project, the expected loss is immediately recognized as an expense.

*License and Royalty Receivables*

License and royalty receivables are recognized according to the actual content of the contract.

*Interest and Dividends*

Interest income is recognized using the effective interest method and dividend income is recognized when right to dividends has been established.

## Non-current Assets Classified as Held for Sale and Discontinued Operations

Business operations are treated as discontinued or held for sale when the management is committed to discontinuing or selling a separate business whose associated assets, liabilities and operating income can be extracted as a separate unit, both operationally and in reporting.

Once the characteristics of assets held for sale are fulfilled, the non-current assets are recognized at the lower of the balance sheet value or the fair value less sales expenses. Depreciation is no longer recognized for fixed assets. The assets and liabilities included in the group of assets held for sale are presented separately from the assets and liabilities of continuing operations. The profit after taxes from discontinued or held-for-sale operations and the sales profit or loss from their sale are recognized separately from continuing operations in the income statement.

A discontinued operation is a part of the Group which has been abandoned or which has been classified as held for sale and fulfills one of the following criteria:

1. It is a significant separate business unit or a unit representative of a geographical area.
2. It is part of a co-ordinated plan which involves the abandonment of a separate central business area or geographical area of operations.
3. It is a subsidiary which has been acquired for the sole purpose of being resold.

The Group has identified the transferred assets from the Vilppula printing unit in the group of assets held for sale (Note 3). The Group subsidiary, Edita Prima Oy, sold the business operations of the Vilppula unit and the sale came into force on January 1, 2011. Tangible fixed assets and inventory items were included in the group of assets held for sale.

## Financial Assets

The Group's financial assets have been classified into the following groups under IAS 39: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets. The classification is based on the purpose of the acquisition of the financial asset and takes place in conjunction with the original acquisition.

Financial instruments in the Financial assets at fair value through profit or loss group are entered on the income statement for the period in which they arise. The derivative instruments that are in use in the Group are included in this group. The Group uses derivative instruments to hedge against changes in the interest rates of loans. Derivative contracts drawn up for this purpose are measured at fair value on the balance sheet date, and changes in the fair value are recognized through profit or loss under financial income or expenses.

Loans and other receivables are assets to which no derivatives are applied, and which are specifically classified in this group or not classified in any other group. They are valued at amortized cost and are recognized in the balance sheet, according to their nature, as current assets or non-current assets (those maturing in over 12 months). In the Edita Group, this group includes sales receivables and other receivables. The amount of uncertain receivables is estimated on the basis of the risk of individual assets. Impairment losses are recognized as an expense in the income statement under other operating expenses.

*Available-for-sale financial assets* are assets to which no derivatives are applied, and which are specifically classified in this group or not classified in any other group. Available-for-sale financial assets comprise listed and unlisted equities. They are valued at fair value. If the fair value of unlisted shares cannot be reliably

assigned, the assets are valued at the original cost or probable value, whichever is the lowest. Changes in the fair value of available-for-sale financial assets are recognized in other items of comprehensive income and are disclosed in the fair value reserve, less the tax effect. Accumulated changes in fair value are transferred from shareholders' equity to the income statement when the investment is sold or when its value has been impaired to such an extent that an impairment loss should be recognized. Available-for-sale investments are included in noncurrent assets, except when the intention is to keep them for less than 12 months from the balance sheet date, in which case they are included in current assets.

*Cash and cash equivalents* consist of cash, demand deposits and other current, extremely liquid, investments, which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal.

The transaction date is generally used when recognizing financial instruments. Financial assets are removed from the balance sheet when the Group has lost the contractual right to cash flows or when it has transferred substantially all the risks and rewards to an outside party.

### Financial Liabilities and Borrowing Costs

Financial liabilities are initially recognized at fair value. Derivative instruments used to hedge against changes in financial liabilities are recognized at fair value through profit or loss. All other financial liabilities are measured at amortized cost after their initial recognition.

Financial liabilities are included in non-current and current liabilities. Financial liabilities are classified as current if the Group has no unconditional right to postpone repayment of the debt for at least 12 months from the ending date of the reporting period.

Expenses arising from interest-bearing liabilities are recognized as liabilities during the financial period during which they arose.

### Derivative Contracts and Hedge Accounting

During the financial period of the comparison year the Group applied hedge accounting to a net investment in a foreign operation. During 2009, the Group hedged against a weakening of the Swedish krona by using forward exchange agreements and currency options. The effective portion of the change in value of the hedging forward exchange agreements and options, i.e. the change in spot value, is recognized in other items of comprehensive income, and the interest rate difference and ineffective portion of the change in value is recognized in financial items in the income statement. On the date of the balance sheet for the comparison year, the Group had no open derivative contracts to which it had applied hedge accounting.

Derivative contracts are originally recognized at fair value at the date on which the Group became a party to the contract, and they are still measured later at fair value. Gains and losses arising from measurement at fair value are accounted for as determined by the purpose of the derivative contracts. The profit impacts of the value changes of those derivative contracts to which hedge accounting has been applied and which are effective hedges are recognized together with the hedged item.

The Group documented the hedge accounting at the beginning of the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy applied. When initiating the hedge and thereafter when publishing all financial statements, the Group Management documented and assessed the effectiveness of the hedging relationships by examining the ability of the hedging instrument to nullify changes in the fair value of the hedged item or changes in cash flows. The gains and losses originating from the hedging of a net investment in a foreign operation and accumulated in the translation differences in shareholders' equity are recognized in the income statement when the net investment is relinquished completely or partially.

In spite of the fact that certain hedging relationships fulfill the requirements for effective hedging set by the Group's risk management, hedge accounting is not applied to them. Changes in their fair value are recognized in financial income or expenses in accordance with the method of recognition followed in the Group.

### Operating Profit

*IAS 1 Presentation of Financial Statements does not define the concept of operating profit*. The Edita Group defines operating profit as the net sum arrived at by adding other operating income to net revenue, deducting the costs of materials and services (adjusted for changes in inventories of finished and unfinished goods), employee benefit expenses, personnel expenses depreciation, impairment and other operating expenses, and taking account of the share of profit/loss from associates. All income statement items other than the above-mentioned are disclosed in the lines below operating profit.

Exchange rate differences and changes in the fair values of derivatives are included in operating profit, provided that they arise from items related to business operations. Otherwise, they are recognized in financial items.

The Group has changed its presentation of segment-based operating profits so that Management Fee services charged to subsidiaries of the parent company are not included in the operating profit of operating segments. Operating profit from the segment-based financial year of comparison is adjusted according to the new presentation method in the Board of Directors' report and in Note 2.

### Accounting Policies Requiring the Management's Judgment, and Key Uncertainties Associated with Estimates

In order to draw up the financial statements in compliance with the IFRS, the Group management must make estimates and assumptions concerning the future, the outcome of which may differ from that of earlier estimates and assumptions. It is also necessary to employ judgment in applying the accounting policies. The estimates are based on the management's best assessments on the balance sheet date. Any changes made to the estimates and assumptions are entered in the financial statements for the year during which the changes are made, and in all subsequent years.

Estimates have been used in drawing up the financial statements, for example in the calculations for impairment testing, allocation of acquisition costs and when defining the life of tangible and intangible assets. The management must also employ judgment in assessing receivables and product development capitalization, tax risks, the calculation of pension liabilities and utilization of deferred tax assets against future taxable income.

### Future IFRS and Interpretations

The International Accounting Standards Board (IASB) has announced the following new or amended standards and interpretations, which are not yet in force and which the Group has not yet adopted. The Group will apply each standard and interpretation from the effective date. However, if this date is not the first day of the financial year, it will apply the standard and interpretation from the beginning of the following financial year.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for financial periods beginning on or after February 1, 2010). The amendment applies to the accounting treatment (classification) of rights issues (rights, options or warrants) denominated in currencies other than the functional currency of the issuer. The amendments have no significance for future consolidated financial statements.
- IFRIC 19 Amortization of financial liabilities using puttable financial instruments classified as equity (effective for financial periods beginning on or after July 1, 2010). The interpretation clarifies account-handling cases where the company renegotiates the conditions of its financial liabilities and, as a result, puttable financial assets classified as equity are issued in order to amortize the financial liabilities either in part or as a whole. The Interpretation will have no effect on the Group's future financial statements.
- Amendment to the interpretation IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for financial periods beginning on or after January 1, 2011). The amendment is to correct the undesired effect resulting from interpretation IFRIC 14 IAS 19- *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. After the amendments, companies may classify certain voluntary prepayments of a minimum funding requirement as assets in the balance sheet. The Interpretation will have no effect on the Group's future financial statements.
- The revised IAS 24 Related Party Disclosures (effective for financial periods beginning on or after January 1, 2011). The definition of Related Party has been further specified and certain requirements for notes to financial statements related to organizations with public authority have been amended.
- IFRS 9 Financial instruments (effective for financial periods beginning on or after January 1, 2013). IFRS 9 is the first stage of a more comprehensive project which aims to replace IAS 39 with a new standard. Different methods of measurement have been preserved, but they have been simplified. Financial assets are allocated on the basis of measurement into two principal groups: amortized cost and fair value. Classification depends on the company's business model and the characteristics of agreement-based cash flows. The guidance on impairment and hedge accounting found in IAS 39 remains valid. Chapters from previous periods do not need to be corrected if the standard is adopted before the financial period beginning January 1, 2012. The standards have not yet been approved for application in the EU.
- Improvements to IFRSs – amendments, May 2010 (effective mainly for financial periods beginning on or after July 1, 2010). Through the Annual Improvements procedure, small and less urgent amendments to the standards are collected and implemented together once a year. The amendments have not yet been approved for application in the EU.

# NOTES ON CONSOLIDATED FINANCIAL STATEMENT

## 2. Operating Segments

The Group's operations are steered and reported on by the separate business areas which make up the following operating segments:

**Print & Distribution:** the business area responsible for complete graphic production services which, in addition to printing services, include the following value-added services: administration of registers and databases, printing of changing information, and logistics and storage solutions. The business area includes the Finnish subsidiaries Edita Prima Oy and real estate company Vantaan Hakamäenkuja. In Sweden, the business area comprises the operations of Edita Västra Aros AB, Arkpressen i Västerås AB and Kampanjfabriken AB, and a 33.33% holding in associate company Edita Bobergs AB.

The Board of Directors of Edita Prima Oy decided on December 29, 2010 to sell the Vilppula unit from the Print & Distribution segment. The assets of the unit were classified as held for sale in the financial statement of the financial year ending December 31, 2010. The date of the transaction was January 1, 2011.

**Marketing Services:** the business area responsible for customer marketing production processes, which include digital marketing communications, manipulation and production of images and production of graphic outsourcing services. The business area comprises the Finnish subsidiaries Morning Digital Design Oy and Citat Finland Oy. In Sweden, the business area comprises Citat AB, Mods Graphic Studio AB and associate company Kenosha Holding AB (Brandsystems) with 40% holding. In Ukraine, the business area comprises Citat Ukraine LLC.

**Editorial Communication**: the business area responsible for editing and producing stakeholder publications, the design and implementation of web services and audiovisual production. In the 2010 financial year, the business area comprised the Finnish subsidiary Edita Press Oy, and JG Communication AB and Journalistgruppen JG AB in Sweden.

**Publishing**: the business area responsible for publishing books and subscriber publications and the production of online, up-to-date information services for companies and other entities. The business area comprises the Finnish subsidiary Edita Publishing Oy.

**Other Operations** includes the administrative operations of Edita Sweden AB and the operations of the parent company Edita Plc, which owns the Group's subsidiaries and steers the Group's operations and supports them with expert and administrative services. Additionally, the Business Development unit of Edita Sverige AB is included in Other Operations in the comparison year. Other operations also include smaller income from inactive companies, which have no actual operations.

The Group has not combined operating segments to form the reporting segments mentioned above. Segment-based data is consolidated according to the accounting principles (IFRS) applied on the Group level, and reporting to the Board (the Chief Operating Decision Maker) forms the basis of segment reporting. Figures for the operating segments are reported and the company's management uses these figures to allocate the Group's resources to the segments and to assess their performance. Transfer prices between the segments are based on market prices. The Group does not have any individual external customers who account for more than 10% of the Group's total income.

