

# ALMA | MEDIA

## ALMA MEDIA CORPORATION INTERIM REPORT JANUARY–JUNE 2002

**The Group's operational profitability improved between April and June with respect to both the first quarter this year and the same period last year. The second-quarter operating profit was 10.3 MEUR (4-6/2001: 10.1 MEUR). Last year's figure included a 10 MEUR capital gain on the sale of real estate. The Group's full-year result of operations is expected to be positive.**

### Second-quarter performance

The trend in media advertising reversed during the second quarter with total advertising volume growing 1.0 %, driven mainly by television and radio advertising. Television advertising increased 3.7 % and radio advertising by as much as 17.5 % between April and June compared to the second quarter of 2001. Newspaper advertising decreased 1.3 %. Job recruitment and B-to-B advertising fell particularly sharply, which had a negative impact on Kauppalehti's and Alma Media Interactive's advertising revenues. The afternoon newspaper markets declined during the second quarter. Conditions in the Finnish printing industry remained unchanged but profitability improved following a reduction in paper prices, the strengthening of the Swedish krona and greater activity in the Russian market.

Second-quarter net sales totalled 128.3 (125.6) MEUR. The increase was the result of higher advertising sales by the Broadcasting division. Alma Media's operational profitability improved in the April-June period compared to both the first quarter this year and to the second quarter in 2001. The consolidated operating profit was 10.3 (10.1) MEUR. The Q2/2001 operating profit included a capital gain of 10 MEUR on the divestment of certain properties.

Associated companies contributed -1.7 (+2.5) MEUR to the operating profit in the second quarter. Investments in digital television were 1.7 MEUR higher than one year earlier. The main factors contributing to the positive development in operating profit were substantial profitability improvements reported by Interactive and Alprint, Broadcasting's increase in advertising sales, and Alpress's outstanding performance in difficult market conditions.

Group's operating expenses in the second quarter were 11.6 MEUR, 9 % lower than one year earlier.

### January-June performance

Consolidated net sales between January and June were on a par with last year's level. The six-month operating profit increased to 6.9 (2.5) MEUR due to the improvement in operational profitability.

### Alpress

Alpress is the Alma Media division responsible for newspaper publishing and newspaper printing. Alpress publishes the national newspaper Iltalehti, the daily regional newspapers Aamulehti, Satakunnan Kansa, Lapin Kansa, Pohjolan Sanomat and Kainuun Sanomat, and 25 local and town papers.

Alpress raised operational efficiency during the second quarter. Net sales decreased from 53.8 MEUR to 52.7 MEUR but the operating profit rose 29 % from 7.2 MEUR to 9.3 MEUR.

Media advertising between January and June declined 2.1 % compared to 2001. Newspaper advertising fell 4.3 %. The free sheets increased their advertising sales but daily newspaper advertising revenues were down by 5.2 % on average. Media advertising recovered somewhat towards the end of the period. Newspaper advertising income was 1.9 % higher in June than one year earlier. The Alpress newspapers were slightly more successful than the industry average with advertising revenues declining 4.5 % between January and June.

Alpress's circulation revenues increased in all the regional newspapers and Iltalehti. Afternoon newspaper circulations showed a four percent decline from the start of the year. Iltalehti achieved a further increase in market share during the first six months of the year.

Alpress division's net sales fell 2.6 % between January and June to 102.4 (105.2) MEUR. Circulation revenue increased 3.6 % but advertising sales were down 4.5 % and other sales

17.2 % likewise. The main reason for the latter decrease was a deliberate reduction in contract sales by the Pori printing works.

Alpress's total expenses were 5.5 % lower than one year earlier. Material costs were decreased by reductions in paper prices, the decrease in contract printing sales and a reduction in pages in Alpress's own newspapers.

Another major reason behind the reduction in costs was the cost-cutting programme initiated at the start of the year. Hence Alpress's operating profit rose 21 % compared to 2001 despite the shortfall in advertising sales. The operating profit was 14.8 (12.2) MEUR.

In March Alpress accepted a sales offer raising Alma Media's holding in Lapin Kansa to 93.7 %.

