1996

EDITA

ANNUAL REPORT

Contents

Managing Director's Review

The cornerstones of Edita operations are *quality, greater care for the environment, a comprehensive range of graphic media, and making our customers more competitive.*

In developing our *quality systems*, we advanced according to plan in 1996. In December, the printing works and graphic design units were granted ISO 9001 quality certification. As our subsidiary Kvartto had already received its ISO 9002 certificate in 1994, this means that a substantial proportion of our services are now covered by a quality system. We intend to work intensively to extend certification to other Group units before the end of this year.

We also intend to get our *ISO 14001 environmental system* certified in 1997. We have good potential for this, because in June 1996 our printing works became the first - and is still the only - printing house in Finland to gain the right to use the new Nordic environmental label, the Swan. This entitlement currently calls for greater input in reducing environment damage from the different stages of production processes.

To ensure that we can meet all our customers' graphic media needs, we aim to be a *full-service enterprise.* Thus, side by side with our well-established 'hard copy' media, we have launched digital picture handling services at our subsidiary Digistar. We have also set up a special profit centre to produce electronic publications. Both projects are investments in the future. Our wide range of efficient methods for producing personalized products is also state-of-the-art, as are the customer magazines and special books that we produce for customers on a start-to-finish principle.

Edita's mission is to boost its customers' efficiency and competitiveness. It is our experience that this is most successful when we work as a *partner,* taking responsibility for the customer's graphic media, as this allows us to shape them to suit the goals and the particular target group. This approach also reduces customer costs by releasing resources for use on their own core competence. Consequently, we are investing energetically in the creation of new partnerships and in developing existing ones.

To increase our speed of response and improve coordination between various services, we last year introduced a new management model throughout the organization. This model is based on teamwork, on four-month targets, on transparency and feedback, and on further development of our operations. We aim to further consolidate this management model this year.

A major strategy move related to our corporate structure took place in the late autumn, when the Edita Board of Directors decided to merge all its fully-owned Finnish subsidiaries into the parent company. Our aim here was to dismantle the old partial Group structure, and thus ensure that we function as a single company.

In the autumn, Edita introduced a new writer's award and various grants to authors. The writer's award is presented to a person or group that has made an outstanding contribution to the dissemination of knowledge. This time, the award went to Kari A. Hintikka, who writes about new technology. We also made grants to six interesting projects broadly representing various kinds of non-fiction and electronic publications.

After a long period of growth, profits took a downward turn in 1995, but we intended to re-establish a firm upward trend this past year. We succeeded here: operating profit rose over FIM 10 million in 1996, to FIM 26.9 million, which naturally spurs us to even better achievements in coming years.

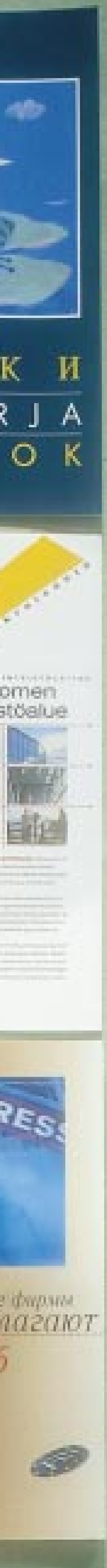
I should like to thank the entire Edita Group staff for their active contribution to attaining our main development goals. Thanks are also due to our customers for a successful year, for they have shown firm trust in us as partners and suppliers.

Mikko Suotsalo
Managing Director

DIGITAL TECHNOLOGY PART OF THE PRINTING WORLD

Thanks to digital technology, printing and its various stages are now faster and more versatile. Material transmission and contacts between the printing house and its customers are much less complicated. Digital printing also enables the production of additional short series rapidly and economically, even in impressive four-colour printing.

We were the first printing house in Finland to be awarded the Nordic environmental label - the Swan - a fact which speaks for our concern and awareness regarding ecology. Quality continues to be our priority. Last year, our printing house gained an ISO 9001 quality certificate. In addition to printing services, however, we also provide customers with graphic design, electronic publishing and logistical services.



Our printing house has the facilities to produce a broad range of printed products. We have invested in developing advanced staff expertise and state-of-the art technology.

Thanks to digital technology, our Express units can produce top-quality, multi-colour quick-print products in very short series quickly and economically. Edita's other services are also available at the quick-print shops.

Successful visual implementation helps get your message across. Graphic design is part of Edita's comprehensive service chain.

The printing house also provides logistical services for printed products. The service package includes distribution, warehousing and order processing, as well as sales services.

IN TUNE WITH THE TIMES

The themes of Edita's special magazines and trade journals range from literature and music to foreign trade and various official publications. Apart from Finnish magazines, we also publish magazines in foreign languages, e.g. in Russian and English. In many cases, there are electronic network versions to complement conventional 'hard copy' magazines.

The operations of the Magazine Publishing Division cover all the basic functions of magazine publishing: from editorial work and subscriber marketing to media sales. Our cooperation partners include the Finnish Shipowners' Association, the Ministry of Agriculture and Forestry and Postipankki Ltd, for which we produce magazines on the turn-key principle.

Luonnonvara is a joint publication produced by Edita and the Ministry of Agriculture and Forestry. Reporter Jukka Ollila from Edita and information officer Leena Kivelä from the Ministry of Agriculture and Forestry are responsible for the editorial content.

Several Edita magazines have Internet versions. For more information on Edita magazines, read our web pages at http://www.edita.fi.

Direct marketing has priority in subscriber sales. The Magazine Publishing Division also markets publications other than Edita's.