The segment's assets and liabilities are operating items that the segments use in their operations. Business segment assets comprise fixed assets, sales receivables, receivables from long-term projects and inventories, and liabilities comprise accounts payable as well as liabilities of long-term projects. All other assets and liabilities are presented in unallocated items in the reconciliation of segment information. The main items in the monitoring and reporting of segments are net revenue and operating profit/loss (described in Note 1).

| | Print & Distribution | Marketing Services | Editorial Comm. | Publishing | Other Operations | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **2010 financial year** | | | | | | | |
| EUR 1000 | | | | | | | |
| External net revenue | 60 571 | 19 928 | 14 761 | 14 791 | 298 | | 110 349 |
| Inter-segment net revenue | 3 566 | 518 | 820 | 34 | 4 059 | -8 998 | 0 |
| **Net revenue, total** | **64 137** | **20 446** | **15 581** | **14 825** | **4 357** | **-8 998** | **110 349** |
| Depreciation | -4 429 | -717 | -353 | -93 | -840 | | -6 433 |
| Impairment | -85 | 0 | 0 | 0 | 0 | | -85 |
| Investments in associates | 229 | 3 | 0 | 0 | 0 | | 232 |
| **Operating profit/loss** | **291** | **516** | **-111** | **3 571** | **-1 540** | | **2 727** |
| **Assets and liabilities** | | | | | | | |
| Goodwill | 1 261 | 10 783 | 7 982 | 0 | 0 | | 20 026 |
| Associates | 1 663 | 1 068 | 0 | 0 | 0 | | 2 730 |
| Segment assets | 20 934 | 9 009 | 5 532 | 2 482 | 12 697 | -752 | 49 901 |
| **Segment assets, total** | **23 857** | **20 860** | **13 514** | **2 482** | **12 697** | **-752** | **72 658** |
| **Segment liabilities** | **3 597** | **1 780** | **1670** | **519** | **555** | **-752** | **7 368** |
| **Investments** | **1 836** | **522** | **532** | **57** | **366** | | **3 312** |

| | Print & Distribution | Marketing Services | Editorial Comm. | Publishing | Other Operations | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| **2009 financial year** | | | | | | | |
| EUR 1000 | | | | | | | |
| External net revenue | 64 396 | 16 438 | 14 513 | 15 345 | 203 | | 110 895 |
| Inter-segment net revenue | 4 017 | 691 | 681 | 35 | 3 921 | -9 345 | 0 |
| **Net revenue, total** | **68 413** | **17 129** | **15 194** | **15 380** | **4 124** | **-9 345** | **110 895** |
| Depreciation | -4 471 | -656 | -323 | -102 | -837 | | -6 388 |
| Impairment | 0 | 0 | 0 | 0 | 0 | | 0 |
| Investments in associates | 121 | 0 | 0 | 0 | -51 | | 70 |
| **Operating profit/loss** | **2 846** | **-516** | **1 128** | **3 307** | **-3 046** | | **3 719** |
| **Assets and liabilities** | | | | | | | |
| Goodwill | 1 209 | 10 117 | 7 451 | 0 | 0 | | 18 777 |
| Associates | 1 390 | 0 | 0 | 0 | 946 | | 2 337 |
| Segment assets | 26 594 | 9 689 | 3 939 | 2 760 | 13 878 | -986 | 55 874 |
| **Segment assets, total** | **29 193** | **19 806** | **11 390** | **2 760** | **14 824** | **-986** | **76 987** |
| **Segment liabilities** | **4 175** | **2 846** | **1912** | **825** | **696** | **-986** | **9 468** |
| **Investments** | **6 077** | **149** | **88** | **115** | **409** | | **6 838** |

## Reconciliations of the consolidated data and the reported segment data

| EUR 1000 | **2010** | **2009** |
|---|---|---|
| **Net revenue** | | |
| Reported segment net revenue | 110 349 | 110 895 |
| **Consolidated net revenue** | **110 349** | **110 895** |
| Profit/loss before taxes | | |
| Reported segment operating profit/loss | 2 727 | 3 719 |
| Consolidated net financial income (+) / expenses (-) | -923 | -1 616 |
| **Consolidated profit/loss before taxes** | **1 804** | **2 103** |
| Assets | | |
| Reported segment assets | 72 658 | 76 987 |
| Assets not allocated to a segment | 15 973 | 13 128 |
| **Consolidated assets** | **88 631** | **90 115** |
| Equity and liabilities | | |
| Reported segment liabilities | 7 368 | 9 468 |
| Liabilities not allocated to a segment | 46 062 | 47 789 |
| Group equity | 35 201 | 32 858 |
| **Group equity and liabilities** | **88 631** | **90 115** |

## Information concerning geographical areas

The Group's segments operate in Finland and Sweden, and the Group also has a company in Ukraine. The sales of the Ukrainian operations are internal and are therefore not presented separately in geographical terms. The revenues of geographical areas are presented in accordance with the location of the sales point, and their assets are presented in accordance with the location of the asset. Sales income from external customers have been defined in accordance with the International Financial Reporting Standards (IFRS).

EUR 1000

| **2010 financial year** | **Net revenue** | **Assets** | **Liabilities** |
|---|---|---|---|
| Finland | 57 312 | 47 210 | 33 355 |
| Sweden | 53 037 | 41 298 | 20 061 |
| Ukraine | 0 | 123 | 14 |
| **Group, total** | **110 349** | **88 631** | **53 430** |

| **2009 financial year** | **Net revenue** | **Assets** | **Liabilities** |
|---|---|---|---|
| Finland | 63 499 | 54 045 | 39 362 |
| Sweden | 47 396 | 36 008 | 17 891 |
| Ukraine | 0 | 62 | 4 |
| **Group, total** | **110 895** | **90 115** | **57 257** |

## 3. Assets held for sale

The Group subsidiary Edita Prima Oy, which is a part of the Group's Print & Distribution business area, sold the Vilppula unit operations. The assets of the Vilppula unit were classified as held for sale in the financial year's statement. The sale came into force on January 1, 2011.

EUR 1000

| **Vilppula unit's assets classified as held for sale:** | **31.12.2010** |
|---|---|
| Tangible fixed assets | 352 |
| Inventories | 120 |
| **Total** | **472** |

The unit's assets classified as held for sale did not have liabilities.

## 4. Acquired business operations

## Acquisitions in the 2010 financial year

**Subsidiary and business operation acquisitions**

The Group acquired ownership of Kampanjfabriken AB's entire capital stock. The purchase price was EUR 0.3 million, of which EUR 0.1 million was paid in cash, and EUR 0.2 million was paid as contingent additional purchase price. Under the contract, the Group is committed to pay the acquired company's profit before tax as an additional purchase sum in the 2010-2012 financial years. The Group has recognized remunerations for consultations related to company acquisitions under Other Operating Costs in the income statement.

In autumn 2010, the Group acquired Rolge AB's book-binding business. The purchase price was EUR 0.6 million, and, in the acquisition, production equipment, other receivables, and operating personnel transferred to the Group. No goodwill arose from the acquisition.

The acquisitions strengthen the direct marketing expertise in the Group's Print & Distribution business area. The values of the purchase price, acquired assets and liabilities of the acquisition were as follows:

EUR 1000

| **Consideration transferred** | **2010** |
|---|---|
| Cash in hand | 707 |
| Contingent consideration | 208 |
| **Total acquisition cost** | **915** |

The values of the acquired assets and received liabilities on the acquisition date were as follows:

| | Notes | Entered values |
|---|---|---|
| Tangible fixed assets | 13 | 525 |
| Customer contracts and customer relationships (incl. in other intangible assets) | 14 | 265 |
| Inventories | 18 | 10 |
| Sales receivables and other receivables | 19 | 220 |
| Cash and cash equivalents | | 39 |
| **Total assets** | | **1 059** |
| | | |
| Deferred tax liabilities | 17 | -70 |
| Other current liabilities | 26 | -159 |
| **Total liabilities** | | **-228** |
| | | |
| **Net assets** | | **830** |
| | | |
| Goodwill resulting from acquisition | | |
| | | |
| Acquisition value | | 915 |
| Identifiable net capital of acquired item | | -830 |
| **Goodwill** | | **85** |

The acquisition resulted in goodwill of EUR 0.1 million, which the Group has recognized as impairment during the financial year (Note 8). The acquired company was included in the consolidated financial statement from the beginning of the 2010 financial year.

**Acquisition of shares owned by non-controlling interest**

On June 23, 2010, the Group paid EUR 24,000 for an additional 20% share of the Citat Ukraine LLC share capital and now owns 90% of the company's shares. The value of the company's net assets (without goodwill) was EUR 69,000 at the time of the acquisition. The value of the share held by non-controlling interests fell EUR 15,000 due to the acquisition.

## 5. Other operating income

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Sales profit from tangible fixed assets | 178 | 544 |
| Other income items | 124 | 146 |
| **Total** | **301** | **690** |

## 6. Materials and services

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Purchases made during the financial year | -20 418 | -20 572 |
| Change in stocks | 79 | -62 |
| | -20 339 | -20 634 |
| Outsourced services | -9 794 | -9 642 |
| **Total** | **-30 133** | **-30 276** |

## 7. Payroll expenses and employee benefits

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Salaries | -37 611 | -37 787 |
| Pension costs – defined contribution plans | -7 801 | -7 144 |
| Pension costs – defined benefit plans | 0 | -10 |
| Social security expenses | -4 930 | -5 198 |
| **Payroll expenses and employee benefits, total** | **-50 342** | **-50 140** |

| Average number of employees in the Group during the financial year by business area | 2010 | 2009 |
|---|---|---|
| Print & Distribution* | 423 | 481 |
| Marketing Services | 166 | 154 |
| Editorial Communication | 121 | 131 |
| Publishing | 68 | 74 |
| Other operations | 42 | 50 |
| **Employees, total** | **820** | **890** |
| In Finland | 447 | 514 |
| In Sweden and Ukraine | 373 | 376 |
| **Employees, total** | **820** | **890** |

*During the financial year, the Vilppula unit in the Print & Distribution business area employed an average of 24 staff.

The employee benefits of management are presented under Note 33 Related party transactions.

## 8. Depreciation and impairment

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| **Depreciation by asset group** | | |
| Intangible assets | | |
| Trademarks | -131 | -118 |
| Capitalized development costs | -5 | -32 |
| Other intangible assets | -637 | -501 |
| **Total** | **-773** | **-651** |
| Tangible fixed assets | | |
| Buildings | -629 | -619 |
| Machinery and equipment | -5 031 | -5 118 |
| **Total** | **-5 660** | **-5 737** |
| Impairment by asset group* | | |
| Goodwill | -85 | 0 |
| **Total** | **-85** | **0** |

*More information on impairment in Section 4 of Notes.

## 9. Other operating expenses

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Royalties and order commissions | -2 073 | -2 221 |
| Rents | -3 039 | -3 036 |
| Other business premises expenses | -3 042 | -2 663 |
| Logistics and transport costs | -2 827 | -3 633 |
| IT and data communications | -2 470 | -2 118 |
| Marketing & representation | -1 217 | -1 367 |
| Other operating expenses | -6 284 | -6 310 |
| **Total** | **-20 952** | **-21 347** |

### Auditor's fees

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Audit | -143 | -154 |
| Certificates and reports | -3 | 0 |
| Tax consultation | -32 | -20 |
| Total auditor's fees | -13 | -9 |
| **Total auditor's fees** | **-191** | **-183** |

## 10. Research and development expenditure

EUR 731,000 of research and development expenditure was recognized as an expense in the income statement in 2010.

## 11. Financial income

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Dividend income from available-for-sale financial assets | 3 | 3 |
| Changes in value of financial assets recognized at fair value through profit or loss | | |
| - Interest rate derivatives, hedge accounting not applied | 0 | 64 |
| Interest income on bank balances (loans and other receivables) | 133 | 175 |
| **Total** | **136** | **242** |

## 12. Financial expenses

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| **Items recognized at fair value** | | |
| Items recognized through profit or loss Interest expenses on financial liabilities measured at amortized cost | -672 | -1 159 |
| Exchange rate losses on financial liabilities measured at amortized cost | -89 | -132 |
| Changes in value of financial assets recognized at fair value through profit or loss | | |
| - Interest rate derivatives, hedge accounting not applied | -67 | -252 |
| Interest expenses on finance leases | -117 | -208 |
| Other financial expenses | -115 | -107 |
| **Total** | **-1 059** | **-1 858** |

## 13. Taxes

| EUR 1000 | **2010** | **2009** |
|---|---|---|
| Income tax paid for the financial year | -219 | -237 |
| Taxes relating to previous financial years | -11 | 522 |
| Change in deferred tax assets and liabilities | -15 | 878 |
| **Taxes in the income statement** | **-244** | **1 164** |

**Reconciliation of tax liability in the income statement and the Group's taxes according to the Finnish tax rate**

| EUR 1000 | **2010** | **2009** |
|---|---|---|
| Profit before taxes | 1 804 | 2 103 |
| | | |
| Taxes at the parent company's tax rates | -469 | -547 |
| Tax-free income | 218 | 31 |
| Non-deductible expenses | -29 | -54 |
| Tax receivables recognized during the financial year | -520 | 520 |
| Unrecognized deferred tax assets<br>on losses subject to tax | -99 | -117 |
| Use of losses subject to tax | 929 | 710 |
| Taxes relating to previous financial years | -11 | 522 |
| Other | -1 | 98 |
| **Taxes in the income statement** | **-244** | **1 164** |

**Taxes relating to OCI items**

| EUR 1000 | | **2010** | | | **2009** | |
|---|---|---|---|---|---|---|
| | Before Taxes | Tax Effect | After Taxes | Before Taxes | Tax Effect | After Taxes |
| Available-for-sale financial assets | 8 | -2 | 6 | 27 | -4 | 23 |
| Net investment hedging | 0 | | 0 | -164 | | -164 |
| Translation differences | 2 533 | | 2 533 | 1 016 | | 1 016 |
| **Total** | **2 541** | **-2** | **2 539** | **880** | **-4** | **876** |

## 14. Tangible assets

2010 financial year

| Tangible assets<br>EUR 1000 | Land and water areas | Buildings | Machinery and equipment | Advance payments | Total |
|---|---|---|---|---|---|
| Acquisition cost January 1, 2010 | 6 160 | 17 632 | 57 963 | | 81 754 |
| Translation differences | | 42 | 856 | | 898 |
| Increase due to acquired subsidiaries | | | 539 | | 539 |
| Increases | | 83 | 2 277 | | 2 360 |
| Decreases | | | -6 716 | | -6 716 |
| Transfers to assets classified as held for sale | | | -4 227 | | -4 227 |
| **Acquisition cost, Dec. 31, 2010** | **6 160** | **17 757** | **50 691** | | **74 608** |
| Accumulated depreciation and impairment, January 1, 2010 | 0 | 9 071 | 42 445 | | 51 516 |
| Increases due to acquired subsidiaries | | | 3 | | 3 |
| Accumulated depreciation on decreases and transfers | | | -6 597 | | -6 597 |
| Depreciation for the financial year | | 629 | 5 031 | | 5 660 |
| Transfers to assets classified as held for sale | | | -3 875 | | -3 875 |
| **Accumulated depreciation, Dec. 31, 2010** | **0** | **9 699** | **37 007** | | **46 706** |
| **Carrying amount, December 31, 2010** | **6 160** | **8 057** | **13 684** | **319** | **28 220** |
| Carrying amount, January 1, 2010 | 6 160 | 8 561 | 15 518 | 375 | 30 613 |

