

Interim Report
1 January—30 September 2001

ALMA | MEDIA

Press
Business
Broad-Information
Casting
New Media
Print



GLOBAL Local PRESS News photography Brand

Alma Media's Interim Report January – September 2001

Consolidated net sales between January and September totalled 2,100 MFIM, 353 MEUR (2,080 MFIM, 350 MEUR). The Group reported an operating loss of -19 MFIM, -3 MEUR (operating profit 67 MFIM, 11 MEUR). Profitability in Alpress and BIG remained good. The Group's full-year operating profit will be negative. Programmes of measures aimed at achieving very substantial cost savings in 2002 have been started in the Broadcasting, Alprint and New Media business areas.

■ According to preliminary data released by Ad Facts Ltd, the volume of media advertising in Finland fell 3.3 % between January and September. The terrorist attacks on the USA depressed almost all media advertising at the end of the reporting period; media advertising in September was more than 7 % lower than one year earlier.

■ The afternoon newspaper market grew almost 5 % between January and September. Iltalehti's circulation rose 8 % and its advertising income increased 4 % on last year's figures. Iltalehti's profitability improved significantly.

■ Alpress's net sales increased 9 % and its operating profit 7 % during the period. Its profitability is good.

■ Alma Media started digital television broadcasts on 27 August 2001. Digital television added 14 MFIM to Alma Media's total costs between January and September. The Group estimates that it will incur altogether 23 MFIM in costs from digital television for the whole year.

■ Media advertising in Sweden has declined appreciably and this was also reflected in the performance of TV4 AB which operates in Sweden. TV4 AB contributed 7 MFIM (8 MFIM) to Broadcasting's operating profit between January and September.

■ Uncertainty in the global economy has increased substantially. For this reason Alma Media has started a series of separate programmes, some of them initiated in 2000, to improve the cost structure of the Broadcasting, Alprint and New Media business areas. The costs of these programmes will depress this year's operating profit by approximately 30 MFIM. The

restructuring measures already started will reduce significantly the Group's expenses in 2002. Furthermore, a proposed change in the law governing the operating licence fee will, if approved, reduce the fee from about 24 % to 12 % of net sales from advertising from the beginning of July 2002.

Group performance during Q3

The third quarter is normally the weakest for Alma Media in terms of net sales and profit development. July and August are the most quiet months in the year for advertising sales. An exception is radio advertising which is strongest during the summer.

Media advertising decreased 4.0 % between January and September compared to the same period last year, according to preliminary data released by Ad Facts Ltd. Only radio and magazine advertising showed growth on last year. Advertising appeared to pick up in September but the terrorist attacks on 11 September 2001 reversed this trend. Advertising volume in September declined 7 %.

Alma Media's consolidated net sales in the third quarter of the year totalled 642 (632) MFIM. The 2 % increase was the result of increased circulation growth in Alpress, notably Iltalehti, as well as the inclusion of Radio Nova in Broadcasting's figures this year. Sales of advertising time by MTV Oy decreased clearly.

The Group reported an operating loss of -34 (-6) MFIM during the third quarter. Alpress's operating profit was at the same level as Q3/2000, while BIG's operating profit increased by slightly over 1 MFIM. Alprint's operating loss was at last year's level. New Media's operating loss was higher than last year owing to expenses arising from Base and KCRnet.

Broadcasting's profitability declined as a result of lower advertising sales, its cable channel investments and higher programming costs. Digital television increased costs by 6 MFIM on last year.

Group performance during Q1-Q3

Alpress

The Alpress business area comprises the nationwide newspaper Iltalehti, the provincial newspapers Aamulehti, Satakunnan Kansa, Lapin Kansa, Pohjolan Sanomat and Kainuun Sanomat, Suomen Paikallissanomat which publishes local newspapers, and the parent company Alpress Oy which provides administrative services. Alpress took over the printing works responsible for printing the provincial newspapers in Tampere, Pori, Rovaniemi and Kajaani at the beginning of 2001.

Alpress's January-September net sales totalled 923 (848) MFIM. Alpress's operating profit was 112 (105) MFIM. Its advertising income was at last year's level. Advertising income increased in Iltalehti and Lapin Kansa. Circulation income rose over 10 %. This was mainly due to strong circulation growth by Iltalehti, which increased by 8 % during the reporting period. Iltalehti's weekday newsstand price was raised by one Finnish markka to six markka in December 2000 and its weekend newsstand price by two markka in September 2001. The circulations of the Alpress newspapers showed average growth of slightly over 2 %.