Alpress subsidiaries Lapin Kansa Oy, Pohjolan Sanomat Oy and Kainuun Sanomat Oy were merged at the operational level into a single business group called Pohjoiset lehdet during the period. Mr Juha Ruotsalainen, managing director of Kainuun Sanomat Oy, was appointed to head the new group with effect from 1 August 2002. At the same time he was named managing director of Lapin Kansa Oy after Heikki Ollila started semi-retirement.

### Business Information Group

Business Information Group (BIG) is the Alma Media division responsible for producing and distributing business information. It consists of Kauppalehti, Baltic News Service, Balance Consulting Oy, Starfunds Finland Oy set up in March 2002 to provide rating services, and Efektor Oy, a business training consultancy acquired in June 2002. Starfunds Finland Oy and Efektor Oy are 51 %-owned by Kauppalehti. Balance Consulting Oy, Starfunds Finland Oy and Efektor Oy form a business group within BIG that concentrates on providing business training courses, and on producing and commercializing financial analyses.

BIG is also responsible for collaboration with Talentum Oyj, which is 32.8 %-owned by Alma Media. Talentum's net sales totalled 60.1 (61.5) MEUR in the reporting period and it recorded an operating profit of -0.1 (0.3) MEUR.

The first six months of the year were difficult for business newspapers. Compared to the previous year, B-to-B advertising fell by almost a quarter, which reduced Kauppalehti's advertising revenue by 13 %. Especially heavy cuts in advertising expenditure were made by the IT sector, telecommunications companies and the finance sector. Kauppalehti was more successful than other business newspapers in the market and increased market share in advertising sales. The economic slump was also visible in circulation revenues, which were 2 % down on the same period last year. Kauppalehti Online's net sales reached last year's level, 1.4 MEUR. The number of weekly online users rose 7 %, totalling 73,000 on average between January and May.

BIG's second quarter net sales were 11.5 (10.9) MEUR.

Operating profit was 1.6 (1.7) MEUR. Talentum Oyj's profit contribution to BIG's second quarters operating profit was -1.0 (-0.5) MEUR. Kauppalehti's operating profit was 0.4 MEUR higher than in the comparable period. BIG's January-June net sales amounted to 22.4 (22.2) MEUR and the operating profit was 2.6 (4.1) MEUR. The increase in net sales resulted from Baltic News Service, which was consolidated as an Alma Media subsidiary after the comparable period last year. Talentum Oyj has been associated company of Alma Media Oyj since April 2001.

### Broadcasting

The Broadcasting division is responsible for television and radio broadcasting operations. It comprises MTV Oy, which is responsible for MTV3 Channel and the Subtv cable channel, as well as Radio Nova (Suomen Uutisradio Oy) and MTV3-Tele Oy. Broadcasting's result includes its 23.4 % contribution from TV4 AB in Sweden less goodwill amortization. Its digital television operations consist of the digital MTV3 and Subtv stations, 50 % of the digital sports channel Urheilukanava, and digital television development.

The broadcasted media continued to increase market share during the second quarter according to Ad Facts Ltd. Between April and June TV advertising in Finland rose 3.7 % and radio advertising 17.4 %. Between January and June TV advertising rose 2.4 % and radio advertising 14.6 % compared to the first six months of 2001 even though total media advertising decreased by 2.1 %. In Alma Media's Broadcasting division second-quarter TV advertising sales grew 6.5 % and radio advertising sales 30.0 % compared to the same period last year. The same figures for the January-June period were 4.5 % and 22.0 % respectively.

Television viewing time averaged 2 hours 59 minutes a day between January and June, which was 8 minutes more than one year earlier. MTV3's and Subtv's aggregate share of total prime time viewing (6.00 pm to 11.00 pm) reached 42.5 % among 10-44 year olds and 38.4 % among the total Finnish population. MTV3's and Subtv's share of total prime time viewing increased 6 % in the 10-44 year old segment.

Broadcasting's operational profitability improved clearly in the second quarter. The division's Q2 net sales totalled 47.2 (44.4) MEUR, up 6.3 % on the previous year. Advertising sales accounted for 44.5 (41.1) MEUR of total net sales, an increase of 8.3 %.