2009 financial year

| Tangible assets<br>EUR 1000 | Land and water areas | Buildings | Machinery and equipment | Advance payments | Total |
|---|---|---|---|---|---|
| Acquisition cost, January 1, 2009 | 6 160 | 17 400 | 60 923 | | 84 482 |
| Translation differences | | 10 | 333 | | 344 |
| Increases | | 221 | 6 345 | | 6 566 |
| Decreases | | | -9 638 | | -9 638 |
| **Acquisition cost, Dec. 31, 2009** | **6 160** | **17 632** | **57 963** | | **81 754** |
| Accumulated depreciation and impairment, January 1, 2009 | 0 | 8 451 | 44 014 | | 52 465 |
| Accumulated depreciation on decreases and transfers | | | -6 687 | | -6 687 |
| Depreciation for the financial year | | 619 | 5 118 | | 5 737 |
| **Accumulated depreciation, Dec. 31, 2009** | **0** | **9 071** | **42 445** | | **51 516** |
| **Carrying amount, December 31, 2009** | **6 160** | **8 561** | **15 518** | **375** | **30 613** |
| Carrying amount, January 1, 2009 | 6 160 | 8 948 | 16 909 | 108 | 32 125 |

**Finance leases**

Tangible fixed assets include assets leased under finance leases as follows

| EUR 1000 | 2010 Machinery and equipment | 2009 Machinery and equipment |
|---|---|---|
| Acquisition cost | 6 907 | 8 489 |
| Accumulated depreciation | 2 542 | 3 708 |
| **Carrying amount, December 31,** | **4 365** | **4 780** |

## 15. Intangible assets

**2010 financial year**

| **Intangible assets** EUR 1000 | Goodwill | Trade marks | Develop-ment expenses | Other intangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Acquisition cost January 1, 2010 | 18 777 | 1 049 | 92 | 5 343 | | 25 270 |
| Translation differences | 1 249 | 105 | | 89 | | 1 443 |
| Increases | | | | 201 | | 201 |
| Increases due to acquired subsidiaries | 85 | | | 282 | | 367 |
| Decreases | | | | -435 | | -435 |
| **Acquisition cost, Dec. 31, 2010** | **20 111** | **1 155** | **92** | **5 480** | | **26 846** |
| Accumulated depreciation and impairment, January 1, 2010 | 0 | 257 | 87 | 4 162 | | 4 514 |
| Accumulated depreciation on decreases and transfers | | | | -434 | | -434 |
| Depreciation for the financial year | | 131 | 5 | 637 | | 773 |
| Impairment | 85 | | | | | 85 |
| **Accumulated depreciation, Dec. 31, 2010** | **85** | **388** | **92** | **4 365** | | **4 937** |
| **Carrying amount, December 31, 2010** | **20 026** | **767** | **0** | **1 115** | **0** | **21 909** |
| Carrying amount, January 1, 2010 | 18 777 | 793 | 5 | 1 181 | 73 | 20 829 |

**2009 financial year**

| **Intangible assets**<br>EUR 1000 | **Goodwill** | **Trade marks** | **Develop-ment expenses** | **Other intangible assets** | **Advance payments** | **Total** |
|---|---|---|---|---|---|---|
| Acquisition cost, January 1, 2009 | 18 343 | 1 010 | 92 | 5 074 | | 24 518 |
| Translation differences | 490 | 40 | | 48 | | 586 |
| Increases | | | | 261 | | 261 |
| Decreases | -55 | | | -40 | | -95 |
| **Acquisition cost, Dec. 31, 2009** | **18 777** | **1 049** | **92** | **5 343** | | **25 270** |
| Accumulated depreciation and impairment, January 1, 2009 | 0 | 139 | 55 | 3 699 | | 3 902 |
| Accumulated depreciation on decreases and transfers | | | | -39 | | -39 |
| Depreciation for the financial year | | 118 | 32 | 501 | | 651 |
| **Accumulated depreciation, Dec. 31, 2009** | **0** | **257** | **87** | **4 162** | | **4 514** |
| **Carrying amount, December 31, 2009** | **18 777** | **793** | **5** | **1 181** | **73** | **20 829** |
| Carrying amount, January 1, 2009 | 18 343 | 862 | 37 | 1 374 | 0 | 20 617 |

Other intangible assets include IT software, licences, customer agreements acquired through mergers, and the associated customer relationships.

## Allocation of goodwill

The Edita Group has four business segments: Print & Distribution, Marketing Services, Editorial Communication and Publishing. Of these, the Print & Distribution and Marketing Services business areas have been divided into independent cash-generating units on the basis of geographical distribution (Finland/Sweden). As Publishing operates only in Finland and Editorial Communication only in Sweden, these segments are also cash-generating units.

In order to carry out impairment testing, the goodwill of Marketing Services Sweden can only be artificially allocated to the level of the Group's cash-generating units. This is why goodwill concerning the above-mentioned has been allocated to a group of cash-generating units, i.e. to the segment level. All cash-generating units have been tested for impairment. The following shows the carrying amounts of the tested units and the allocation of goodwill to them:

| EUR 1000 | **Marketing Services Finland** | **Marketing Services** | **Editorial Communication** | **Print & Distribution Finland** | **Print & Distribution Sweden** | **Total** |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| Goodwill | 892 | 9 891 | 7 982 | 850 | 410 | 20 026 |
| Carrying amount | 1 203 | 16 241 | 10 508 | 15 043 | 8 822 | |
| **2009** | | | | | | |
| Goodwill | 892 | 9 225 | 7 451 | 850 | 359 | 18 777 |
| Carrying amount | 2 360 | 10 116 | 9 617 | 18 208 | 7 045 | |

## Impairment testing of goodwill, Dec. 31, 2010

In impairment testing, the recoverable amounts from the business areas have been defined on the basis of value in use. Cash flow forecasts are based on forecasts approved by the management and which cover a period of three years. The cash flow after the management-approved forecast period has been extrapolated using a discount rate and zero growth percentage.

The key assumptions when calculating the value in use are as follows:

1. Net revenue – Defined based on the budget for the following year and estimated forecasts for the coming years.
2. EBITDA – Defined based on the budget for the following year and on forecasts for the coming years. The prices based on the overhead cost index are also taken into account.
3. Discount rate – Defined by means of the weighted average cost of capital (WACC), which describes the total cost of equities and liabilities, taking into account the special risks associated with assets. Discounting rates are defined before taxes, and in 2010 they were between 8-10% (2009: 10-12%) depending on the cash-generating unit.

The Group recognized EUR 85,000 in impairment losses for acquisition of Kampanjfabriken AB during the financial year. Impairment has been allocated to the Print & Distribution business area.

## Sensitivity analysis in impairment testing

The assumptions used in sensitivity analyses are related to net revenue, profitability and the applied discount rate. In assessing the results of the sensitivity analyses, attention has been paid to the effect of changes in net revenue to profitability (gross margin) without consideration to any adjustment of fixed costs.

When evaluating the recoverable amounts for all business areas, no change that could be reasonably expected to occur in any of the key factors used would lead to a situation where the units' recoverable amounts fell below their respective carrying amounts.

## 16. Interests in associates

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Carrying amount, January 1 | 2 337 | 2 302 |
| Share in result | 232 | 70 |
| Decreases | -94 | -64 |
| Dividend distribution from associates | -112 | -98 |
| Translation differences | 357 | 127 |
| **Total carrying amount, December 31** | **2 720** | **2 337** |

The carrying amount of associates on December 31, 2010 included goodwill of EUR 878,000. (EUR 768,000 on Dec 31, 2009)

Information on the Group's associates and their consolidated assets, liabilities, net revenue and profit/loss.

| Associates 2010 | Domicile | Assets | Liabilities | Net revenue | Profit/loss of the financial year | Holding |
|---|---|---|---|---|---|---|
| Edita Bobergs AB | Falun | 5 554 | 1 882 | 9 185 | 581 | 33,33% |
| Kenosha Holding AB | Stockholm | 1 595 | 1 088 | 1 773 | 115 | 40,00% |

| Associates 2010 | Domicile | Assets | Liabilities | Net revenue | Profit/loss of the financial year | Holding |
|---|---|---|---|---|---|---|
| Edita Bobergs AB | Falun | 4 517 | 1 539 | 7 170 | 253 | 33,33% |
| Kenosha Holding AB | Stockholm | 1 089 | 970 | 1 516 | 9 | 40,00% |

The associate company Edita Bobergs AB provides printing services and is part of the Print & Distribution business area. Brandsystems AB, a subsidiary of Kenosha Holding AB, associate company of Edita, produces marketing communications rationalization systems and is part of the Marketing Services business area.

The carrying amount of Edita's associates includes not only goodwill, but also intangible assets and tangible fixed assets acquired and recognized in the merger of businesses. Customer agreements, technology and real estate assets were acquired through the business mergers.

Tangible assets were measured at fair value on the basis of the market price of corresponding assets, taking into account the age, wear and other corresponding factors of the acquired assets.

The fair value of customer agreements and the associated customer relations has been defined on the basis of the estimated duration of the customer relationships and the discounted net cash flow arising from these customer relationships. The fair value of technology is measured according to the estimated discounted royalties (normalized net cash flow), which are avoided when the technology in question is partly owned by the company.

## 17. Other financial assets

| **Other financial assets — following financial assets in the balance sheet item**<br>EUR 1000 | 2010 | 2009 |
|---|---|---|
| Available-for-sale financial assets | | |
| Unlisted share investments | 432 | 432 |

Unlisted equity investments measuring principles can be found in Note 29.

## 18. Deferred tax assets and liabilities

### Change in deferred taxes during 2010

| EUR 1 000 | 1.1.2010 | Recognized in the income statement | Recognized in OCI | Exchange rate differences | Acquired subsidiaries | 31.12.2010 |
|---|---|---|---|---|---|---|
| **Deferred tax asset** | | | | | | |
| Internal margin in inventories | 2 | 16 | | | | 18 |
| Provisions | 118 | 228 | | | | 346 |
| Financial instruments | 66 | 6 | | | | 72 |
| Employee benefits | 75 | -3 | | 11 | | 83 |
| Finance leases | 39 | 9 | | 6 | | 54 |
| Tax losses | 522 | -520 | | | | 2 |
| **Total** | **822** | **-264** | | **17** | | **574** |
| **Deferred tax liabilities** | | | | | | |
| Capitalization of intangible assets | 1 | -1 | | | | 0 |
| Measurement of intangible and tangible assets at fair value in merging businesses | 502 | -139 | | 49 | 74 | 486 |
| Accumulated depreciation differences | 948 | -101 | | 11 | | 859 |
| Financial instruments | 41 | -11 | 2 | | | 31 |
| Finance leases | 36 | 15 | | | | 50 |
| Provisions | 12 | -12 | | | | 0 |
| **Total** | **1 540** | **-250** | **2** | **60** | **74** | **1 426** |

### Change in deferred taxes during 2009

| EUR 1 000 | 1.1.2009 | Recognized in the income statement | Recognized in OCI | Exchange rate differences | Acquired subsidiaries | 1.12.2009 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Internal margin in inventories | 43 | -41 | | | | 2 |
| Provisions | 184 | -66 | | | | 118 |
| Financial instruments | 0 | 66 | | | | 66 |
| Employee benefits | 91 | -21 | | 5 | | 75 |
| Finance leases | 40 | -3 | | 2 | | 39 |
| Tax losses | 2 | 520 | | | | 522 |
| **Total** | **361** | **454** | | **7** | | **822** |
| **Deferred tax liabilities** | | | | | | |
| Capitalization of intangible assets | 10 | -8 | | | | 1 |
| Measurement of intangible and tangible assets at fair value in merging businesses | 587 | -110 | | 25 | | 502 |
| Accumulated depreciation differences | 1 238 | -304 | | 14 | | 948 |
| Financial instruments | 20 | 17 | 4 | | | 41 |
| Finance leases | 40 | -4 | | | | 36 |
| Provisions | 25 | -14 | | | | 12 |
| **Total** | **1 920** | **-424** | **4** | **40** | **0** | **1 540** |

The Group had EUR 25.6 million in losses confirmed on December 31, 2010, for which deferred tax assets were not recognized due to the uncertainty of their use.

## 19. Inventories

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Materials and supplies | 996 | 1 174 |
| Unfinished products | 1 629 | 1 500 |
| Finished products/goods | 2 137 | 2 493 |
| **Total** | **4 761** | **5 167** |

As expenses of EUR 514,000 were recognized for the financial year, the carrying amount of inventories was reduced to correspond with their net realizable value (EUR 467,000 in 2009).

## 20. Non-current projects and recognizing income as profit, and expenses as expenditures based on degree of completion

The Group has changed the accounting policies of the financial statement in relation to recognizing receivables and liabilities from long-term projects. The change in the accounting policy of the financial statement has no effect on the profit of the financial year, equity or key indicators. Previously the Group recognized expenses, which were related to projects that had not been entered as income, as unfinished projects in inventories, and the realized billing of the projects was included in the advances received.