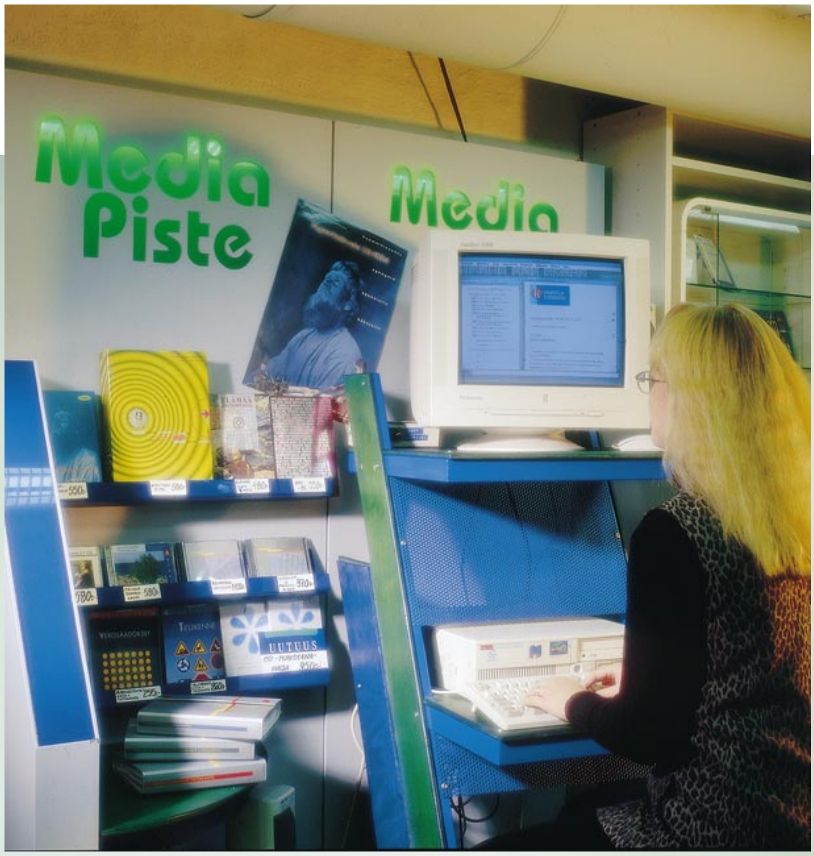
Two environmentally-aware companies have found each other. Edita and Metsä-Serla have signed a contract on collaboration in the production of the Finnish Business Report. In 1997, the magazine will be printed on Metsä-Serla's Galerie Art paper. Anne Paavilainen, marketing manager of Edita Magazine Publishing Division, and Heikki Järvinen, head of communications at Metsä-Serla, finalizing the agreement.

FACTS AT YOUR FINGER TIPS

The publisher is the link between the information producer and its user. The publisher's basic functions include information collection, processing and marketing. Technological advances have hugely expanded the amount of information available and in today's world of amorphous data, the publisher's role is increasingly important.

Usually, the traditional printed book is still the most suitable publication channel. Electronic publishing has solved many problems connected with information presentation and distribution, however. Edita is one of Finland's major publishing houses with a long tradition in the publication of social data and competence in the use of new electronic media. The Book Publishing Division comprises two main lines: corporate publications and legal works, and textbooks and non-fiction.

Customer-specific information services via the Internet represent the latest trend. Customers can familiarize themselves with new electronic products such as the tax and educational information server, Editor, via the Media unit at the Annankatu bookshop.



The history of Finnish central government published in 1996 was an extensive project. Jaakko Numminen, former Secretary-General at the Ministry of Education, and Prime Minister Paavo Lipponen look pleased with the final result.

Edita has resolutely applied the latest technology in its media and distribution strategies. The *Hyper-Kalevala* published on CD-ROM is one of Edita's new multi-media products.

In 1996, Edita awarded its first literature prize and six grants. The literature award went to Kari A. Hintikka (left). On his right are the grant winners: Maria Koskijoki, Mariaana Kopperi, Hannu Peltola, Petri Päivärinta and Eija Timonen.

FORMS FOR INFORMATION ANALYSIS

In its range of customer-specific, ready-to-deliver forms, Edita leads the way in Finland. We also manufacture envelopes, direct marketing products and stickers.

Our comprehensive form supply service is one link in the Edita service chain. We gladly accept the responsibility for planning, manufacturing, warehousing and delivering forms on behalf of our customers.

Thanks to new technology, we are now able to guarantee fast and economical manufacture of forms and direct marketing material which include personalized text and individual information.

Personalized texts on brochures and the like are easy to produce at the printing stage, and a definite boost to direct marketing.

Printed products connected with direct marketing are a growing product sector in the Forms Division.

Edita and Mainos Visio Oy jointly conducted Opel's direct advertising campaign and handled the mailing, with the Forms Division providing the personalized printed matter. Mainos Visio's managing director Jouko Jahnukainen admiring the excellent result.

The Forms Division also provides warehousing services and sees to it that Edita's customers always have the necessary forms their disposal.

Board of Directors' report

TRENDS IN THE GRAPHICS INDUSTRY

Net sales in the industry rose about 6% in 1996, to FIM 17.5 billion, mainly because of a revival of consumer demand on the home market and a rise in advertising and trade with CIS countries. The biggest surge was in exports to Russia, the value of which rose a further 40%. In contrast, the volume of industrial output actually fell slightly on 1995, and still lagged a good 10% behind the 1990 level. The volume of combined publishing and printing rose more slowly than printing alone.

The employment situation improved slightly, though there were still about 3,700 people out of work (13%). However, the number of companies filing for bankruptcy and official corporate restructuring fell to around 70, most of them again small print shops.

Export value was FIM 1.8 billion and, as imports came to less than FIM 0.6 billion, the industry's trade surplus again grew, reaching FIM 1.2 billion.

THE EDITA GROUP

The structure of the Edita Group was changed in 1996. In January, Edita Ltd. and Valtameri Osakeyhtiö set up a joint venture called Oy Digistar Ab, to process, archive and supply picture material in electronic and hard-copy form. In a deal at the end of the year, Valtameri gave up its holding, however, and Digistar became a fully-owned Edita subsidiary.

At year-end, merger agreements were made on integrating Oy Digistar Ab, Jetpoint Oy and PG-Lomake Oy into the parent company. The merger process should be completed in summer 1997.