Broadcasting recorded an operating profit of 0.5 (-0.1) MEUR in the second quarter. Digital television showed an operating loss of 2.6 (0.9) MEUR, but analogue broadcasting an operating profit of 3.1 (-2.3) MEUR excluding the Swedish TV4 AB's profit contribution, which in the second quarter amounted to 0.0 (3.1) MEUR.

Broadcasting's net sales in the first six months of the year totalled 88.1 (84.1) MEUR, representing growth on the previous year of 4.8 %. Advertising sales amounted to 82.3 (78.0)

MEUR of net sales, an increase of 5.5 %.

Broadcasting showed a six-month operating loss of 7.6 (7.9) MEUR. This year the operating loss was increased in particular by expenditure on digital television and by the Swedish TV4 AB's contribution after goodwill amortization. In digital television's case the increase was 4.8 (1.4) MEUR while TV4 AB's contribution was a loss of 1.2 MEUR. Last year TV4 AB contributed an operating profit of 2.2 MEUR, nor did the company pay any operating licence fee during the first six months. Excluding the impact of TV4 AB, Broadcasting's operational EBIT from analogue broadcasting was 1.6 (8.8) MEUR. The reduction in operating loss was the result both of the increase in net sales and of lower costs.

MTV3 Channel's six-month net sales were 80.4 (76.8) MEUR, an increase of 4.7 %. Subtv's net sales were 1.2 (0.6) MEUR. Radio Nova's net sales increased 22 % and totalled 6.4 (5.2) MEUR. MTV3-Tele's net sales amounted to 1.8 (2.1) MEUR.

Urheilukanava (Sports Channel) was available to 750,000 households during the second quarter, representing 1.6 million potential viewers. The channel was watched by approximately 200,000 viewers every week.

Radio Nova's number of listeners continued to increase, according to the results of the national radio survey for March-May 2002. The station had 1,833,000 weekly listeners, which represented growth of almost 10 % on the same period last year.

First-stage amendments to legislation governing the media communication markets in Finland were endorsed in June. The amendments mean that the operating licence fee levied on MTV has been halved with effect from July 2002, which will generate savings this year of approximately 7 MEUR. Under the amendments no digital television channels will be charged an operating licence fee during the first licence period, i.e. until 31 August 2010. The operating licence fee levied on commercial radio channels was waived altogether.

MTV Oy and SWelcom Oy, the largest owners of Suomen Urheilutelevisio Oy (Finland's Sports Television Ltd), signed a Memorandum of Understanding with Avanti Broadcasting Oy in June under which MTV Oy will sell 30.1 % and SWelcom Oy 15.1 % of the share capital of Suomen Urheilutelevisio Oy. After the deal MTV and SWelcom will each have a 19.9 % holding in the company with Avanti Broadcasting Oy owning 45.2 %, Oy Veikkaus Ab 10.0 %, Suomen Liikunta ja Urheilu (SLU) 4.0 % and Suomen Hippos ry 1.0 %. The final agreements will be signed by the end of August.

### **Alma Media Interactive**

Alma Media Interactive is the largest Internet services provider in Finland in terms of number of users.

During the current year Alma Media Interactive's operations have comprised MTV3 Interactive, which exploits the MTV3 brand, as well as Alma Media's Classified Services,

Other Content Services and Support Services. This business area's strategy was redefined in more detail during 2001 and since then Interactive has concentrated only on business activities considered able to generate an operating profit during 2002. This has meant the termination of several operations.

Sales during the second quarter of the year are normally clearly higher than in the first quarter. This year, however, Q2/2002 sales remained at the level in the first quarter of the year and in the second quarter of 2001, the main reasons being a slump in recruitment advertising and slower than forecast growth in ISP (Internet Service Provider) and advertising sales. Comparable growth in second-quarter net sales in 2001 was 18 %. Net sales in Q2/2002 was 4.5 MEUR and the operating loss was 0.1 MEUR (operating loss 3.8 MEUR).

MTV3 Interactive consists of mtv3.fi, which gains its income from advertising sales, MTV3 Teletext, MTV3 connection services and MTV3 Internet/mobile, which provides logos, ringing tones and other mobile services.