In the financial statement of the financial year, difference will be included in the item "Accrued non-invoiced income" when the expenses and recognized gains exceed the billed amount relating to the project. When the expenses and recognized gains are smaller than the billed amount relating to the project, difference will be included in the item "Non-accrued invoiced income". This change reduced the amount of the inventory of the comparison year by EUR 2,346,000, increased the amount of receivables by EUR 1,048,000 and reduced total assets by EUR 1,298,000.

If realized expenses and recognized gains exceed the amount billed from the customer, the gross receivables are included in Note 21 under "Accrued non-invoiced income". Advances received for work that has not yet been started or the share already billed for long-term projects which exceeds the amount of expenses and profit are included in Note 27 under "Non-accrued invoiced income".

For unfinished long-term projects, realized expenses and profit (detected by loss) and advances received for unfinished long-term project were recognized as follows:

| **Accrued non-invoiced income**<br>EUR 1000 | Note 21 | 2010 | 2009 |
|---|---|---|---|
| Income/assignment expense | | 1 904 | 1 480 |
| Partly invoiced amount | | -460 | -432 |
| **Total** | | **1 444** | **1 048** |

| **Non-accrued invoiced income**<br>EUR 1000 | Note 27 | 2010 | 2009 |
|---|---|---|---|
| Income/assignment expense | | -773 | -867 |
| Partly invoiced amount | | 2 136 | 2 257 |
| **Total** | | **1 363** | **1 390** |

## 21. Sales receivables and other receivables

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Loans and other receivables | | |
| Sales receivables | 17 190 | 15 171 |
| Receivables from associates | 15 | 7 |
| Accrued non-invoiced income | 1 444 | 1 048 |
| Prepaid expenses and accrued income | | |
| Rents | 543 | 523 |
| Royalty receivables | 270 | 260 |
| Social security expense accruals | 298 | 376 |
| Sales accruals | 50 | 61 |
| IT service accruals | 299 | 206 |
| Annual credits | 9 | 83 |
| Other prepaid expenses and accrued income | 394 | 466 |
| Other receivables | 1 087 | 1 145 |
| Financial assets recognized at fair value through profit or loss | | |
| Derivative contracts, hedge accounting not applied | 63 | 107 |
| **Total sales receivables and other receivables** | **21 662** | **19 453** |

The Group recognized EUR 10,000 in impairment losses for sales receivables during the financial year. There are no major credit risk concentrations associated with receivables, as sales receivables are distributed across a broad group of customers in different businesses. Statement of financial position values provide the best indication of the maximum amount subject to a credit risk in a situation in which the counterparties to a contract are unable to fulfil the obligations associated with financial instruments.

### Age distribution of sales receivables and items recognized as credit losses

| EUR 1000 | 2010 | Credit losses | Net 2010 | 2009 | Credit losses | Net 2009 |
|---|---|---|---|---|---|---|
| Not due | 15 822 | | 15 822 | 13 093 | | 13 093 |
| Less than 30 days overdue | 1 169 | | 1 169 | 1 944 | | 1 944 |
| 31-60 days overdue | 121 | | 121 | 104 | | 104 |
| Over 60 days overdue | 88 | 10 | 78 | 209 | 179 | 30 |
| **Total** | **17 200** | **10** | **17 190** | **15 350** | **179** | **15 171** |

### Sales receivables by currency

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| EUR | 5 002 | 5 181 |
| SEK | 12 179 | 9 978 |
| Other currencies | 9 | 12 |
| **Total** | **17 190** | **15 171** |

## 22. Cash and cash equivalents

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Cash in hand and at the bank | 2 538 | 5 361 |
| Certificates of deposit (1-3 months) | 4 500 | 5 000 |
| Total | 7 038 | 10 361 |

There are no major credit risk concentrations associated with financial assets.

Cash and cash equivalents in the cash flow statement are formed as follows:

| | | |
|---|---|---|
| Cash in hand and at the bank, and certificates of deposit | 7 038 | 10 361 |
| Available-for-sale financial assets | 77 | 82 |
| Total | 7 115 | 10 443 |

## 23. Equity and capital management

| | Shares (number, total) | EUR 1000 Share capital | EUR 1000 Share premium fund |
|---|---|---|---|
| 31.12.2008 | 6 000 000 | 6 000 | 25 870 |
| 31.12.2009 | 6 000 000 | 6 000 | 25 870 |
| 31.12.2010 | 6 000 000 | 6 000 | 25 870 |

The company has one share class, and so there are no vote differentials. One share carries one vote. The share has no nominal value. The company's shares do not belong to the book-entry system. All shares issued have been fully paid for.

Shareholders' equity comprises share capital, the share premium fund, translation differences, the fair value fund and retained earnings.

### Share premium fund
The share premium fund is a non-distributable fund.

### Treasury shares
In 2010 and 2009 the Group held no treasury shares.

### Translation differences
The translation differences fund comprises translation differences arising from the translation of the financial statements of foreign units. The profits and losses arising from the hedging of net investments in foreign units are included in translation differences, provided that the requirements for hedging have been met.

### Fair value fund
The fair value fund comprises changes in the fair values of available-for-sale investments.

### Distributable assets
The profit for the year is recognized in retained earnings. The distributable assets of the Group's parent company were EUR 11,130,678.53 in the financial statements dated December 31, 2010.

### Capital management and dividends

The goal of the Group's capital management is to support business operations by means of an optimal capital structure that ensures normal operating conditions. The company has no fixed dividend policy. The equity-to-assets ratio and the company's needs form the basis for dividend distribution, concerning which the Board of Directors makes a proposal to the Annual General Meeting.

In 2010, EUR 0.29 per share of dividends was paid, a total of EUR 1,740,000.00. After the end date of the reporting period, the Board of Directors proposed to the Annual General Meeting that the disposal of distributable funds should be as follows: EUR 0.165 per share to be paid, totaling EUR 990,000.00.

The covenants relating to the Group's bank loans are normal terms that, for example, restrict the placement of collateral, large-scale mergers and acquisitions, essential changes in business and changes of qualified majority in ownership. The Group met the terms of the covenants in the 2010 and 2009 financial years.

The Group's capital structure is continually monitored by means of the equity-to-assets leverage ratio and the gearing ratio. The following table shows the values of these ratios in the years 2010 and 2009:

| EUR 1000 | **31.12.2010** | **31.12.2009** |
|---|---|---|
| Interest-bearing liabilities | 27 530 | 31 809 |
| Cash and cash equivalents | 7 115 | 10 443 |
| **Net indebtedness** | **20 415** | **21 366** |
| Total shareholders' equity | 35 201 | 32 858 |
| Equity-to-assets ratio, % | 40.4% | 37.3% |
| Leverage ratio, % | 58.0% | 65.0% |

The Group does not have any share-based incentive programs.

## 24. Pension obligations

The Group uses several different plans to provide its staff with pension security. Pension plans are arranged in accordance with local requirements and legislation. In Finland basic pension security is provided through the TEL (Employees' Pension Act) system which is classified as a defined contribution plan. In addition, certain supplementary pensions are provided by insurance companies.

Defined benefit plans are used in Sweden. The actuarial assumptions for defined benefit plans have been calculated by external actuaries. The defined benefit plans used in Sweden do not involve work performance-based costs, and no funds have been allocated for the arrangement. The Alecta pension insurance company's pension plan is a defined benefit plan according to the IFRS, but because Alecta is unable to provide further information, the plan is dealt with in the financial statements as a defined contribution plan. The Edita Group does not have any other post-employment benefits in addition to its pension plans.

The following tables show the reconciliation of the net value of pension obligations and the composition of the income statement expenses and the most important actuarial assumptions used in the calculations.

EUR 1000

| **Defined benefit plan obligation in the statement of financial position is defined as follows** | **2010** | **2009** |
|---|---|---|
| Present value of funded obligations | 2 364 | 2 022 |
| Fair value of plan assets | 0 | 0 |
| Deficit (+)/Surplus (-) | 2 364 | 2 022 |
| Unrecognized actuarial gains (+) and losses (-) | -203 | -162 |
| **Net obligation** | **2 161** | **1 860** |

| **Defined benefit plan pension cost recognized in the income statement is defined as follows** | **2010** | **2009** |
|---|---|---|
| Interest cost | 92 | 81 |

| **Changes in present value of the obligation are as follows** | **2010** | **2009** |
|---|---|---|
| Obligation at 1.1. | 2 022 | 1 894 |
| Interest cost | 92 | 81 |
| Benefits paid from fund | -55 | -34 |
| Exchange rate differences | 287 | 115 |
| Unrecognized actuarial gains (+) and losses (-) | 18 | -33 |
| **Present value of funded obligations** | **2 364** | **2 022** |

| **The amounts for the financial year and the previous two financial years are as follows** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Present value of obligation | 2 364 | 2 022 | 1 894 |
| Surplus (+) / Deficit (-) | -2 364 | -2 022 | -1 894 |

It is expected that approximately EUR 50,000 will be invested in the plan in 2011.

| **Actuarial assumptions used** | **2010** | **2009** |
|---|---|---|
| Discount rate | 4.0% | 4.1% |
| Inflation assumption | 2.0% | 2.0% |
| Expected remaining working years of personnel, years | 15.5 | 16.5 |

## 25. Provisions

| EUR 1000 | Restructuring | Pension expense provisions | Other provisions | Total |
|---|---|---|---|---|
| Provisions at 31.12.2009 | 1 051 | 660 | 66 | 1 777 |
| Increases | 1 011 | 2 | 0 | 1 012 |
| Amounts used | -453 | -361 | 0 | -814 |
| Reversal of unused amounts | 0 | 0 | -65 | -65 |
| **Provisions at 31.12.10** | **1 609** | **301** | **1** | **1 910** |

**Restructuring provision**
The Group decided in summer 2007 to close down the Kivenlahti rotogravure printing plant. The financial statements for 2010 include a restructuring provision of EUR 0.5 million (EUR 0.9 million) connected with the restructuring.
Other restructuring provisions are mainly related to the adjustment measures agreed under the negotiations held within the Print & Distribution business area in January 2011.

**Pension expense provisions**
Pension expense provisions comprise unemployment pension provisions of EUR 0.2 million in the Print & Distribution business area and EUR 0.1 million in Citat Finland Oy.

**Other provisions**
The Other provisions item contains the obligations, other than the events mentioned above, that have previously taken place (legal or actual), which can be reliably measured, and which are likely to require the transfer of financial resources out of the Group in order for the obligations to be fulfilled.

## 26. Interest-bearing liabilities

EUR 1000

| Non-current financial liabilities amortized at cost | 2010 | 2009 |
|---|---|---|
| Bank loans | 17 053 | 21 090 |
| Finance lease liabilities | 3 429 | 3 514 |
| **Total** | **20 482** | **24 604** |

| Current financial liabilities amortized at cost | 2010 | 2009 |
|---|---|---|
| Loan repayments due in the following year | 3 880 | 4 168 |
| Finance lease payments due in the following year | 1 007 | 1 178 |
| **Total** | **4 887** | **5 346** |

Maturing of contract-based financial liabilities by maturity class

| | Interest-bearing liabilities | | Interest | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| 2010 | | 5 346 | | 662 |
| 2011 | 4 887 | 4 673 | 475 | 512 |
| 2012 | 4 393 | 4 251 | 381 | 409 |
| 2013 | 4 304 | 4 024 | 282 | 304 |
| 2014 | 4 077 | 3 897 | 209 | 213 |
| 2015 | 6 382 | 6 297 | 93 | 94 |
| 2016 | 346 | 286 | 32 | 25 |
| Later | 981 | 1 176 | 29 | 28 |
| Total | **25 369** | **29 950** | **1 502** | **2 248** |

| Weighted averages of effective interest rates of non-current interest-bearing liabilities | **2010** | **2009** |
|---|---|---|
| | 2.1% | 3.7% |

| Non-current interest-bearing liabilities are divided by currency as follows | **2010** | **2009** |
|---|---|---|
| EUR | 17 208 | 20 582 |
| SEK | 3 273 | 4 022 |
| Total | **20 482** | **24 604** |

| Current interest-bearing liabilities are divided by currency as follows | **2010** | **2009** |
|---|---|---|
| EUR | 3 924 | 3 663 |
| SEK | 963 | 1 685 |
| Total | **4 887** | **5 348** |

Maturity periods of finance lease liabilities

| EUR 1000 | **2010** | **2009** |
|---|---|---|
| Finance lease liabilities — total amount of minimum leases | | |
| Within one year | 1 169 | 1 348 |
| Between one and five years | 3 103 | 2 861 |
| Over five years later | 632 | 940 |
| Total | **4 904** | **5 149** |
| Finance lease liabilities - total amount of minimum leases | | |
| Within one year | 1 007 | 1 178 |
| Between one and five years | 2 824 | 2 604 |
| Over five years later | 606 | 910 |
| Total | **4 436** | **4 692** |
| Financial expenses accrued in the future | 468 | 458 |