Since its name change something over a year ago, the company is clearly more widely recognized and its image has improved. However, there are two civil cases regarding the Edita name pending at Helsinki District Court.

NET SALES

Net sales rose slightly more than in the industry as a whole. Consolidated net sales came to FIM 392.6 million (1995: FIM 366.7m), a rise of 7%, primarily in the Forms Division and Magazine Publishing. The Forms Division grew most of all, largely because the forms business acquired from Paragon Oy was now included in the consolidated figures for a full year for the first time. In Magazine Publishing, net sales were boosted by new magazines. In Book Publishing, the increase in law books and corporate publications is reflected as growth in the entire division. In contrast, net sales by the Printing Division declined slightly because of rationalization at Jetpoint Oy to eliminate unprofitable operations. Specifically, this prompted a fall in exports, which the increase in Forms Division exports proved unable to counterbalance. Net sales in foreign operations totalled FIM 15.2 million (FIM 32.3m).

PROFITS

Cutbacks in conventional business and the investments made to develop operations had the effect of reducing consolidated profits. Relatively speaking, however, profit before extraordinary items, reserves and income taxes improved, now standing at 6.9% (4.8%) of net sales, and can be judged satisfactory. In the short term, the impact of factors cutting at profits was felt primarily in Book Publishing, where profits were poor. The main profit increases came in the Forms and Printing Divisions. Following restructuring, Forms Division profits rose most, though they can still only be described as fair. In the Printing Division, profits rose nearly as much as in the Forms Division, and can be characterized as good. Magazine Division profitability also improved, and is now satisfactory.

Before extraordinary items, reserves and income taxes, consolidated profits came to FIM 27.2 million (FIM 17.7m) and parent company profits to FIM 32.3 million (FIM 23.2m).

FINANCING

Thanks to an increase in liquid assets as a result of lower investments and better profits, the current ratio, which measures the Group's liquidity, rose to 2.0 (1.7).

INVESTMENT

Gross Group investment during 1996 came to FIM 31.5 million (FIM 71.2m) and investment by the parent company to FIM 24.4 million (FIM 63.0m). The most important investments were replacements to modernize our slower and lower-quality production equipment. The Printing Division acquired a new five-colour offset press and the Forms Division a new forms rotary press for A4 production, as well as additional equipment for personalized products.

PERSONNEL

Salaries, wages and fees paid

	Group	Parent company
Board of Directors and Managing Director	1 199 274.56	944 415.00
Other personel	115 429 341.45	89 376 116.97
Total	116 566 763.34	90 320 531.97

Pension coverage is arranged through pension insurance.

The Group employed an average of 785 (786) people during the year, the year-end figure being 767 (756). The parent company employed an average of 599 (589) and 585 (568) at year-end.

PROSPECTS FOR 1997

The quality system will gradually be extended to other units, one aim being for all production operations at our Hakuninmaa headquarters to gain ISO 14001 environmental system certification. The new management model is becoming more firmly rooted in practice. As prospects for the economy and the industry look promising for 1997, the preconditions should exist for better profits.

BOARD OF DIRECTORS, MANAGING DIRECTOR AND AUDITORS

The Annual General Meeting on March 25, 1996 re-elected the same Board members as before. The present Board of Directors thus comprises:

Jorma Karjalainen, chairman
Hannu Saarelma, vice chairman
Jukka Hirvelä
Vilho Hirvi
Mikko Suotsalo
Maija-Sisko Vuorivirta
Veronica Wiklund

Mikko Suotsalo is Managing Director.

The Edita auditors are:
Ulpu Laaksonen, Authorized Public Accountant
Leena Rajala, Authorized Public Accountant

and the deputy auditors:
SVH Coopers & Lybrand Oy
Authorized Accounting Firm

Accounting principles

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company Edita Ltd. and those companies in which it holds over 50% of the total voting rights conferred by shares. The subsidiaries acquired during the year are included in the consolidated income statement as of the date of purchase.

The consolidated financial statements have been compiled by combining the income statements and balance sheets of the parent company and the subsidiaries. Internal transactions, receivables and liabilities, and intra-Group margins have been eliminated.

In eliminating internal ownerships, the purchase cost method was used. The difference between the purchase cost of shares in subsidiaries and the capital and reserves of the company concerned on the purchase date is entered under fixed assets and will be depreciated according to the plan for the fixed asset item concerned.

The minority share is entered in the income statement and balance sheet as an item separate from consolidated profit and capital and reserves.

The result of the associated company Oy Paraforms Ab is of no significance, so it has not been consolidated.

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at direct acquisition cost. Planned depreciation is calculated on a straight-line basis according to the estimated life span of the assets concerned. The periods used are:

Buildings	30 years
Machinery and equipment	3-8 years
Intangible rights and other non-current expenses	4 years
Goodwill	10 years

The difference between planned and booked depreciation is given in the income statement as a change in accelerated depreciation. Total accelerated depreciation appears in the balance sheet as a separate item in the ‘Provisions’ group, and is itemized in the Notes.

CURRENT ASSETS, RECEIVABLES AND LIABILITIES

Current assets are valued at the lower of direct acquisition cost or probable value.

Receivables and liabilities in foreign currencies have been converted into Finnish marks at the rate on the date of closing. Any exchange rate differences are entered in the income statement as adjustments to the corresponding sales or purchases.