Between January and June mtv3.fi's advertising revenues increased by 14 %. mtv3.fi also started content sales to other portals as well as MMS collaboration with Sonera and Nokia. MTV Teletext's income remained unchanged but MTV3 ISP had more than 233,000 customers at the end of June. Net sales of MTV3 Interactive in the January-June period totalled 3.6 (2.5) MEUR.

Under Classified Services, etuovi.com (real estate), Asuntopörssi (residential) and autotalli.com (vehicles) all developed favourably. Net sales of the Jobline recruitment service fell 46 % between January and June. The aggregate net sales from classified services totalled 3.7 (4.1) MEUR.

The aggregate net sales of Other Content Services (tilt.tv, ruokala.tv, MobileActive) was 1.3 (0.3) MEUR.

Between January and June Alma Media Interactive's net sales totalled 9.0 (8.6) MEUR. Net sales in the comparable period included 1.5 MEUR in net sales from operations subsequently discontinued. The operating loss in the reporting period was 0.1 MEUR (operating loss 7.5 MEUR).

### **Alprint**

Alma Media's Alprint division provides contract printing services. Alprint's printing plants are the Rahola plant in Tampere, specializing in magazines and sales promotional products, and the Hyvinkää printing works, which focuses on comics and puzzle books. The comparable period also included the contract sales of Alpress's newspaper printing plants, totalling 6.7 MEUR, and 2.2 MEUR in net sales of the Sarankulma printing plant sold in June 2001.

Market conditions remained unchanged in Finland as almost no new capacity was introduced. Lower paper prices and a stronger Swedish krona supported measures to raise profitability during the reporting period. Demand for graphic products in the Russian market continued to rise.

Alprint's Q2/2002 net sales totalled 15.3 (18.3) MEUR and

the division reported an operating loss of 0.4 MEUR (operating loss 2.8 MEUR).

Alprint's net sales between January and June totalled 30.0 (38.4) MEUR. Comparable net sales, after eliminating contract sales and net sales of the Sarankulma plant, rose slightly less than 2 %. The January-June operating loss was reduced from 4.5 MEUR to 1.4 MEUR due to streamlining measures.

### Parent company

Significant efficiency enhancing measures were taken in the parent company during the reporting period. The number of employees in the parent company was reduced by more than 26 % to 53, partly for this reason.

Alma Media's real estate function is the responsibility of the parent company. Last year's comparable figures include a capital gain of 10 MEUR on property divestments.

The parent company's net sales between January and June were at last year's level, 7.8 (8.1) MEUR. Net sales included rental income of 5.0 (4.9) MEUR, of which 1.8 (1.0) MEUR was derived from outside the Group. The operating loss was 1.9 MEUR (operating profit 4.7 MEUR).

### Balance sheet

The consolidated balance sheet totalled 442.9 MEUR at the end of June (453.4 MEUR on 31 December 2001). The equity ratio at the end of June was 38 % (37 % on 31 December 2001) and shareholders' equity per share was 10.12 EUR (10.26 EUR on 31 December 2001).

### Investments and financing

The Group continued to pursue a cautious investment policy during the second quarter. Capital expenditure between January and June amounted to 8.7 (75.6) MEUR. The largest single investments were the 3.1 MEUR acquisition of shares in Lapin Kansa Oy in April and the acquisition of Efektor Oy in June. Capital expenditure in the comparable period included an approx. 60 MEUR investment in Talentum Oyj shares.

Cash reserves were 19.0 MEUR at the end of June (19.2 MEUR on 31 December 2001). Interest-bearing debt totalled 183.5 MEUR (200.5 MEUR on 31 December 2001) and gearing was 103 % (112 % on 31 December 2001).

### Personnel and administration

The average number of employees during the reporting period was 2,659 (2,813). In addition personnel also included 1,409 (1,342) part-time employees on average. BIG's personnel increase, the addition of 162 employees, was attributable to the inclusion of Baltic News Service in the Group after the comparable period. Eliminating this factor, the Group's average full-time personnel decreased by over 10 % compared to the previous year.