## 27. Accounts payable and other liabilities

| Non-interest-bearing<br>EUR 1000 | 2010 | 2009 |
|---|---|---|
| Current financial liabilities amortized at cost | | |
| Accounts payable | 5 197 | 4 885 |
| Liabilities to associates | 27 | 39 |
| Advances received | 128 | 528 |
| Non-accrued invoiced income | 1 363 | 1 390 |
| Accrued liabilities and deferred income | | |
| Wages and salaries with related expenses | 6 443 | 7 019 |
| Social insurance contribution expense provision from previous years | 903 | 1 350 |
| Sales accruals | 950 | 1 055 |
| Interest | 11 | 24 |
| IT Services | 5 | 0 |
| Long-term bonuses for management | 191 | 341 |
| Other accrued expenses | 860 | 390 |
| Other current liabilities | 5 871 | 4 331 |
| Financial liabilities recognized at current fair value through profit or loss | | |
| Derivative contracts, hedge accounting not applied | 275 | 252 |
| **Total accounts payable and other liabilities** | **22 224** | **21 604** |

The fair values of accounts payable and other liabilities are essentially equivalent to their carrying amounts. The discounting effect is not significant.

| Current non-interest-bearing liabilities by currency | 2010 | 2009 |
|---|---|---|
| EUR | 10 314 | 10 472 |
| SEK | 11 888 | 11 127 |
| DKK | 7 | 0 |
| UAH | 14 | 4 |
| **Total** | **22 224** | **21 604** |

## 28. Financial risk management

The Group is exposed to a number of financial risks in its normal business operations. The goal of the Group's risk management policy is to minimize the adverse effects of financial market movements on the Group's result. Under the risk management policy, risks are managed through a risk management process. This process identifies the risks threatening operations, assesses and updates them, develops the appropriate risk management actions and regularly reports on risks to the Group management team and board of directors. Financial risk management is an integral part of the Group's risk management policy. Financial risks are divided in the Group as follows:

### Currency risk

A majority of the cash flow from the Group's operations is denominated in euros. Business outside the euro zone accounts for just under 50% of the net revenue and consists mainly of sales denominated in Swedish krona. No currency derivatives were open in the Group on the balance sheet date. The risk due to the translation of long-term foreign net investments was not hedged on the balance sheet date, December 31, 2010. However, the risk due to the translation of foreign net investments was hedged during the financial year in the comparison year. The currency risk due to the translation of foreign investments was reduced by seeking finance in the same currency in which the investment was made. The parent company's operating currency is the euro. The assets and liabilities of foreign subsidiaries, denominated in foreign currencies and translated into euros at the rate of the balance sheet date, are as follows:

**Nominal values**

| EUR 1000 | **2010** | **2009** |
|---|---|---|
| Non-current assets | 22 746 | 20 395 |
| Non-current liabilities | 5 581 | 5 755 |
| Exchange-rate changes in non-current items | 2 101 | 976 |
| | | |
| Current assets | 18 675 | 15 676 |
| Current liabilities | 14 494 | 12 140 |
| Exchange-rate changes in current items | 507 | 224 |

**Currency risk sensitivity analysis in accordance with IFRS 7**

The table below shows the impact of the strengthening of the euro against the Swedish krona. The sensitivity analysis is based on the assets and liabilities denominated in foreign currencies on the balance sheet date.

| EUR 1000 | **2010** | **2009** |
|---|---|---|
| Percentage of change | 10% | 10% |
| Effect on Group's profit after tax | 18 | 65 |
| Effect on the Group's shareholders' equity | -1 850 | -1 602 |

### Interest-rate risk

The Group's interest-rate risk mainly comprises movements in market rates and margins affecting the loan portfolio. The effect of the interest-rate risk on the Group's net profit was reduced by hedging with interest-rate derivatives. The Group had a total of EUR 25.4 million (EUR 30.0 million) in interest-bearing debt from financial institutions on December 31, 2010. All loans were tied to variable-rate debt instruments. In analyzing the interest-rate risk, a +/- 1 percentage unit change in the interest rate is assumed. The effect of such a change over 12 months on the amount of debt prevailing on December 31, 2010, with all other factors remaining the same, is EUR +/- 236,000 (+/- 271,000) on the Group's pre-tax profit.

### Liquidity risk

The liquidity risk relates to the repayment of debts, the payment of investments and the adequacy of working capital. The Edita Group strives to minimize its liquidity risk and the repayment of its future financial liabilities by ensuring sufficient finance from income, by maintaining a sufficient investment reserve and sufficient credit limit reserves and by evening out loan repayment schedules between different calendar years. Despite the lower income, the Group's liquidity remained positive during 2010. At the end of the year, cash and cash equivalents totaled EUR 7.1 million (EUR 10.4 million on December 31, 2009), in addition to which the Group had confirmed credit limits of EUR 5.0 million available for withdrawal. Loan covenants are reported to investors semi-annually. During the 2010 financial year, the Group was able to meet all of the covenant terms of its loans relating to operating cash flow targets and the equity-to-assets ratio. The management regularly monitors the fulfillment of loan covenant terms. The Group's management has not identified any material liquidity risk concentrations in its financial assets or sources of finance. The liquidity risk is monitored on a daily basis and liquidity forecasts are made weekly, monthly and annually. The following table shows a maturity analysis based on agreements made:

### Breakdown of maturities of financial liabilities 2010

| EUR 1000 | Statement of financial position value* | Cash flow** | 12 months or less | 1–2 years | 2–5 years | over 5 years |
|---|---|---|---|---|---|---|
| Financial liabilities | 20 933 | 21 967 | 4 193 | 3 743 | 13 274 | 757 |
| Finance lease liabilities | 4 436 | 4 904 | 1 169 | 1 031 | 2 072 | 632 |
| Accounts payable and other liabilities | 21 949 | 21 949 | 21 949 | | | |
| **Maturity breakdown of derivative liabilities** | | | | | | |
| Interest-rate derivatives, hedge accounting not applied | 275 | 275 | 69 | | 206 | |

### Breakdown of maturities of financial liabilities 2009

| | Statement of financial position value* | Cash flow** | 12 months or less | 1–2 years | 2–5 years | over 5 years |
|---|---|---|---|---|---|---|
| Financial liabilities | 25 258 | 27 049 | 4 660 | 4 199 | 11 223 | 6 967 |
| Finance lease liabilities | 4 692 | 5 149 | 1 348 | 986 | 1 875 | 940 |
| Accounts payable and other liabilities | 21 351 | 21 351 | 21 351 | | | |
| **Maturity breakdown of derivative liabilities** | | | | | | |
| Interest-rate derivatives, hedge accounting not applied | 252 | 252 | 49 | 0 | 0 | 209 |

*Amount corresponds to the amount in the statement of financial position

**Also includes interest

### Credit risk

The Edita Group's credit risks relate to operating activities. The Group's credit risk policy defines the creditworthiness requirements for customers and the investment policy. The Group has no significant credit risk concentrations because, with the current business areas, it has a wide range of clients, and these are mainly divided between the two domestic markets of Finland and Sweden. The Group has seen no need to use credit insurance policies, letters of credit or bank guarantees provided by customers. The operating units are responsible for the credit risks related to operating activities, and all decisions on provisions and impairment losses are made by the Group on the basis of their assessments. The balance-sheet values for sales receivables and other receivables best describe the cash sum that the receivables are expected to generate. The Group's total amount for credit risk corresponds to the carrying amount of the financial assets at the end of the financial year. A list of the age distribution of sales receivables is presented in Note 21.

## 29. Fair value for financial assets and liabilities

| EUR 1000 | Note | Carrying amount 2010 | Fair value 2010 | Carrying amount 2009 | Fair value 2009 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Other financial assets | 17 | 432 | 432 | 432 | 432 |
| Financial assets recognized at fair value through profit or loss | | | | | |
| - Interest-rate derivatives, hedge accounting not applied | 21 | 63 | 63 | 107 | 107 |
| Sales receivables and other receivables | 21 | 21 599 | 21 599 | 19 346 | 19 346 |
| Other current financial assets | 22 | 77 | 77 | 82 | 82 |
| Cash and cash equivalents | 22 | 7 038 | 7 038 | 10 361 | 10 361 |
| **Financial liabilities** | | | | | |
| Bank loans | 26 | 20 933 | 19 776 | 25 258 | 23 253 |
| Finance lease liabilities | 26 | 4 436 | 4 436 | 4 692 | 4 692 |
| Accounts payable and other liabilities | 27 | 21 949 | 21 949 | 21 351 | 21 351 |
| Financial assets recognized at fair value through profit or loss | | | | | |
| - Interest-rate derivatives, hedge accounting not applied | 27 | 275 | 275 | 252 | 252 |

**Fair value determination principles applied by the Group on all financial instruments**

When determining the fair values of the financial assets and liabilities shown in the table, the following price quotations, assumptions and measurement models have been used.

**Financial assets, equity and fund investments and other investments**

Financial assets consist of cash, demand deposits and other current, extremely liquid investments. Other financial assets comprise unlisted equity investments. Unlisted equity investments were measured at acquisition cost because it was not possible to measure them at fair value using the methods of measurement. There are no functional markets for unlisted equities and, for the time being, the Group has no intention of disposing of these investments. Other current financial assets mainly comprise Finnish equities listed on the NASDAQ OMX Helsinki Stock Exchange and are measured at the price quotation on the reporting period's end date.

**Derivatives**

For derivatives, the measurement principle is counterparty price quotation.

**Sales receivables and other receivables**

The initial carrying amount of sales receivables corresponds to their fair value because there is no material discounting effect when taking into account the maturity of the receivables.

**Bank loans, capital loans and financial lease liabilities**

Financial liabilities are initially recognized at fair value. Subsequently, all financial liabilities are measured at amortized cost. The fair values of liabilities are based on discounted cash flows. The discount rate applied is the rate at which the Group could acquire corresponding loan funding externally at the reporting period's end date. Interest-bearing liabilities are as a rule tied to six-month market interest rates. Expenses arising from interest-bearing liabilities are recognized as liabilities during the financial period during which they arose.

**Accounts payable and other liabilities**

The initial carrying amount of accounts payable and other liabilities corresponds to their fair value because there is no material discounting effect when taking into account the maturity of the liabilities.

Fair value hierarchy of financial assets and liabilities recognized at fair value

| EUR 1000 | Fair values at balance-sheet day | | |
|---|---|---|---|
| **Assets measured at fair value** | **31.12.2010** | **Level 1** | **Level 2** |
| Financial assets recognized at fair value through profit or loss | | | |
| Interest-rate derivatives, hedge accounting not applied | 63 | | 63 |
| Available-for-sale financial assets | | | |
| Share investments | 509 | 77 | 432 |
| **Total** | **572** | **77** | **495** |
| **Liabilities measured at fair value** | | | |
| Financial liabilities recognized at fair value | | | |
| Interest-rate derivatives, hedge accounting not applied | 275 | | 275 |

| EUR 1000 | Fair values at balance-sheet day | | |
|---|---|---|---|
| **Assets measured at fair value** | **31.12.2009** | **Level 1** | **Level 2** |
| Financial liabilities recognized at fair value through profit or loss | | | |
| Interest-rate derivatives, hedge accounting not applied | 107 | | 107 |
| Available-for-sale financial assets | | | |
| Share investments | 514 | 82 | 432 |
| **Total** | **621** | **82** | **539** |
| **Liabilities measured at fair value** | | | |
| Financial liabilities recognized at fair value through profit or loss | | | |
| Interest-rate derivatives, hedge accounting not applied | 252 | | 252 |

## 30. Adjustments to cash flow from operating activities

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Depreciation | 6 517 | 6 388 |
| Adjustments to sales gains | -180 | -544 |
| Exchange rate differences | 1 082 | 249 |
| Profit/loss at fair value through profit or loss from the measurement of recognizable assets and liabilities | -241 | -132 |
| Share of associated companies' profits | -232 | -70 |
| **Total** | **6 947** | **5 891** |

## 31. Operating leases

**Group as the tenant**

Minimum leases payable on the basis of non-cancellable operating leases

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Within one year | 2 585 | 3 163 |
| Due for payment later | 8 020 | 2 319 |
| **Total** | **10 604** | **5 482** |

The Group leases many of its office premises in Finland and Sweden. The Group owns most of its production plants. The lengths of the leases are 3–5 years on average and normally include the possibility to continue the agreement after the original date of termination. Leases generally include an index clause. The 2010 income statement contains lease expenses for operating leases of EUR 3.0 million (EUR 3.0 million).

## 32. Contingent liabilities

**Collateral and other contingent liabilities**

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| **Liabilities to credit institutions, secured by mortgages and pledges** | | |
| Liabilities to credit institutions | 5 387 | 5 379 |
| Corporate mortgages | 2 802 | 2 451 |
| Property mortgages | 2 018 | 2 018 |
| Pledged machinery and equipment | 3 909 | 3 746 |
| **Mortgages given as security, total** | **8 729** | **8 215** |
| **Other collateral given on behalf of shareholders** | | |
| Property mortgages given | 37 | 33 |
| Pledged deposits | 0 | 20 |
| **Other collateral given on behalf of shareholders, total** | **37** | **53** |

**Off-balance sheet financial liabilities**

**Real estate investments**

The Group is obliged to review the VAT reductions made on real estate investments completed in the years 2006-2010, if the property's taxable use decreases during the review period. The last review year is 2019. The maximum amount of the liability is EUR 61,892.19.

**Disputes and court proceedings**

A former employee of the Group has presented a claim for compensation, which the Group has disputed. The case is pending in court, but in the Group's view, the court proceeding is unlikely to have a material effect on the Group's financial result and financial position.

**Purchase commitments**

The Group has signed binding production equipment orders whose value totaled EUR 0.3 million on December 31, 2010.

## 33. Related party transactions

The Group's related parties include the parent company, subsidiaries and associate companies. Members of the company's management are also considered to be related parties (members of the Board and the Group Management Team).