Of Alpress's total net sales 44 % came from advertising sales, 44 % from circulation sales and 12 % from other sales. Most of other sales came from printing contracts to outside customers and the profit contribution from other sales was 10 MFIM (7 MFIM).

Alpress managed its costs very successfully. The price of paper was the most significant factor affecting costs. Paper price level has increased during the course of the year by approximately 15 %. The September terrorist attack in the USA had a sharp impact on Alpress's advertising income, which in September fell by over 8 % compared to last year.

Business Information Group

Business Information Group comprises the newspaper publishing company Kustannusosakeyhtiö Kauppalehti, as well as Balance Consulting, Baltic News Service (85 %) and Suomen Utislinkki Oy (50 %).

Key Figures, MFIM

	2001 Q3	2000 Q3	2001 Q1-Q3	2000 Q1-Q3	2000
Net sales	642	632	2,100	2,080	2,880
Operating profit	-34	-6	-19	67	93
-% of net sales	-5.3	-0.9	-0.9	3.2	3.2
Profit before extraordinary items	-46	-14	-46	60	70
-% of net sales	-7.2	-2.2	-2.2	2.9	2.4
Equity ratio (%)			39	50	49
Gearing (%)			103	57	52
Gross capital expenditure	50	34	500	168	222
Full-time employees on average			2,851	2,902	2,887
Earnings per share (FIM)	-3.14	-0.62	-3.46	2.76	2.77

MEUR	2001 Q3	2000 Q3	2001 Q1-Q3	2000 Q1-Q3	2000
Net sales	108	106	353	350	484
Operating profit	-6	-1	-3	11	16
Profit before extraordinary items	-8	-2	-8	10	12
Gross capital expenditure	8	6	84	28	37
Earnings per share (EUR)	-0.53	-0.10	-0.58	0.46	0.47

Group Performance by business area, MFIM

	2001 Q3	2000 Q3	2001 Q1-Q3	2000 Q1-Q3	2000
Alpress	298	277	923	848	1,159
BIG	57	51	189	179	252
Broadcasting	199	237	699	753	1,000
New Media	21	22	76	68	95
Alprint	100	116	329	364	497
Parent company	24	22	72	68	92
Intragroup sales	-57	-93	-188	-200	-215
Total	642	632	2,100	2,080	2,880

Group Performance by business area, MEUR

	2001 Q3	2000 Q3	2001 Q1-Q3	2000 Q1-Q3	2000
Alpress	50	47	155	143	195
BIG	10	9	32	30	42
Broadcasting	33	40	118	127	168
New Media	4	4	13	11	16
Alprint	17	20	55	61	84
Parent company	4	4	12	11	15
Intragroup sales	-10	-16	-32	-34	-36
Total	108	106	353	350	484

Operating profit/loss by business area, MFIM

	2001 Q3	2000 Q3	2001 Q1-Q3	2000 Q1-Q3	2000
Alpress	39	39	112	105	145
BIG	8	7	35	37	52
Broadcasting	-47	-26	-86	-8	9
DigiTV project	-6	0	-14	0	0
New Media	-19	-16	-62	-35	-59
Alprint	-6	-6	-33	-23	-29
Parent company	-5	-5	22	-17	-29
Group entries	2	1	7	8	4
Total	-34	-6	-19	67	93

Operating profit/loss by business area, MEUR

	2001 Q3	2000 Q3	2001 Q1-Q3	2000 Q1-Q3	2000
Alpress	7	7	19	18	24
BIG	1	1	6	6	9
Broadcasting	-8	-4	-14	-1	2
DigiTV project	-1	0	-2	0	0
New Media	-3	-3	-10	-6	-10
Alprint	-1	-1	-6	-4	-5
Parent company	-1	-1	4	-3	-5
Group entries	0	0	1	1	1
Total	-6	-1	-3	11	16

BIG's net sales totalled 189 (179) MFIM and the operating profit was 35 (37) MFIM. The slight decrease in operating profit was caused by a slow-down in advertising early in the summer coupled with BIG's investments in the content of Kauppalehti.

Kauppalehti's circulation and circulation income developed favourably. Kauppalehti's circulation income was 3 % higher than last year. Advertising income fell 2 %. Kauppalehti Online's net sales rose 22 % to 13 MFIM.

Balance Consulting generated net sales of 3 MFIM. Baltic News Service was treated as an associated company until the end of June and thereafter as a subsidiary. BNS contributed 5 MFIM to BIG's net sales.