### The Alma Media share

Altogether 19,000 (616,000) Series I shares and 747,000 (1,517,000) Series II shares, as well as 4,000 A warrants, were traded on the Helsinki Exchanges during the period.

Alma Media Corporation's market capitalization at the end of June was 312 (348) MEUR.

### Share price (EUR)

#### January-June 2002:

	Highest	Lowest	28 June 2002
Series I	22.50	18.25	19.61
Series II	23.24	16.60	20.00
A warrant	5.00	3.75	3.75

As decided by the Annual General Meeting on 24 March 1999, the company offered bonds with warrants to personnel totalling 1,220,000 Finnish markka. The attached warrants may be exercised to subscribe for at most 610,000 Alma Media Corporation Series II shares. The subscription period for the A warrants began on 28 May 2001 and for the B warrants it begins on 28 May 2003. In both cases the subscription period ends on 30 June 2006.

The Board of Directors has no unexercised authorizations to raise the share capital.

### Dividend

The Annual General Meeting on 19 March 2002 approved a dividend of 0.20 EUR on each share series. The dividend payment date was 2 April 2002. A total dividend of 3.1 MEUR was paid.

### Prospects to the year end

Since the Finnish economy is expected to recover more slowly than previously forecast, Alma Media's primary objective is to improve profitability by raising efficiency and cutting costs. The Group's costs in the first six months of the year were already 21 MEUR lower than one year earlier. The Group will continue to pursue the same policy, supporting positive cash flow, during the latter half of the year.

According to current estimates, Alpress and BIG will achieve the same level of operating profit as last year and the other divisions will show a clear improvement in profitability. Despite for the seasonal reasons weak Q3, the full-year result of operations is expected to be positive.

Alma Media will publish its nine-month interim report on 5 November 2002.

**CONSOLIDATED INCOME STATEMENT (MEUR)**

	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>4-6</b>	<b>4-6</b>	<b>1-6</b>	<b>1-6</b>	<b>1-12</b>
NET SALES	128.3	125.6	245.3	245.2	478.3
Share of					
associated companies' results	-1.7	2.5	-4.1	1.8	-3.8
Other operating income	0.9	10.8	1.4	12.1	14.6
Operating expenses	-117.2	-128.8	-235.7	-256.6	-508.5
<b>OPERATING</b>					
PROFIT / LOSS	10.3	10.1	6.9	2.5	-19.4
Financial income and expenses	-1.8	-2.1	-3.6	-2.5	-7.2
<b>PROFIT / LOSS BEFORE</b>					
EXTRAORDINARY ITEMS	8.5	8.0	3.3	0.0	-26.6
Extraordinary income	0.0	0.0	0.0	0.0	0.0
Extraordinary expenses	0.1	0.0	-0.1	-0.5	-2.2
<b>PROFIT / LOSS BEFORE</b>					
<b>TAXES AND</b>					
MINORITY INTEREST	8.6	8.0	3.2	-0.5	-28.8
Taxes *)	-1.9	-0.1	-2.1	-0.5	5.2
Minority interest	-0.2	-0.2	-0.4	-0.3	-0.5
NET PROFIT / LOSS	6.5	7.7	0.7	-1.3	-24.1

\*)Taxes include taxes corresponding to the result for the period

**CONSOLIDATED BALANCE SHEET (MEUR)**

	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>30 June</b>	<b>30 June</b>	<b>31 Dec.</b>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible assets	19.9	20.6	20.5
Goodwill on consolidation	18.9	17.5	18.8
Tangible assets	121.9	133.6	129.7
Investments	161.2	175.4	168.0
<b>CURRENT ASSETS</b>			
Inventories	54.7	50.3	52.8
Receivables	47.3	47.4	44.4
Cash and bank	19.0	19.5	19.2
	442.9	464.3	453.4

**CONSOLIDATED BALANCE SHEET (MEUR)**

	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>30 June</b>	<b>30 June</b>	<b>31 Dec.</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>AND LIABILITIES</b>			
<b>SHAREHOLDERS'</b>			
<b>EQUITY</b>	159.1	184.8	161.5
MINORITY INTEREST	1.0	2.4	2.8
PROVISIONS	2.8	1.5	3.3
<b>LIABILITIES</b>			
Long-term	125.8	95.2	138.2
Short-term	154.2	180.4	147.6
	442.9	464.3	453.4