**The Group's parent company and subsidiary relationships are as follows:**

| Company | Parent company's holding % | Sub-group's parent company's holding % | Group's holding and % of votes |
|---|---|---|---|
| Parent company Edita Plc, Helsinki, Finland | | | |
| Edita Prima Oy, Helsinki | 100% | | 100% |
| Edita Publishing Oy, Helsinki | 100% | | 100% |
| Edita Press Oy, Helsinki | 100% | | 100% |
| Morning Digital Design Oy | 100% | | 100% |
| Citat Finland Oy, Helsinki | 100% | | 100% |
| Kiinteistö Oy Vantaan Hakamäenkuja, Vantaa | 100% | | 100% |
| Edita Västra Aros AB, Stockholm, Sweden* | 100% | | 100% |
| Arkpressen i Västerås AB, Västerås, Sweden | | 100% | 100% |
| Kampanjfabriken AB, Stockholm, Sweden | | 100% | 100% |
| Edita Sweden AB*, Stockholm, Sweden | 100% | | 100% |
| Citat AB, Stockholm, Sweden | | 100% | 100% |
| Mods Graphic Studio AB, Stockholm, Sweden | | 100% | 100% |
| Citat Communication Management Ltd., London, UK | | 100% | 100% |
| Citat Robot AB, Stockholm, Sweden | | 100% | 100% |
| JG Communication AB, Stockholm, Sweden | | 100% | 100% |
| Journalistgruppen, JG AB, Stockholm, Sweden | | 100% | 100% |
| Citat Ukraine LLC, Kharkov, Ukraine | | 90% | 90% |

*Sub-Group's parent company

Sales of goods and services conducted with a related party are based on market prices.

A list of the associates is presented in Note 16.

**Related party transactions with associated companies:**

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Sales of goods and services | 137 | 59 |
| Purchases of goods and services | 400 | 303 |
| Sales receivables, loan receivables and other receivables | 15 | 7 |
| Accounts payable | 27 | 39 |

**Employee benefits of management:**

| EUR 1000 | 2010 | 2009 |
|---|---|---|
| Salaries and fees paid to the Managing Director | 286 | 235 |
| Other members of the Group Management Team | 1 003 | 1 123 |
| Termination benefits | 32 | 164 |
| **Group Management Team, total** | **1 321** | **1 523** |

More information on members of the Group Management Team and members of the Board of Directors can be found in the Annual Report's business operations review.

**Fees paid to the members of the Board**

| | | | |
|---|---|---|---|
| Ratia Lauri | Chairman of the Board | 56 | 55 |
| Väisänen Jarmo | Vice-Chairman of the Board | 41 | 40 |
| Brorman Carina | Member of the Board | 28 | 17 |
| Jauri Liisa | Member of the Board | 30 | 30 |
| Laitasalo Riitta | Member of the Board | 30 | 30 |
| Löyttyniemi Timo | Member of the Board | 36 | 32 |
| Persson Eva | Member of the Board | 27 | 17 |
| Mäkelä Marianne | former Member of the Board | 0 | 11 |
| **Edita Plc's Board, total** | | **249** | **231** |
| | | | |
| **Management salaries and fees, total** | | **1 570** | **1 754** |

The agreed retirement age of the Managing Director of the parent company is 62 years. The annual payment for the supplementary pension of the CEO was EUR 46,836 in 2010. The CEO and the members of the Board of Directors do not own any Edita shares, nor have they been granted any share options. The Managing Director and the members of the Board of Directors have not been granted any loans, and no collateral or contingent liabilities have been provided on their behalf.

## 34. Post-statement events

The Group's subsidiary Edita Prima Oy sold off the operations of its Vilppula unit. The sale came into force on January 1, 2011. As a result of the sale, the entire operations of the Vilppula printing unit, the personnel at Vilppula and the production equipment were transferred to the new owner.

## 35. Breakdown of share ownership and information on shareholders

The Republic of Finland owns 100% of the shares of Edita Plc and the shares are administered by the ownership steering department of the Prime Minister's Office.

# CONSOLIDATED KEY INDICATORS 2010–2008 (IFRS)

| | | IFRS<br>2010 | IFRS<br>2009 | IFRS<br>2008 |
|---|---|---|---|---|
| Net revenue | T€ | 110 349 | 110 895 | 113 692 |
| Net revenue, continuing operations, | T€ | 110 349 | 110 895 | 111 078 |
| exports and foreign operations | % | 49.6 % | 45.3 % | 38.0% |
| Operating profit | T€ | 2 727 | 3 719 | 2 975 |
| Operating profit, continuing operations | T€ | 2 727 | 3 719 | 3 615 |
| % of net revenue | | 2.5% | 3.4% | 3.3% |
| Profit before tax | T€ | 1 804 | 2 103 | 3 459 |
| Profit before tax, continuing operations | T€ | 1 804 | 2 103 | 4 119 |
| % of net revenue | | 1.6% | 1.9% | 3.7% |
| Profit for financial year | T€ | 1 560 | 3 267 | 3 158 |
| Profit for financial year, continuing operations | T€ | 1 560 | 3 267 | 3 815 |
| Return on equity (ROE) | % | 4.6 | 10.6 | 10.9 |
| Return on capital employed | % | 4.5 | 6.1 | 7.9 |
| Equity-to-assets ratio | % | 40.4 | 37.3 | 31.1 |
| Net indebtedness | % | 58.0 | 65.0 | 83.9 |
| Gross capital expenditure | T€ | 3 312 | 6 838 | 37 736 |
| % of net revenue | | 3.0 | 6.2 | 33.2 |
| Average number of employees | | 820 | 890 | 929 |
| Average number of employees, continuing operations | | 820 | 890 | 896 |
| Earnings per share (EPS) | € | 0.26 | 0.54 | 0.53 |
| Earnings per share (EPS), continuing operations | € | 0.26 | 0.54 | 0.64 |
| Dividends per share | € | 0.165 | 0.29 | 0.00 |
| Equity per share | € | 5.87 | 5.47 | 4.79 |
| No. of shares, adjusted for share issue | | 6 000 000 | 6 000 000 | 6 000 000 |

**Formulae for calculating key indicators:**

Return on equity (ROE), % = Profit for financial year / Shareholders' equity (average during the year)

Return on capital employed, % = Profit before tax, interest, and other financial expenses / Total assets — non-interest-bearing liabilities (average during the year)

Equity-to-assets ratio, % = Shareholders' equity / Total assets — advances received

Operating profit = Profit before tax and financial items

Earnings per share, EUR = Profit/loss for financial year attributable to parent company shareholders / Average number of shares (adjusted for share issue)

Net indebtedness, % = Interest-bearing liabilities — cash and cash equivalents / Shareholders' equity

Equity per share, EUR = Shareholders' equity attributable to parent company shareholders / Undiluted number of share on closing date

Dividends per share, EUR = Dividend per share approved by Annual General Meeting. For the previous year, the proposal of the Board of Directors to the Annual General Meeting regarding the amount of dividends.

# EDITA PLC
# PARENT COMPANY INCOME STATEMENT (FAS) (EUR 1000)

| | Note | 1.1. -31.12.2010 | 1.1. -31.12.2009 |
|---|---|---|---|
| **Net revenue** | **2** | **4 330** | **3 921** |
| Other operating income | 3 | 954 | 805 |
| Staff expenses | 4 | -2 401 | -2 586 |
| Depreciation and impairment | 5 | -725 | -682 |
| Other operating expenses | 6 | -2 521 | -2 062 |
| **Operating profit** | | **-362** | **-605** |
| Financial income and expenses | 7 | 6 889 | -1 553 |
| **Profit/loss (-) before extraordinary items** | | **6 526** | **-2 157** |
| Extraordinary items +/- | 8 | 1 601 | 1 810 |
| **Profit/loss (-) before taxes** | | **8 127** | **-347** |
| Appropriations | 9 | 271 | 238 |
| Income tax | 10 | -1 | 522 |
| **Profit/Loss (-) for the financial year** | | **8 397** | **413** |

# EDITA PLC
# PARENT COMPANY BALANCE SHEET (FAS) (EUR 1000)

| ASSETS | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Intangible assets | 11 | 183 | 215 |
| Tangible assets | 12 | 12 200 | 12 642 |
| Investments in Group companies | 13 | 72 207 | 65 985 |
| Other investments | 13 | 507 | 407 |
| Total non-current assets | | 85 097 | 79 250 |
| CURRENT ASSETS | | | |
| Current receivables | 14 | 1 205 | 2 218 |
| Financial securities | 15 | 15 | 25 |
| Cash and bank balances | | 6 731 | 8 672 |
| Total current assets | | 7 951 | 10 915 |
| **Total assets** | | **93 048** | **90 165** |

| SHAREHOLDERS' EQUITY AND LIABILITIES | Note | 31.12.2010 | 31.12.2009 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | 16 | | |
| Share capital | | 6 000 | 6 000 |
| Legal reserve | | 25 870 | 25 870 |
| Profit/Loss (-) from previous years brought forward | | 2 733 | 4 061 |
| Profit/Loss (-) for the financial year | | 8 397 | 413 |
| Shareholders' equity, total | | 43 000 | 36 343 |
| ACCUMULATED APPROPRIATIONS | 17 | 1 990 | 2 260 |
| LIABILITIES | | | |
| Non-current liabilities | 18 | 27 600 | 32 209 |
| Current liabilities | 19 | 20 458 | 19 353 |
| Total liabilities | | 48 058 | 51 562 |
| **Total shareholders' equity and liabilities** | | **93 048** | **90 165** |

# EDITA PLC
# PARENT COMPANY CASH FLOW STATEMENT (FAS) (EUR 1000)

| | 1.1. -31.12.2010 | 1.1. -31.12.2009 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit/loss (-) before extraordinary items | 6 526 | -2 157 |
| Adjustments | | |
| Depreciation according to plan and impairment | 725 | 682 |
| Unrealized exchange rate gains/losses | 241 | 132 |
| Other adjustments | -4 110 | 0 |
| Financial income and expenses (+) | -7 191 | 1 422 |
| Change in working capital: | | |
| Increase (-) decrease (+) in non-interest-bearing current trade receivables | -44 | 16 |
| Increase (+) decrease (-) in non-interest-bearing current liabilities | -179 | 144 |
| Interest paid | -736 | -2 198 |
| Dividends received | 7 853 | 62 |
| Interest received | 83 | 121 |
| Taxes paid | -754 | 658 |
| **Cash flow from operating activities** | **2 414** | **-1 120** |
| Investing activities | | |
| Investments in shares of subsidiaries | -511 | 0 |
| Investments in intangible and intangible assets | -250 | -322 |
| **Cash flow from investing activities** | **-761** | **-322** |
| Financing activities | | |
| Change in current borrowings | 1 035 | -870 |
| Non-current borrowings | 0 | 2 500 |
| Repayments on non-current borrowings | -4 609 | -3 840 |
| Capital loans | -100 | 0 |
| Dividends paid | -1 740 | 0 |
| Group contributions received | 1 810 | 3 915 |
| **Cash flow from financing activities** | **-3 604** | **1 705** |
| **Change in cash and cash equivalents, increase (+)/decrease (-)** | **-1 951** | **263** |
| Cash and cash equivalents at January 1 | 8 697 | 8 434 |
| **Cash and cash equivalents at December 31** | **6 746** | **8 697** |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES APPLIED TO THE PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

#### Basic Information

Edita Plc is a Finnish public limited company domiciled in Helsinki and established in accordance with Finnish law. Edita Plc's financial statements have been drawn up in accordance with the Finnish Accounting Standards (FAS). Edita Plc is the Edita Group's parent company. The consolidated financial statements have been drawn up in accordance with the latest IFRS regulations. As the accounting policies of the FAS and the IFRS are in most respects convergent in Edita Plc, a description of the most important accounting policies can be found in the accounting policies applied to the consolidated financial statements.

#### Non-current Assets

Intangible and tangible assets are recognized in the balance sheet at original cost less planned depreciation. Planned depreciation is calculated from original acquisition values and estimated useful life. Land is not depreciated. The depreciation periods are as follows:

| | |
|---|---|
| Buildings and structures | 30 years |
| Machinery and equipment | 4–15 years |
| Other non-current expenditure | 4–5 years |

Investments and receivables with an estimated life of over one year are presented under other investments.

Any impairment requirement for non-current assets is reviewed annually and an impairment is recognized immediately when necessary.

#### Financial Assets

Cash and cash equivalents include cash in hand and at the bank, deposits of less than three months and other cash equivalents. Shares and participations included in financial asset securities are measured at the lower of cost or market value.

#### Derivatives

Derivatives are measured at their nominal value, provided it is no more than the probable value.

#### Taxes

Income tax in the income statement is the tax on the year's profit/loss and tax adjustments from previous years. Deferred taxes are not recognized in the parent company's accounts.

#### Pension Plans

The statutory and individual pension insurance of parent company employees is arranged by external pension insurance companies.

#### Extraordinary Items

The parent company's extraordinary items include contributions received from subsidiaries, subsidiaries' dissolution profits and significant impairments to shares in subsidiaries.