Edita Group, income statement

	1.1.–31.12.1996	1.1.–31.12.1995	Notes
Net sales	392 612 035.38	366 747 972.36	1
Increase (+) or decrease (–) in finished goods inventories	4 204 779.60	3 516 396.95	
Production for own use (+)	9 967 795.18	8 146 346.69	
Other operating income	4 065 064.22	3 551 524.25	
Costs			
Materials, supplies and products			
Purchases during the financial period	97 891 996.51	103 530 543.66	
Increase (–) or decrease (+) in inventories	1 691 784.82	–674 346.77	
External services	28 015 613.38	23 515 463.96	
Personnel expenses	146 883 101.52	141 937 610.30	2
Rents	9 422 828.13	8 219 728.66	
Other costs	66 523 176.74	58 530 577.66	
	350 428 501.10	335 059 577.47	
Profit from operations before depreciation	60 421 173.28	46 902 662.78	
Depreciation on fixed assets and other capitalized expenditure	33 520 708.93	30 923 275.74	3
Operating profit	26 900 464.35	15 979 387.04	
Financial income and expenses			
Interest income from current investments	1 532 406.79	3 264 040.53	
Interest expenses	–1 261 335.45	–1 529 575.90	
	271 071.34	1 734 464.63	
Profit before extraordinary items, appropriations and income taxes	27 171 535.69	17 713 851.67	
Profit before appropriations and income taxes	27 171 535.69	17 713 851.67	
Difference between actual and planned depreciation, increase (–), decrease (+)	–3 208 580.40	–2 338 955.59	3
Income taxes			
On the financial period	–6 743 853.00	–5 851 243.00	
On previous financial periods	304 672.00	–86.00	
Profit for the period before minority share	17 523 774.29	9 523 567.08	
Minority share of profit	–90 200.25	–258 269.58	
Consolidated profit for the period	17 433 574.04	9 265 297.50	

Edita Group, balance sheet

ASSETS	31.12.1996	31.12.1995	Notes
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS			6,7
Intangible assets			
Intangible rights	3 643 561.12	3 804 152.30	
Other capitalized expenditure	6 484 547.55	7 339 348.93	
Advance payments	232 250.00	380 000.00	
	10 360 358.67	11 523 501.23	
Tangible assets			
Land and water	37 926 883.95	37 926 883.95	
Buildings	79 026 189.68	82 314 684.32	
Machinery and equipment	84 543 692.03	86 039 015.09	
Advance payments	699 070.50	849 053.63	
	202 195 836.16	207 129 636.99	
Financial assets			
Bonds and shares	2 535 359.20	2 493 980.00	
Loan receivables	600 000.00	600 000.00	
	3 135 359.20	3 093 980.00	
CURRENT ASSETS			
Current assets			
Raw materials and consumables	11 292 202.44	13 462 046.46	
Work in progress	4 108 867.91	2 933 629.31	
Finished products/goods	16 937 875.69	13 452 275.41	
	32 338 946.04	29 847 951.18	
Receivables			
Trade receivables	45 897 393.45	39 880 940.30	
Loan receivables	29 215 001.08	20 934 021.09	
Prepaid expenses and accrued income	4 731 926.99	3 916 612.89	
Other receivables	809 358.59	859 476.96	
	80 653 680.11	65 591 051.24	
Cash in hand and at banks	5 485 051.99	3 761 898.85	
TOTAL	334 169 232.17	320 948 019.49	

Edita Group, balance sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.1996	31.12.1995	Notes
SHAREHOLDERS' EQUITY			9
Restricted equity			
Share capital	30 000 000.00	30 000 000.00	
Reserve fund	159 488 098.32	159 488 098.32	
	189 488 098.32	189 488 098.32	
Non-restricted equity			
Retained earnings	16 992 873.00	15 736 146.25	
Profit for the period	17 433 574.04	9 265 297.50	
	34 426 447.04	25 001 443.75	
MINORITY INTERESTS	2 409 421.94	2 499 131.70	
RESERVES			10
Accumulated depreciation in excess of plan	23 171 168.78	19 962 588.38	
Untaxed reserves			
Other reserves	9 129 968.00	9 129 968.00	
	32 301 136.78	29 092 556.38	
LIABILITIES			
Long-term			
Pension loans	11 487 327.17	12 496 103.17	
Other loans	3 300 000.00	4 408 792.99	
	14 787 327.17	16 904 896.16	
Current			
Pension loans	1 008 776.00	500 000.00	
Other loans	1 100 000.00	1 100 000.00	
Advances received	2 613 949.13	1 462 253.21	
Trade payables	17 607 716.40	14 807 700.00	
Accrued expenses and deferred income	27 872 207.68	29 792 110.93	
Other current liabilities	10 554 151.71	10 299 829.04	
	60 756 800.92	57 961 893.18	
TOTAL	334 169 232.17	320 948 019.49	

Edita Group, statement of source and application of funds

	1.1.–31.12.1996	1.1.–31.12.1995
BUSINESS OPERATIONS		
Financing from operations		
Profit from operations before depreciation	60 421 173.28	46 902 662.78
Financial income (+) and expenses (–)	271 071.34	1 734 464.63
Taxes	–6 439 181.00	–5 851 329.00
	54 253 063.62	42 785 798.41
Change in working capital		
Current assets, increase (–)	–2 490 994.86	–5 393 181.84
Current business receivables, increase (–)	–6 781 648.88	–4 229 806.41
Current zero-interest liabilities, increase (+)	2 286 131.74	5 325 103.20
	–6 986 512.00	–4 297 885.05
Cash flow from business operations	47 266 551.62	38 487 913.36
INVESTMENT		
Investments in fixed assets	–31 465 531.46	–71 169 260.76
Sale of fixed assets	4 000 386.72	3 390 231.57
	–27 465 144.74	–67 779 029.19
Cash flow before financing	19 801 406.88	–29 291 115.83
FINANCING		
Decrease (–) in long-term loans	–2 108 776.00	–1 600 000.00
Increase (+)/decrease (–) in short-term loans	508 776.00	0.00
Dividend	–8 001 000.00	–4 500 000.00
	–9 601 000.00	–6 100 000.00
Increase (+)/decrease (–) in liquid funds per calculation	10 200 406.88	–35 391 115.83
Adjustment items		
Change in minority share, translation differences	–196 273.75	–33 665.59
Increase (+)/decrease (–) in liquid funds per balance sheet	10 004 133.13	–35 424 781.42
Short-term loan receivables	29 215 001.08	20 934 021.09
Cash in hand and at banks	5 485 051.99	3 761 898.85
Total liquid funds	34 700 053.07	24 695 919.94