Alma Media acquired 33 % of Talentum Oyj's share capital at the end of March. Talentum Oyj has been treated as an associated company of the parent company, Alma Media Corporation, since the beginning of April and therefore it had no impact on BIG's figures. Talentum's contribution to Alma Media's consolidated operating profit between January and September was -7 MFIM after goodwill amortization. Talentum's consolidated net sales in January-September totalled 487 MFIM and its operating result was -12 MFIM.

Broadcasting

The Broadcasting business area comprises MTV3 Channel, the Subtv cable channel, Radio Nova and MTV3-Tele. Broadcasting's result also includes the Swedish TV4 AB's contribution as an associated company (23.4 %).

Television viewing declined by three minutes (less than 2 %) between January and September compared to the same period last year. MTV3 Channel reduced its non-prime time broadcasting during the summer. Broadcasting time fell by a good 3 % during the nine-month period. MTV3 Channel's share of total viewing time was at last year's level: 38.9 % (39.9 %) between January and September and 39.0 % (39.0 %) during prime-time viewing. Subtv gained a one percent share of total viewing time. MTV Oy accounts for approximately 77 % of commercial viewing time. MTV3 Channel's reach developed positively. The channel's weekly reach between January and September was 91 % (90 %) and its daily reach was 67 % (65 %).

Television advertising declined by over 7 % between January and September and by almost 10 % between July and September, compared to the same periods in 2000. Television's share of media-advertising fell to 19.7 % (20.6 %).

Broadcasting's nine-month net sales totalled 699 (753) MFIM and the business area reported an operating loss of -86 (-8) MFIM. Underlying the deterioration in performance were a 70 MFIM decrease in MTV3 Channel's net sales, the cable channel Subtv's development costs, and an increase in programming costs. Subtv's net sales were 5 (3) MFIM and it recorded an operating loss of -23 (-18) MFIM. Radio Nova's net sales and result developed particularly well and in July it recorded the best monthly profits in its history. Nova's nine-month net sales totalled 47 (45)

MFIM and its operating profit was 3 (1) MFIM. Net sales of MTV3-Tele, which was consolidated in July 2000, totalled 20 MFIM and its operating profit was 4 MFIM. The Swedish TV4 AB television company contributed slightly less than 7 (8) MFIM to Broadcasting's operating profit after goodwill amortization. TV4 AB's net sales totalled 1,566 (1,717) million Swedish krona and its operating profit was 206 (181) million Swedish krona.

Lower advertising sales and an increase in programming costs led MTV Oy to initiate cost-cutting measures in September 2000. The decisions made in spring 2001, including personnel reductions and outsourcing, will clearly reduce costs. All in all the cost-cutting measures will reduce costs during 2002 by at least 50 MFIM.

MTV3 Channel's costs are expected to decrease further next year when the operating licence fee is lowered at the beginning of July. A change in the law governing the operating licence fee is currently under consideration.

Digital television

Alma Media started digital television broadcasting on 27 August 2001 as previously planned. In practice this meant the start-up of the digital MTV3 channel, Subtv and Urheilukanava (Sports Channel). Alma Media owns 50 % of Urheilukanava.

Digital television in Finland is being severely hampered by the absence of MHP standard receivers. It is currently estimated that interactive digital adapters will not be widely available until the second quarter of 2002. Digital television added 14 MFIM to the Group's costs between January and September.

New Media

Alma Media is the leading Internet service provider in Finland in terms of number of users. Its core business comprises online content services, online classified advertising products and services, and Internet connection services. The business area's strategy was reformulated at the beginning of the current year emphasizing concentration on the most profitable business operations, rather than overall growth. New Media's target is to improve its performance quarter by quarter and the business areas target is to break even during 2002.

New Media's net sales increased 12 % to 76 (68) MFIM. The operating loss was -62 (-35) MFIM. The operating loss has been reduced quarter by quarter this year as planned but the operating result was weakened by one-time costs of approximately 20 MFIM arising from a reappraisal of the business area's operations.

The most successful of New Media's various businesses were MTV3 Teletext and MTV3 Internet. During the period Alma Media renewed its operator contract and, in particular, the division of income from its internet connections (MTV3.fi). There were approximately 138,000 such connections at the close of the period and the number has continued to grow steadily.

New Media has also started a cost-cutting programme aimed at achieving a substantial improvement in profitability. A general cost-cutting programme was

started in the spring involving personnel reductions and revised R&D budgets. These measures will reduce costs by approximately 20 MFIM next year. The second area addresses the termination of loss-making operations and its target is to reduce costs by approximately 20 MFIM. Most of the decisions related to these measures have already been made.