# NOTES RELEVANT TO THE PARENT COMPANY FINANCIAL STATEMENTS (FAS) (EUR 1000)

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **2. Net revenue** | | |
| By market area | | |
| Finland | 4 330 | 3 921 |
| Total | 4 330 | 3 921 |
| **3. Other operating income** | | |
| Income from rent | 2 | 2 |
| Group-internal administrative services and Management Fee | 952 | 802 |
| Other | 0 | 2 |
| Total | 954 | 805 |
| **4. Staff** | | |
| Staff expenses | | |
| Salaries and fees | -1 991 | -2 121 |
| Pension expenses and pension insurance contributions | -313 | -288 |
| Other staff expenses | -97 | -178 |
| Total | -2 401 | -2 586 |
| Employees in the company during the financial year | | |
| Employees on salary | 31 | 35 |
| Management salaries and fees | | |
| Managing Directors | -286 | -235 |
| Board members | -249 | -231 |
| Total | -535 | -466 |
| **5. Depreciation and impairment** | | |
| Depreciation on tangible and intangible assets | -725 | -682 |
| **6. Other operating expenses** | | |
| Rents | -90 | -82 |
| Other business premises expenses | -302 | -262 |
| Logistics | -22 | -20 |
| IT and data communications | -431 | -341 |
| Marketing and representation expenses | -563 | -382 |
| Other operating expenses | -1 112 | -976 |
| Other operating expenses, total | -2 521 | -2 062 |
| Auditor's fees | | |
| Audit fees | -55 | -47 |
| Tax consultation | -23 | -14 |
| Other fees | -8 | -7 |
| Total | -87 | -68 |

## 7. Financial income and expenses

| | | |
|---|---|---|
| Dividend income | | |
| From Group companies | 7 852 | 60 |
| From others | 1 | 2 |
| | 7 853 | 62 |
| Interest income on long-term investments | | |
| From others | 0 | 19 |
| Other interest income | | |
| From Group companies | 6 | 10 |
| From others | 77 | 90 |
| | 83 | 100 |
| Other financial income | | |
| From others | 3 | 188 |
| Interest income and other financial income, total | 7 939 | 368 |
| Exchange rate gains and losses | -241 | -132 |
| Impairment and reversals concerning non-current investments | -65 | 0 |
| Interest expenses | | |
| for Group companies | -292 | -495 |
| for others | -438 | -827 |
| | -730 | -1 322 |
| Other financial expenses | | |
| for others | -15 | -467 |
| Interest expenses and other financial expenses, total | -745 | -1 789 |
| Total financial income and expenses | 6 889 | -1 553 |

## 8. Extraordinary items

| | | |
|---|---|---|
| Extraordinary income | | |
| Group contributions received | 0 | 1 810 |
| Subsidiary's dissolution profits | 5 832 | 0 |
| | 5 832 | 1 810 |
| Extraordinary expenses | | |
| Impairment of equity in subsidiaries | -4 231 | 0 |
| Extraordinary items, total | 1 601 | 1 810 |

Extraordinary income and expenses for the 2010 financial year relate to the dissolution of subsidiary Edita Holding AB and the depreciation of equity.

## 9. Appropriations

| | | |
|---|---|---|
| Difference between planned depreciation and depreciation made for taxation purposes | 271 | 238 |

## 10. Notes on income taxes

| | | |
|---|---|---|
| Income tax on extraordinary items | 0 | -471 |
| Income tax on normal operations | 0 | 471 |
| Income tax on normal operations from previous year | -1 | 522 |
| | -1 | 522 |

## 11. Intangible assets

| | | |
|---|---|---|
| Intellectual property | | |
| Acquisition cost, January 1 | 787 | 557 |
| + Increases | 38 | 224 |
| Acquisition cost, December 31 | 825 | 781 |
| Accumulated depreciation, January 1 | 572 | 528 |
| + Depreciation for the year | 70 | 38 |
| Accumulated depreciation, December 31 | 642 | 566 |
| Carrying amount, December 31 | 183 | 215 |
| Intangible assets, total | | |
| Acquisition cost, January 1 | 787 | 557 |
| + Increases | 38 | 224 |
| Acquisition cost, December 31 | 825 | 781 |
| Accumulated depreciation, January 1 | 572 | 528 |
| + Depreciation for the year | 70 | 38 |
| Accumulated depreciation, December 31 | 642 | 566 |
| Carrying amount, December 31 | 183 | 215 |
| Advance payments | 0 | 1 |
| | 183 | 215 |

## 12. Tangible assets

| | | |
|---|---|---|
| **Land areas** | | |
| Acquisition cost, January 1 | 5 887 | 5 887 |
| Acquisition cost, December 31 | 5 887 | 5 887 |
| Carrying amount, December 31 | 5 887 | 5 887 |
| **Buildings and structures** | | |
| Acquisition cost, January 1 | 13 852 | 13 766 |
| + Increases | 83 | 86 |
| Acquisition cost, December 31 | 13 935 | 13 852 |
| Accumulated depreciation, January 1 | 7 631 | 7 126 |
| + Depreciation for the year | 514 | 505 |
| Accumulated depreciation, December 31 | 8 144 | 7 631 |
| Carrying amount, December 31 | 5 790 | 6 221 |
| **Machinery and equipment** | | |
| Acquisition cost, January 1 | 2 147 | 2 136 |
| + Increases | 130 | 11 |
| - Decreases | -304 | 0 |
| Acquisition cost, December 31 | 1 973 | 2 147 |
| Accumulated depreciation, January 1 | 1 613 | 1 473 |
| - Accumulated depreciation on decreases | -304 | 0 |
| + Depreciation for the year | 142 | 139 |
| Accumulated depreciation, December 31 | 1 450 | 1 613 |
| Carrying amount, December 31 | 523 | 535 |
| **Tangible assets, total** | | |
| Acquisition cost, January 1 | 21 886 | 21 788 |
| + Increases | 212 | 97 |
| - Decreases | -304 | 0 |
| Acquisition cost, December 31 | 21 794 | 21 886 |
| Accumulated depreciation, January 1 | 9 243 | 8 599 |
| - Accumulated depreciation on decreases | -304 | 0 |
| + Depreciation for the year | 655 | 644 |
| Accumulated depreciation, December 31 | 9 594 | 9 243 |
| Carrying amount, December 31 | 12 200 | 12 642 |
| **Of the carrying amount, December 31** | | |
| Machinery and equipment in production | 521 | 529 |

## 13. Investments

| | | |
|---|---|---|
| Share in Group companies, January 1 | 65 985 | 52 960 |
| + Increases | 12 575 | 13 025 |
| - Decreases | -2 057 | 0 |
| - Impairment | -4 295 | 0 |
| Total, December 31 | 72 207 | 65 985 |
| Other shares and holdings, January 1 | 407 | 407 |
| Total, December 31 | 407 | 407 |
| Loan receivables from Group companies, January 1 | 0 | 13 025 |
| + Increases | 100 | 0 |
| - Decreases | 0 | -13 025 |
| Total, December 31 | 100 | 0 |

**Parent company's holdings in subsidiaries:**

| Company and domicile | Holding % | Holding % |
|---|---|---|
| Edita Prima Oy, Helsinki | 100% | 100% |
| Edita Publishing Oy, Helsinki | 100% | 100% |
| Edita Press Oy, Helsinki | 100% | 100% |
| Morning Digital Design Oy, Helsinki | 100% | 100% |
| Citat Finland Oy, Helsinki | 100% | 100% |
| Real estate company Vantaan Hakamäenkuja, Vantaa, Finland | 100% | 100% |
| Edita Västra Aros AB, Stockholm, Sweden | 100% | 100% |
| Edita Sweden AB, Stockholm, Sweden | 100% | 100% |

## 14. Receivables

| | | |
|---|---|---|
| Receivables from Group companies | | |
| Sales receivables | 9 | 76 |
| Loan receivables | 291 | 189 |
| Other receivables | 0 | 1 810 |
| Total | 300 | 2 075 |
| Other receivables | 110 | 110 |
| Prepaid expenses and accrued income | | |
| Social security expense accruals | 0 | 23 |
| Tax receivables | 754 | 1 |
| Accrued rents | 1 | 0 |
| IT expenses accruals | 26 | 0 |
| Other | 14 | 9 |
| Total | 795 | 33 |
| **Receivables, total** | **1 205** | **2 218** |

## 15. Financial securities

| | | |
|---|---|---|
| Replacement value | 35 | 43 |
| Carrying amount | 15 | 25 |
| Difference | 20 | 18 |

## 16. Shareholders' equity

| | | |
|---|---|---|
| Share capital, January 1 | 6 000 | 6 000 |
| Share capital, December 31 | 6 000 | 6 000 |
| Legal reserve, January 1 | 25 870 | 25 870 |
| Legal reserve, December 31 | 25 870 | 25 870 |
| Profit/Loss from previous years brought forward, January 1 | 4 473 | 4 061 |
| Dividend distribution | -1 740 | 0 |
| Profit/Loss from previous years brought forward, December 31 | 2 733 | 4 061 |
| Profit/loss (-) for the financial year | 8 397 | 413 |
| **Total shareholders' equity** | **43 000** | **36 343** |
| Funds at the disposal of the Annual General Meeting, December 31. | | |
| Profit/Loss from previous years brought forward | 2 733 | 4 061 |
| Profit/loss (-) for the financial year | 8 397 | 413 |
| | 11 131 | 4 473 |

The parent company had distributable funds of EUR 11,130,678.53 on December 31, 2010.

The company has 6,000,000 shares. The share has no nominal value. All shares are associated with equal voting rights and equal entitlement to dividends.

## 17. Accumulated appropriations

| | | |
|---|---|---|
| Accumulated excess depreciation | 1 990 | 2 260 |

## 18. Non-current liabilities

| | | |
|---|---|---|
| Liabilities to credit institutions | 15 600 | 19 209 |
| Liabilities to Group companies | 12 000 | 13 000 |
| | 27 600 | 32 209 |
| Liabilities that mature after more than five years | | |
| Liabilities to credit institutions | 0 | 5 700 |

## 19. Current liabilities

| | | |
|---|---|---|
| Liabilities to credit institutions | 3 695 | 3 903 |
| Accounts payable | 195 | 127 |
| | 3 889 | 4 030 |
| Liabilities to Group companies | | |
| Loans | 15 378 | 13 894 |
| Accounts payable | 48 | 75 |
| Accrued liabilities and deferred income | 52 | 49 |
| | 15 479 | 14 019 |
| Other current liabilities | 543 | 614 |
| Accrued costs | | |
| Wages, salaries and related expenses | 375 | 453 |
| Social insurance contribution expense provision from previous years | 50 | 47 |
| Interest | 9 | 21 |
| Long-term bonuses for management | 113 | 160 |
| Other | 1 | 9 |
| | 547 | 690 |
| **Current liabilities, total:** | **20 458** | **19 353** |
| Interest-bearing liabilities | | |
| Non-current | 27 600 | 32 209 |
| Current | 19 073 | 17 798 |
| | 46 673 | 50 006 |
| Non-interest-bearing liabilities | | |
| Current | 1 385 | 1 555 |

## 20. Contingent liabilities and other liabilities

| | | |
|---|---|---|
| Amounts to be paid from leases | | |
| Due for payment in the next financial year | 59 | 66 |
| Due for payment later | 29 | 93 |
| | 88 | 159 |
| Guarantees given on behalf of Group companies | 1 847 | 1 462 |

**Off-balance sheet financial liabilities**

**Real estate investments**

The company is obliged to review the VAT reductions made on real estate investments completed in the years 2007-2010, if the property's taxable use decreases during the review period. The final review year is 2019. The maximum amount of liability is EUR 58,340.88.

## 21. Derivative agreements

| | | |
|---|---|---|
| Interest-rate derivatives | | |
| Fair value *) | -212 | -145 |
| Underlying security | -69 | -49 |

*) Fair value represents income or expense that would have arisen had the derivatives positions been closed out at the balance sheet date.

# LIST OF ACCOUNTING BOOKS AND DOCUMENT TYPES CONSULTED AND THEIR METHOD OF STORAGE

Document types consulted:

| | | |
|---|---|---|
| 1 | Sales receipts | Hard copy |
| 2 | Accounts receivable payments, paper copy | Hard copy |
| 3 | Accounts receivable payments, computerized | Hard copy |
| 5 | Purchase invoices | Hard copy |
| 6 | Other purchase invoices (Opus Capita) | Hard copy |
| 7 | Payslips | Hard copy |
| 8 | Memo vouchers | Hard copy |
| 9 | Invoices | Computerized record |
| 15 | Holiday pay reserve | Hard copy |
| 17 | Travel expenses | Hard copy |
| 34 | Sales invoices (within the Group) | Computerized record |
| 39 | Additional invoicing | Computerized record |

Accounting books consulted:

| | |
|---|---|
| Daily cash books | Computerized list |
| Fixed assets register | Computerized list |
| Accounts receivable ledger | Computerized list |
| Accounts payable ledger | Computerized list |
| Wage slips | Computerized list |
| Pay sheets | Computerized list |
| Payroll | Computerized list |
| Book of first entry | Computerized list |
| Book of final entry | Computerized list |
| Supporting schedules | Hard copy |
| Annual accounts book | Bound copy |

# SIGNING OF FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, February 15, 2011

**Lauri Ratia**
Chairman of the Board

**Jarmo Väisänen**
Vice-Chairman of the Board

**Riitta Laitasalo**

**Timo Löyttyniemi**

**Liisa Jauri**

**Carina Brorman**

**Eva Persson**

**Timo Lepistö**
CEO

# AUDITOR'S STATEMENT

A report has been issued today on the audit performed by us.

Helsinki, February 15, 2011

KPMG Oy
APA member

**Minna Riihimäki**
Authorized Public Accountant

# AUDITOR'S REPORT

## To the Annual General Meeting of Edita Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Edita Oyj for the year ended 31 December, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

## Other Opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Managing Director be discharged from liability for the financial period audited by us.