Edita Ltd., income statement

	1.1.–31.12.1996	1.1.–31.12.1995	Notes
Net sales	295 498 254.39	269 362 831.74	1
Increase (+) or decrease (–) in finished goods inventories	485 314.48	1 066 756.68	
Production for own use (+)	9 891 598.80	8 117 468.65	
Other operating income	6 069 372.87	5 625 772.80	
Costs			
Materials, supplies and products			
Purchases during the financial period	60 605 893.86	57 636 774.20	
Increase (–) or decrease (+) in inventories	–297 999.05	3 526 002.93	
External services	25 764 844.18	14 205 974.43	
Personnel expenses	115 075 875.34	113 964 396.65	2
Rents	5 962 762.06	5 898 865.60	
Other costs	52 589 535.23	46 638 924.96	
	259 700 911.62	241 870 938.77	
Profit from operations before depreciation	52 243 628.92	42 301 891.10	
Depreciation on fixed assets and other capitalized expenditure	23 042 656.52	21 887 595.29	3
Operating profit	29 200 972.40	20 414 295.81	
Financial income and expenses			
Dividend income	2 160 120.00	600 034.00	
Interest income from current investments	1 111 494.09	2 689 547.14	
Internal Group interest income	971 639.46	886 395.32	
Interest expenses	–1 173 984.22	–1 409 645.90	
	3 069 269.33	2 766 330.56	
Profit before extraordinary items, reserves and income taxes	32 270 241.73	23 180 626.37	
Extraordinary income and expenses			
Group contributions	–5 640 000.00	–1 700 000.00	
Profit before appropriations and income taxes	26 630 241.73	21 480 626.37	
Difference between actual and planned depreciation, increase (–), decrease (+)	–90 631.11	–1 577 787.18	3
Income taxes			
On the financial period	–6 932 942.00	–5 128 637.00	
On previous financial periods	304 675.00		
Profit for the period	19 911 343.62	14 774 202.19	

Edita Ltd., balance sheet

ASSETS	31.12.1996	31.12.1995	Notes
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS			6,7
Intangible assets			
Intangible rights	3 053 653.39	3 371 217.97	
Other capitalized expenditure	225 547.55	285 003.69	
Advance payments	232 250.00	380 000.00	
	3 511 450.94	4 036 221.66	
Tangible assets			
Land and water	35 000 000.00	35 000 000.00	
Buildings	67 792 145.10	70 409 449.02	
Machinery and equipment	52 541 452.24	51 049 508.27	
Advance payments	0.00	670 281.93	
	155 333 597.34	157 129 239.22	
Financial assets			
Share in subsidiaries	64 122 568.00	62 880 368.00	
Bonds and shares	2 352 860.00	2 322 860.00	
Loan receivables	600 000.00	600 000.00	
	67 075 428.00	65 803 228.00	
CURRENT ASSETS			
Current assets			
Raw materials and consumables	6 434 475.56	7 048 307.94	
Work in progress	2 816 327.18	1 904 495.75	
Finished products/goods	10 303 163.05	9 817 848.57	
	19 553 965.79	18 770 652.26	
Receivables			
Trade receivables	35 337 899.10	26 969 664.58	
Loan receivables	39 200 000.00	32 913 430.45	
Prepaid expenses and accrued income	3 445 929.41	3 296 586.63	
Other receivables	786 532.09	576 352.73	
	78 770 360.60	63 756 034.39	
Cash in hand and at banks	3 902 214.48	2 825 577.43	
TOTAL	328 147 017.15	312 320 952.96	

Edita Ltd., balance sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.12.1996	31.12.1995	Notes
SHAREHOLDERS' EQUITY			9
Restricted equity			
Share capital	30 000 000.00	30 000 000.00	
Reserve fund	159 488 098.32	159 488 098.32	
	189 488 098.32	189 488 098.32	
Non-restricted equity			
Retained earnings	21 734 741.89	14 961 539.70	
Profit for the period	19 911 343.62	14 774 202.19	
	41 646 085.51	29 735 741.89	
RESERVES			10
Accumulated depreciation in excess of plan	18 568 421.37	18 477 790.26	
Untaxed reserves			
Other reserves	7 599 968.00	7 599 968.00	
	26 168 389.37	26 077 758.26	
LIABILITIES			
Long-term			
Pension loans	11 487 327.17	12 496 103.17	
Other loans	3 300 000.00	4 400 000.00	
	14 787 327.17	16 896 103.17	
Current			
Pension loans	1 008 776.00	500 000.00	
Other loans	1 100 000.00	1 100 000.00	
Advances received	2 575 150.80	1 290 056.34	
Trade payables	14 060 381.62	10 312 563.57	
Accrued expenses and deferred income	27 972 957.60	23 115 176.55	
Other current liabilities	9 339 850.76	13 805 454.86	
	56 057 116.78	50 123 251.32	
TOTAL	328 147 017.15	312 320 952.96	

Edita Ltd., statement of source and application of funds

	1.1.–31.12.1996	1.1.–31.12.1995
BUSINESS OPERATIONS		
Financing from operations		
Profit from operations before depreciation	52 243 628.92	42 301 891.10
Financial income (+) and expenses (–)	3 069 269.33	2 766 330.56
Taxes	–6 628 267.00	–5 128 637.00
	48 684 631.25	39 939 584.66
Change in working capital		
Current assets, increase (–)	–783 313.53	2 459 246.25
Current business receivables, increase (–)	–8 727 756.66	4 993 319.65
Current zero-interest liabilities, increase (+)	5 016 807.51	–5 076 362.89
	–4 494 262.68	2 376 203.01
Cash flow from business operations	44 190 368.57	42 315 787.67
INVESTMENT		
Investments in fixed assets	–24 394 733.35	–62 951 095.38
Sale of fixed assets	2 400 289.43	3 390 231.57
	–21 994 443.92	–59 560 863.81
Cash flow before financing	22 195 924.65	–17 245 076.14
FINANCING		
Increase (–)/decrease (+) in long-term receivables	4 450 780.00	–18 160 681.00
Decrease (–) in long-term loans	–2 108 776.00	–1 600 000.00
Increase (+)/decrease (–) in short-term loans	–4 722 942.05	4 737 496.09
Dividend	–8 001 000.00	–4 500 000.00
	–10 381 938.05	–19 523 184.91
Increase (+)/decrease (–) in liquid funds per calculation	11 813 986.60	–36 768 261.05
Increase (+)/decrease (–) in liquid funds per balance sheet	11 813 986.60	–36 768 261.05
Short-term loan receivables	24 700 000.00	13 962 650.45
Cash in hand and at banks	3 902 214.48	2 825 577.43
Total liquid funds	28 602 214.48	16 788 227.88