**CAPITAL EXPENDITURE (MEUR)**

	2002	2001	2002	2001	2001
	4-6	4-6	1-6	1-6	1-12
Gross capital expenditure on fixed assets	5.9	8.2	8.7	75.6	94.4

**GROUP CONTINGENT LIABILITIES (MEUR)**

	2002	2001	2001
	30 June	30 June	31 Dec.
For own commitments			
Pledges	0.8	0.2	0.7
Mortgages on land and buildings	7.6	9.8	9.8
Chattel mortgages	5.6	5.6	5.6
Other own commitments			
Leasing commitments	1.2	1.2	1.3
Other commitments	1.6	1.8	1.6
Total	16.8	18.6	19.0

**Maturity of Group's leasing payments (MEUR)**

Between 1 July and 31 December 2002	0.4	0.3	0.7
After 2002	0.8	0.9	0.6

Most of the Group's companies operated in leased business premises. The rental agreements vary in duration from six months to 20 years. Annual rental payments currently total approx. 7.6 MEUR. Some of these business premises have been sub-let and contribute approx. 1.7 MEUR in income.

**NET SALES BY DIVISION (MEUR)**

	2002	2001	2002	2001	2001
	4-6	4-6	1-6	1-6	1-12
Alpress	52.7	53.8	102.4	105.2	207.9
Business Information Group	11.5	10.9	22.4	22.2	44.0
Broadcasting	47.2	44.4	88.1	84.1	162.6
Interactive	4.5	4.5	9.0	8.6	15.7
Alprint	15.3	18.3	30.0	38.4	73.1
Parent company	4.0	4.1	7.8	8.1	16.3
Intragroup sales	-6.9	-10.4	-14.4	-21.4	-41.3
Total	128.3	125.6	245.3	245.2	478.3

**OPERATING PROFIT / LOSS BY DIVISION (MEUR)**

	2002	2001	2002	2001	2001
	4-6	4-6	1-6	1-6	1-12
Alpress	9.3	7.2	14.8	12.2	22.6
Business Information Group	1.6	1.7	2.6	4.1	4.9
Broadcasting	0.5	-0.1	-7.6	-7.9	-23.4
Interactive	-0.1	-3.8	-0.1	-7.5	-14.3
Alprint	-0.4	-2.8	-1.4	-4.5	-7.2
Parent company	-0.6	7.8	-1.9	4.7	-2.7
Group entries	0.0	0.1	0.5	1.4	0.7
Total	10.3	10.1	6.9	2.5	-19.4

**PERSONNEL ON AVERAGE BY DIVISION**

	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>1-6</b>	<b>1-6</b>	<b>1-12</b>
Alpress	1,227	1,239	1,242
Business Information Group	357	190	270
Broadcasting	494	571	550
Interactive	133	198	183
Alprint	395	543	501
Parent company	53	72	71
Total	2,659	2,813	2,817
Plus part-time employees	1,409	1,342	1,343

**PER SHARE DATA (EUR)**

	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2001</b>
	<b>4-6</b>	<b>4-6</b>	<b>1-6</b>	<b>1-6</b>	<b>1-12</b>
Earnings per share (EPS)	0.42	0.48	0.06	-0.05	-1.43
Shareholders' equity per share			10.12	11.75	10.26

**Net sales and operating profit / loss by quarter (MEUR):**

	<b>I/2001</b>	<b>II/2001</b>	<b>III/2001</b>	<b>IV/2001</b>	<b>2001</b>
Net sales	119.6	125.6	108.0	125.1	478.3
Operating profit / loss	-7.6	10.1	-5.7	-16.2	-19.4

  

	<b>I/2002</b>	<b>II/2002</b>
Net sales	117.0	128.3
Operating profit / loss	-3.4	10.3

The figures in this interim report are unaudited.

ALMA MEDIA CORPORATION  
THE BOARD OF DIRECTORS