Helsinki, February 15, 2011
KPMG OY AB

Minna Riihimäki
APA

# CORPORATE GOVERNANCE PRINCIPLES

Edita Plc is a Finnish public limited company that is 100 percent owned by the Finnish State. Its corporate governance system complies with the laws of Finland, Edita's Articles of Association, and, as applicable, the corporate governance recommendations concerning publicly listed companies.

The Edita Group comprises the parent company, Edita Plc, and its subsidiaries.

## Governing bodies

Responsibility for the Edita Group's governance and operations rests with Edita Plc's governing bodies, which consist of the General Meeting of Shareholders, the Board of Directors and the CEO.

## General meeting of shareholders

Edita Plc's supreme decision-making body is the General Meeting of Shareholders, which convenes at least once a year. An Annual General Meeting is held by the end of May on a date set by the Board of Directors. The General Meeting makes decisions on the matters specified in the Limited Liability Companies' Act and the Articles of Association, such as the acceptance of the financial statements, the distribution of dividends, the election of the Board of Directors and the Auditor, and the compensation payable to them.

## Board of Directors

The Annual General Meeting elects from four to eight directors to the Board of Directors for a term of one year. Their term expires at the end of the Annual General Meeting that first follows their election. The Chairman of the Board and the Vice-Chairman are elected by the General Meeting of Shareholders.

The Board of Directors is responsible for the company's management and for the appropriate organization and supervision of the company's assets and business operations. The Board makes all major decisions on operating policies, strategies, capital expenditure, organization and funding, and decides on all major transactions concerning properties, operations, and companies. The Board approves the company's values and policies and oversees their application in practice.

The Board approves its own working procedure and meeting schedule. The Board's key functions are:

- approving the annual operating plan and budget
- approving the financial statements and the annual report
- approving the organization and compensation system
- appointing and compensating the CEO and the Group Management Team
- appointing Committee members and approving their working procedures
- approving long-term objectives and strategies
- approving the Group's values, and the principles and policies of its control and risk management system
- supervising the appropriate arrangement of accounting and financial management

The Board of Directors has approved the corporate manual to be applied throughout the Group, the purpose of which is to guarantee appropriate procedures in all Group operations. The Board evaluates its working practices annually.

In 2010, the Board of Directors consisted of **Lauri Ratia** (Chairman), **Jarmo Väisänen** (Vice-Chairman), and members **Carina Brorman**, Liisa Jauri, **Riitta Laitasalo**, **Timo Löyttyniemi** and **Eva Persson**. In 2010, the Board convened 10 times. The average attendance rate was 94 percent. In the Board's assessment, all members are independent of the company, and all members except Jarmo Väisänen are independent of the company's owner, the State of Finland.

## Board committees

The Board Committees assist the Board by preparing the business to be handled by the Board. The Board has two permanent Committees: the Audit Committee and the Structure and Compensation Committee.

### *Audit Committee*

The Audit Committee assists the Board by monitoring the financial situation and by performing supervisory tasks, by directing reporting practices and internal audit functions, by supervising risk management, and by overseeing auditing.

In 2010, the Audit Committee consisted of three members: Riitta Laitasalo (Chairman), Timo Löyttyniemi, and Liisa Jauri. The Committee convened five times, with an attendance rate of 100 percent.

### *Structure and Compensation Committee*

The Structure and Compensation Committee directs the development of the Group's structure and key business areas. The Committee also prepares matters

relating to executive appointments, the terms and conditions of corporate executives' contracts, their salaries, compensation systems, and principles of compensation.

In 2010, the Structure and Compensation Committee consisted of three members: Lauri Ratia (Chairman), Timo Löyttyniemi, and Jarmo Väisänen. The Committee convened eight times, with an attendance rate of 96 percent.

## CEO

The Board of Directors appoints the CEO, who is responsible for managing and developing the Group's operations in accordance with the provisions and guidelines laid down in the Limited Liability Companies' Act and the Articles of Association and as issued by the Board. The CEO is responsible for ensuring the legality of accounting and the reliability of asset management. The CEO is directly responsible for the following functions: implementation of Group strategy, financial administration, general administration, the direction and supervision of the business areas, public and stakeholder relations, and the preparation of Board meetings. The CEO regularly reports to the Board on the Group's operational performance and financial position.

Since August 8, 2005, the CEO of Edita Plc has been **Timo Lepistö**, LL.M., born in 1959.

## Group management team

The Group Management Team comprises the CEO and, as appointed by the Board on the basis of the Structure and Compensation Committee's proposal, the Chief Financial Officer, the Human Resources Director, the Communications Director, and the Managing Directors of the business areas.

The Management Team is responsible for making action plans to implement Group strategy in the business units, for examining annual business plans and budgets, for monitoring profit performance and taking any measures needed to rectify poor performance, for coordinating and monitoring the implementation of investment plans, for overseeing the implementation of business restructuring, for supervising risk management, and for monitoring major day-to-day operating actions and decisions.

None of the Group Management Team members or those close to them has any significant business relationships with companies in the Edita Group.

## Business areas

Edita's business is divided into four business areas: Marketing Services, Editorial Communication, Publishing, and Print & Distribution.

## Compensation

*Compensation of Board members*

The Annual General Meeting decides on the compensation of Board members annually. Members of the Board and its Committees are remunerated financially. Members of the Board are not entitled to incentive systems based on shares or share derivatives.

*Compensation of the CEO and corporate executives*

The compensation of the CEO and members of the Group Management Team consists of a fixed monthly salary, standard benefits, a performance-based bonus which is based on annually decided criteria that must be met for the bonus to be paid, and a long-term compensation system. Edita does not use incentive systems based on shares or share derivatives.

The Board of Edita Plc decides the terms and conditions of the contracts of the CEO and members of the Group Management Team. 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 members of the Group Management Team. As regards others than the CEO and members of the Group Management Team, the Board decides on the principles of compensation on the basis of the Structure and Compensation Committee's proposal.

The CEO is entitled to a performance-based bonus, which is no more than 40 percent of his/her annual taxable earnings. The members of the Group Management Team are entitled to a performance-based bonus, which is no more than 30 percent of their annual taxable earnings. The short-term performance-based bonus is tied to the operating profit and to personal targets.

The CEO and some members of the Group Management Team were included in the long-term "bonus bank" incentive system established to increase long-term commitment during the period 2007–2011. According to a decision by the Board of Directors on February 9, 2010, the old incentive system was discontinued in 2009 and replaced with a similar new system for the years 2010–2012. The "bonus bank" system is used to reward the Group's key personnel for reaching the targets approved annually by the Board. The long-term performance-based bonus is tied to the long-term profitable growth of the Group. Under the system, the maximum annual bonus may not exceed 40 percent of the CEO's annual taxable earnings or 20–30 percent of the annual taxable earnings of other key personnel. The bonuses accumulated in the old system can be withdrawn in stages over a three-year period starting from 2010. The bonuses accumulated

in the new system can be withdrawn in stages over a three-year period starting from 2013.

Furthermore, the business areas can apply bonus systems based on sales or production or linked to the units' contributions to the profit margins or their earnings to facilitate business success. These systems do not overlap with the Group's annual performance-based bonus system.

Upon termination of their contracts, the CEO and other members of the Group Management Team will be entitled to the salary paid for the period of notice as well as benefits. The period of notice for terminating the CEO's employment is six months when notice is served by the employer and four months when notice is served by the CEO. The period of notice for terminating the employment of other members of the Group Management Team is between six and 12 months when notice is served by the employer and between three and six months when notice is served by the corporate executive in question. Upon termination of employment by the employer, the CEO will be entitled to compensation equivalent to six months' salary in addition to the salary paid for the period of notice, and other members of the Group Management Team will be entitled to compensation equivalent to up to six months' salary in addition to the salary paid for the period of notice. Upon resignation, the corporate executive in question will only be entitled to the salary paid for the period of notice as well as benefits.

The CEO's retirement age is 62 years. With the exception of the CEO and the Chief Financial Officer, Edita Plc does not provide supplementary pension insurance. The supplementary pension plans of the CEO and the Chief Financial Officer are based on contributions and they include vested rights.

### Financial reporting

The achievement of financial targets and balance sheet management are monitored through monthly Group-wide reports. Interim financial statements are drawn up quarterly. A semi-annual review is drawn up together with the interim financial statements for the first half-year.

### Risk management

The risk management policy approved by Edita's Board of Directors defines the risk management principles, objectives, and divisions of responsibility in the Group. Risk management is based on an organization-wide approach to identifying, assessing, managing, and monitoring material risks. The CEO and other executives ensure that risk management is a continuous, integral part of the Group's day-to-day operations. The management reports to the Board on risks by business area. Unless there is need for ad-hoc reporting, the management reports to the Board on risks on a quarterly basis. The CEO and other executives identify and monitor risks, develop and co-ordinate risk management activities, and update the Group's risk profile. The Board of Directors deals with the most significant risks and evaluates the efficiency of risk management at least once a year. The effectiveness of Edita's risk management is monitored through internal and external audits as part of the regular auditing program.

### Auditing

The authorized public accountant firm elected by the Annual General Meeting to audit the parent company, Edita Plc, audits the entire Group with regard to accounting, financial statements, and administration each financial year. In addition to the audit report issued in connection with the company's financial statements, the auditors also regularly report on their findings to the Board's Audit Committee.

Edita's Auditor is KPMG Oy, with **Minna Riihimäki**, APA, acting as the auditor in charge in 2010.

### Internal auditing

The purpose of internal control and risk management is to ensure that the company's operations are efficient and profitable, that the supply of information is reliable, and that regulations and policies are observed. Internal auditors are responsible for helping the Board and the CEO to assess the appropriateness and effectiveness of the Group's processes and systems, the efficiency and adequacy of internal control, and the accuracy and adequacy of accounting and reporting.

In the Edita Group, internal auditing goals are decided upon annually by the Board by means of risk assessments, etc. Practical implementation is entrusted to an independent external firm of authorized public accountants.

Internal audit reports are distributed to Edita Plc's Board of Directors, Audit Committee, auditors, CEO, and Group Management Team. The CEO, together with other executives, is responsible for ensuring that any actions required on account of observations made by internal auditors are duly initiated.

Edita's internal auditing was performed by Tuokko Tilintarkastus Oy, Authorized Public Accountants, in 2010.

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# THE ECOLOGICAL FOOTPRINT OF EDITA'S FINANCIAL STATEMENTS 2010

Environmental concerns were a top priority during the production of this publication. At every stage of production, the most ecological materials and methods appropriate for the report were selected.

**PURPOSE:** a publication that will be used for a relatively long time.

**PAGES:** 68 pages plus covers
**DIMENSIONS:** 210 x 275 mm
**DISTRIBUTION:** Finnish: 850 copies, Swedish: 610 copies, English: 430 copies.

**OPTIMALLY SIZED PRINTING SHEETS:** only 20% of the surface area of the printing sheets was wasted as shearings.

**PAPERS:** the raw material selected for the paper was PEFC-certified, Nordic Ecolabeled Terreus 130 g/m² (inside) and Terreus 250 g/m² (covers) produced in Finland. The timber used for the report was sourced from sustainable forests from an ecological, social and economic point of view. No chlorine gas was used to bleach the paper. The paper factory is certified in accordance with ISO 14001, PEFC and FSC.

**CHEMICALS:** only chemicals approved for the Nordic Ecolabel were used to produce the paper material and in prepress, printing and binding. Printed with vegetable oil-based inks.

**PRINTING HOUSE:** printed at Edita Prima Oy, Helsinki, Finland. The printing house uses green electricity. It is ISO 14001-certified and entitled to use the Nordic Ecolabel as well as the FSC and PEFC indications of origin. The printing house compensates its $CO_2$ emissions by funding the United Nations' renewable energy projects in India.

**USE:** The publication is easy to use and has a small ecological footprint. No appliance or energy is needed to read it. The report can be used innumerable times, and it is very easy to carry around.

**TO MAKE ONE COPY OF THE REPORT, THE FOLLOWING WAS USED:**

**WOOD:** 0.6 $dm^3$
**WATER:** 10 liters
**ENERGY:** 1.5 kwh

**WASTE AND EMISSIONS GENERATED BY THE REPORT (PER COPY):**

**WASTE:** 615 g, of which recyclable waste 600 g (555 g paper, 40 g aluminium, 3 g cardboard and 1 g plastic), combustible waste 6 g and hazardous waste 6 g.

**CARBON FOOTPRINT:**
$CO_2$ emissions to air: 1,150 g, of which paper manufacturing 990 g, transporting paper to press 20 g, printing 140 g. Emission quantities are estimates. Total amount equals the emissions generated by driving a car approximately 6.5 km.

**WE COMPENSATE** 1,070 g of the emissions per copy of the report.

We used paper from Antalis Oy, which promotes climate protection. We compensated the emissions caused by paper production and transportations by financing a tree-planting project in Mozambique organized by the non-profit organization Plan Vivo.

However, it is the content of a publication that potentially has the greatest environmental impact. If a publication inspires its readers to recycle more of their waste, drive less, lower the temperature in their homes, switch to green power or design printed products that are more sustainable, its environmental impact can be considered positive.

*Dear reader,* when you no longer need this publication, please recycle it. Wood fiber can be reused roughly six times.

*Research for the ecological footprint was carried out by Mika Ruuskanen, manager for the Nordic Green Edita program.*

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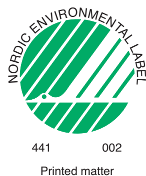

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