Main indicators of Group performance

SCALE OF OPERATIONS	1996	1995	1994	1993
Net sales, FIM 1,000	392 612	366 748	279 978	245 059
Change, %	7.1	31.0	14.2	12.6
Printing Division, %	40.4	47.1	49.0	49.1
Book Publishing Division, %	12.3	13.5	17.0	21.3
Magazine Publishing Division, %	7.2	7.5	8.6	10.2
Forms Division, %	40.1	31.9	25.4	19.4
Foreign operations, %	3.9	8.8	2.9	1.7
Gross investment, FIM 1.000	31 466	71 169	36 662	17 439
Average personnel	785	786	617	593
Net sales/employee, FIM 1.000	500	467	454	41
PROFITABILITY				
Profit from operations before depreciation, FIM 1.000	60 421	46 903	53 103	43 583
% of net sales	15.4	12.8	19.0	17.8
Operating profit, FIM 1.000	26 900	15 979	30 155	21 641
% of net sales	6.9	4.4	10.8	8.8
Profit before extraordinary items, FIM 1.000	27 172	17 714	32 660	23 619
% of net sales	6.9	4.8	11.7	9.6
Return on equity (ROE) %	8.1	4.9	11.9	10.7
Return on investment (ROI) %	10.5	7.7	13.8	11.7
FINANCING AND FINANCIAL STANDING				
Current ratio	2.0	1.7	2.4	2.3
Equity ratio, %	78.0	77.0	77.3	76.4

$$\text{ROE} = \frac{\text{(profit before extraordinary items – taxes for the period) x 100}}{\text{(shareholder's equity + minority interests + reserves), average}}$$

$$\text{ROI} = \frac{\text{(profit before extraordinary items + interest expenses and other financial expenses) x 100}}{\text{(balance sheet total - non-interest-bearing liabilities), average}}$$

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\text{Equity ratio} = \frac{\text{shareholders' equity + minority interests + reserves x 100}}{\text{balance sheet total - advances received}}$$

Notes on the income statement and balance sheet

	Group 1996 FIM	Group 1995 FIM	Parent co. 1996 FIM	Parent co. 1995 FIM
1. Turnover by division and market area				
Printing Division	188 072 678.13	192 070 633.42	172 960 205.41	165 173 061.67
Book Publishing Division	57 151 444.99	55 226 106.12	57 151 444.99	55 226 106.12
Magazine Publishing Division	33 769 293.59	30 709 333.76	33 769 293.59	30 709 333.76
Forms Division	186 949 015.25	130 037 328.68	68 402 468.97	59 549 759.81
Eliminations of internal invoicing + other	–73 330 396.58	–41 295 429.62	–36 785 158.57	–41 295 429.62
Total	392 612 035.38	366 747 972.36	295 498 254.39	269 362 831.74
Finland	377 406 014.18	334 430 853.40	285 630 649.15	261 889 298.45
Foreign operations	15 206 021.20	32 317 118.96	9 867 605.24	7 473 533.29
Total	392 612 035.38	366 747 972.36	295 498 254.39	269 362 831.74
2. Staff expenses				
Wages and salaries	113 988 005.69	107 150 926.00	89 065 391.93	85 437 088.26
Fringe benefits	1 135 702.19	949 561.91	831 022.00	631 001.91
Pension expenses	17 886 920.84	17 875 633.70	13 546 541.90	14 118 177.16
Other staff-related expenses	15 008 174.98	16 911 050.60	12 463 941.51	14 409 131.23
Total	148 018 803.70	142 887 172.21	115 906 897.34	114 595 398.56
3. Depreciation				
Planned depreciation				
Intangible rights	1 654 698.22	1 317 709.52	1 485 664.42	1 240 350.27
Other capitalized expenditure	840 441.14	497 213.15	100 441.14	87 359.56
Buildings	3 288 794.64	3 317 630.89	2 617 303.92	2 609 359.26
Machinery and equipment	27 736 774.93	25 790 722.18	18 839 247.04	17 950 526.20
Total	33 520 708.93	30 923 275.74	23 042 656.52	21 887 595.29
Change in difference between actual and planned depreciation, (increase (–), decrease (+)				
Intangible rights	17 647.49	239 443.76	–14 609.05	238 278.82
Other capitalized expenditure	4 283.46	7 118.72	4 283.46	7 118.72
Buildings	1 897 387.32	2 224 013.86	1 761 472.32	2 033 326.86
Machinery and equipment	1 289 262.13	–131 620.75	–1 660 515.62	–700 937.22
Total	3 208 580.40	2 338 955.59	90 631.11	1 577 787.18
4. Internal financial income and expenses, Group				
Dividend income			2 160 120.00	600 034.00
Interest income			971 639.46	886 395.32
Interest expenses			0.00	–28 298.46
			3 131 759.46	1 458 130.86

5. Companies owned by Group and parent company

	Jetpoint Oy	Oy Kvartto Ab	Pt-Lomake Oy	A/S Paraprint
Group holding, %	100.00	90.01	100.00	100.00
Parent company holding, %	100.00	90.01	100.00	0.00
Group share of equity	1 709 833.52	21 698 055.94	32 507 730.49	235 214.59
Shares held by parent company				
Number	5150	18001	70150	
Nominal value, FIM/share	100.00	300.00	100.00	
Book value	1 909 530.00	20 902 384.00	40 054 224.00	
Profit/loss per last financial statements	–10 594.12	902 453.68	–92 032.43	–130 417.92

	Oy Paraforms Ab	Diginor Oy	Oy Digistar Ab
Group holding, %	50.00	100.00	100.00
Parent company holding, %	0.00	100.00	100.00
Group share of equity	155 414.18	8 964.00	569 037.51
Shares held by parent company			
Number		120	500
Nominal value, FIM/share		125.00	1 000.00
Book value		14 230.00	1 242 200.00
Profit per last financial statements	–392.00	0.00	–930 962.49

	Group 1996 FIM	Group 1995 FIM	Parent co. 1996 FIM	Parent co. 1995 FIM
6. Itemization of fixed assets				
Intangible assets				
Acquisition cost 1.1.	7 588 140.06	4 673 669.01	6 640 122.28	4 073 185.09
+ Increases 1.1.-31.12.	1 525 123.62	2 914 471.05	1 196 099.84	2 566 937.19
– Decreases	–45 087.56	0.00	–28 000.00	0.00
Acquisition cost 31.12.	9 068 176.12	7 588 140.06	7 808 222.12	6 640 122.28
– Accumulated planned depreciation 31.12.	–5 424 615.00	–3 783 987.76	–4 754 568.73	–3 268 904.31
Book value 31.12.	3 643 561.12	3 804 152.30	3 053 653.39	3 371 217.97
Accumulated difference between total and planned depreciation 1.1.	555 541.50	316 097.74	538 907.81	300 628.99
Difference between actual and planned depreciation, increase (–), decrease (+) 1.1.-31.12.	17 647.49	239 443.76	–14 609.05	238 278.82
Accumulated depreciation in excess of plan 31.12.	573 188.99	555 541.50	524 298.76	538 907.81
Other capitalized expenditure				
Acquisition cost 1.1.	8 099 839.04	358 825.79	594 817.83	253 804.58
+ Goodwill 1.1.-31.12.	0.00	7 400 000.00	0.00	0.00
+ Other increases 1.1.-31.12.	40 985.00	341 013.25	40 985.00	341 013.25
– Decreases 1.1.-31.12	–105 021.21	0.00	0.00	0.00

	Group 1996 FIM	Group 1995 FIM	Parent co. 1996 FIM	Parent co. 1995 FIM
Acquisition cost 31.12.	8 035 802.83	8 099 839.04	635 802.83	594 817.83
– Accumulated planned				
depreciation 31.12.	–1 551 255.28	–760 490.11	–410 255.28	–309 814.14
Book value 31.12.	6 484 547.55	7 339 348.93	225 547.55	285 003.69
Difference between actual and				
planned depreciation,				
increase (–), decrease (+) 1.1.	10 793.72	3 675.00	10 793.72	3 675.00
+ Increase in accelerated				
depreciation 1.1.-31.12.	4 283.46	7 118.72	4 283.46	7 118.72
Accelerated depreciation 31.12.	15 077.18	10 793.72	15 077.18	10 793.72
Buildings and constructions				
Acquisition cost 1.1.	97 921 013.79	96 421 013.79	78 111 394.73	76 611 394.73
+ Increases 1.1.-31.12.	0.00	1 500 000.00	0.00	1 500 000.00
Acquisition cost 31.12.	97 921 013.79	97 921 013.79	78 111 394.73	78 111 394.73
– Accumulated planned				
depreciation 31.12.	–18 894 824.11	–15 606 329.47	–10 319 249.63	–7 701 945.71
Book value 31.12.	79 026 189.68	82 314 684.32	67 792 145.10	70 409 449.02
Difference between actual and				
planned depreciation,				
increase (–), decrease (+) 1.1.	7 886 656.28	5 662 642.42	7 401 847.28	5 368 520.42
+ Increase in accelerated				
depreciation 1.1.-31.12.	1 897 387.32	2 224 013.86	1 761 472.32	2 033 326.86
Accelerated depreciation 31.12.	9 784 043.60	7 886 656.28	9 163 319.60	7 401 847.28
Machinery and equipment				
Acquisition cost 1.1.	152 086 590.19	95 447 230.63	103 579 104.22	86 592 534.66
± Translation differences	97 790.13	0.00	0.00	0.00
+ Increases 1.1.-31.12.	33 191 729.67	59 089 378.91	21 377 929.89	18 588 876.18
– Decreases 1.1.-31.12.	–9 241 887.62	–2 450 019.35	–1 016 633.69	–1 602 306.62
Acquisition cost 31.12.	176 134 222.37	152 086 590.19	123 940 400.42	103 579 104.22
– Accumulated planned				
depreciation 31.12.	–91 590 530.34	–66 047 575.10	–71 398 948.18	–52 529 595.95
Book value 31.12.	84 543 692.03	86 039 015.09	52 541 452.24	51 049 508.27
Difference between actual and				
planned depreciation,				
increase (–), decrease (+) 1.1.	11 509 596.88	11 641 217.63	10 526 241.45	11 227 178.67
+ increase in accelerated				
depreciation 1.1.-31.12.	2 949 777.75	592 400.47	0.00	0.00
– decrease in accelerated				
depreciation 1.1.-31.12.	–1 660 515.62	–724 021.22	–1 660 515.62	–700 937.22
Accelerated depreciation 31.12.	12 798 859.01	11 509 596.88	8 865 725.83	10 526 241.45
Of book value per 31.12.				
machinery and equipment	82 357 191.92	84 440 804.23	50 571 088.98	49 840 948.59
7. Taxable values of fixed assets				
Land areas	9 938 348.00	9 154 866.00	7 359 940.00	6 990 845.00
Buildings	22 734 048.00	23 529 347.00	11 465 591.00	11 456 000.00
Shares in subsidiaries	0.00	0.00	28 113 420.00	12 989 110.00
Other shares	551 840.00	323 440.00	365 840.00	167 440.00

	Group 1996 FIM	Group 1995 FIM	Parent co. 1996 FIM	Parent co. 1995 FIM
8. Receivables and liabilities/ Group companies				
Sales receivables			1 512 981.23	663 824.85
Non-current loan receivables			14 500 000.00	18 950 786.00
Other receivables			147 400.59	457 624.31
Trade payables			1 066 190.76	502 107.18
Accrued expenses and deferred income			5 640 000.00	0.00
Other current liabilities			1 205 778.04	6 437 496.09
9. Shareholders’ equity				
Share capital				
Share capital 1.1.	30 000 000.00	30 000 000.00	30 000 000.00	30 000 000.00
Share capital 31.12.	30 000 000.00	30 000 000.00	30 000 000.00	30 000 000.00
Reserve fund				
Reserve fund 1.1.	159 488 098.32	159 488 098.32	159 488 098.32	159 488 098.32
Reserve fund 31.12.	159 488 098.32	159 488 098.32	159 488 098.32	159 488 098.32
Non-restricted equity				
Non-restricted equity 1.1.	25 001 443.75	20 227 483.83	29 735 741.89	19 461 539.70
Translation difference	–7 570.75	8 662.42	0.00	0.00
Dividend distributed	–8 001 000.00	–4 500 000.00	–8 001 000.00	–4 500 000.00
Profit for the period	17 433 574.04	9 265 297.50	19 911 343.62	14 774 202.19
Non-restricted equity 31.12.	34 426 447.04	25 001 443.75	41 646 085.51	29 735 741.89
10. Provisions				
Accumulated depreciation in excess of plan				
On intangible rights	573 188.99	555 541.50	524 298.76	538 907.81
On other capitalized expenditure	15 077.18	10 793.72	15 077.18	10 793.72
On buildings	9 784 043.60	7 886 656.28	9 163 319.60	7 401 847.28
On machinery and equipment	12 798 859.01	11 509 596.88	8 865 725.83	10 526 241.45
	23 171 168.78	19 962 588.38	18 568 421.37	18 477 790.26
Untaxed reserves				
Transition reserve	9 129 968.00	9 129 968.00	7 599 968.00	7 599 968.00
Tax liability	2 556 391.04	2 282 492.00	0.00	0.00
11. Liabilities				
Liabilities maturing within five years or longer				
Pension loans	6 588 870.00	7 938 490.00	6 588 870.00	7 938 490.00
12. Contingent liabilities				
Pledges given for own debt	18 000.00	0.00	0.00	0.00
Mortgages on land and buildings	3 000 000.00	3 000 000.00	3 000 000.00	3 000 000.00
Other contingent liabilities	100 000.00	1 100 000.00	100 000.00	1 100 000.00
	for 1997	for remaining period	for 1997	for remaining period
Leasing commitments	3 732 277.04	9 607 806.17	900 129.04	1 167 998.36

The Board of Directors' proposal for the distribution of profit

THE BOARD OF DIRECTORS PROPOSES THE FOLLOWING PROFIT DISTRIBUTION:

The Group's non-restricted equity according to the consolidated balance sheet is FIM 34,426,447.04 and the parent company's FIM 41,646,085.51.

The Board suggests that these funds be used as follows:

– a FIM 2,667/share dividend to shareholders, i.e. FIM 8,001,000.00
– FIM 33,645,085.51 carried over on the profit and loss account.

Helsinki, February 28, 1997

Jorma Karjalainen
chairman

Jukka Hirvelä

Vilho Hirvi

Hannu Saarelma

Mikko Suotsalo
Managing Director

Maija-Sisko Vuorivirta

Veronica Wiklund

The financial statements have been drawn up in accordance with good accounting practice. The auditors have today submitted a report on their audit.

Helsinki, March 6, 1997

Ulpu Laaksonen
Authorized Public Accountant

Leena Rajala
Authorized Public Accountant

Auditors' report

TO THE SHAREHOLDERS OF EDITA LTD.

We have audited the accounting, the financial statements and the corporate governance of Edita Ltd. for the period 1.1.-31.12.1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit, we express the following opinion on these financial statements and on the corporate governance.

The audit was conducted in accordance with Finnish Standards on Auditing. The bookkeeping and the accounting principles, content and presentation of the financial statements were thus examined in sufficient detail to obtain reasonable assurance about whether the financial statements were free of material misstatement. The purpose of our audit of corporate governance was to establish that the members of the Board of Directors and the Managing Director have legally complied with the rules laid down in the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and the parent company's performance, and of their financial position.

The financial statements and the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period audited by us.

The Board of Directors' proposal regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, March 6, 1997

Ulpu Laaksonen
Authorized Public Accountant

Leena Rajala
Authorized Public Accountant

Edita services and products

PRINTING
- Books
- Magazines
- Brochures
- Catalogues
- Handbooks

QUICK-PRINT
- Duplicated material
- Copies
- 4-colour copies and overheads
- Posters
- Visiting cards
- Invitations

FORM PRODUCTION
- Loose forms
- Continuous forms
- Form sets
- Office forms
- Stickers
- Envelopes

DIGITAL SERVICES
- On-demand products
- Data base publications
- Personalized products

DIGITAL SERVICES
- Electronic forms
- EDI orders/systems
- Personalized printing

BOOK PUBLISHING
- Corporate books
- Law books
- Reference books
- Textbooks

SUPPORT SERVICES

Graphic design, form design, logistical services, security services, archiving services

STOCK PRODUCTS
- Table paper
- Invoices
- Pay forms
- Tax withholding certificates
- Envelopes

ELECTRONIC SERVICES
- Multimedia products
- CD-ROMs
- Network publications

MAGAZINE PUBLISHING
- Trade journals
- Special magazines
- Staff magazines
- Hobby magazines

PUBLICATION SERVICES
- Books to order
- Customer magazines
- Marketing

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