Alprint

Alprint's operations comprise a magazine and promotional products printing press in Rahola, Tampere, and a printing press in Hyvinkää specializing in comics. Alprint sold its eurotabloid hybrid newspaper rotation press in Sarankulma, Tampere, to Pirkanmaan Lehtipaino Oy in June, and therefore Alprint's January-September figures are not entirely comparable to last year's figures.

The most significant changes in the printed products market have been a clear recovery in Russian trade and profitability problems in exports to the West. The major reason behind the latter trend was the weakening of the Swedish krona to record-low levels during the first nine months of the year. No major changes were evident in demand in Finland.

Alprint's January-September net sales totalled 329 (364) MFIM. Domestic sales declined 20 MFIM while western exports remain at last year's level. Eastern exports, on the other hand, picked up clearly, growing 44 % or 21 MFIM compared to the first nine months of 2000. Alprint's sales to Alma Media's subsidiaries fell 37 MFIM owing to restructuring in Alprint.

Alprint's operating loss was -33 (-23) MFIM. The main reason for the deterioration in profitability and performance was the difficulties at the Rahola unit.

A wide-ranging cost-cutting programme is also in progress in Alprint. The new management was appointed in spring 2001 and a development team to support them was established. Production has been largely reorganized to achieve better capacity utilization. The programme has succeeded in radically reducing delayed deliveries and warranty claims. The cost-cutting programme also involved personnel negotiations, started at the end of July, to adjust local employment contracts and staff levels to current demand. The measures to raise Alprint's cost-efficiency are intended to improve its profitability by approximately 30 MFIM during 2002.

Parent company

The Group's financing and real estate management activities are the responsibility of the parent company. The parent company's nine-month operating profit was 22 (-17) MFIM, owing to the sale of a property in June. The parent company floated a 100 MEUR Medium Term Note programme in September to broaden its capital structure and, under this programme, issued the first 30 MFIM bond in October.

Balance Sheet

The consolidated balance sheet totalled 2,766 (2,566) MFIM on 30 September 2001. The equity ratio was 39 % (31 December 2000: 49 %) and shareholders' equity per share was 65.76 FIM (31 December 2000: 75.73 FIM).

Investments and Financing

The Group's capital expenditure amounted to 500 (168) MFIM. Over 350 MFIM of this covered the acquisition of the Talentum Oyj shares on the Helsinki Exchanges at the end of March 2001. Other investments during the period related to normal maintenance and replacement items.

Cash reserves amounted to 103 MFIM on 30 September (31 December 2000: 112 MFIM). Interest-bearing loans totalled 1,168 (750) MFIM and gearing was 103 % (31 December 2000: 52 %). The increase in interest-bearing loans was caused by short-term debt raised to finance the acquisition of the Talentum Oyj shares.

Personnel and Administration

The average number of employees during the period was 2,851 (2,902). Personnel also included 1,349 (1,359) part-time employees.

The Alma Media Share

Altogether 647,000 (913,000) Series I shares and 1,615,000 (3,584,000) Series II shares were traded on the Helsinki Exchanges during the period.

Trading of the A warrants attached to the 1999 bond with warrants began on the Helsinki Exchanges during the period. The subscription period for the A warrants began on 28 May 2001. The B warrants may be exercised from 28 May 2003. Each warrant series will remain in force until 30 June 2006. Trading in these warrants has been very minor. No A warrants were exchanged for shares.



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RELIABILITY

Alma Media Corporation's market capitalization on 30 September was 252 (525) MEUR. The Board of Directors has no unexercised authorizations to increase the share capital.

Share price (EUR) 1 January - 28 Sept. 2001

	Highest	Lowest	28 Sept. 2001
Series I	25.00	16.00	17.00
Series II	24.50	14.80	15.30
A warrants	6.00	2.51	3.50

Subsequent events

In October Alma Media Corporation issued serial bonds under a medium term note (MTN) programme launched in September. The first installment totalled 30 MEUR.

Alma Media Corporation and PCA Infocom Finance Oy agreed in October that Alma Media would transfer its holdings in ten technology companies to PCA. The transfer price of these Alma Media investments is 38.5 MFIM.

Alma Media's printing subsidiary Alprint Oy and Talentum Media's subsidiary Offset-Kopio Oy agreed in October on the transfer of Alprint's prepress operation to Offset-Kopio Oy on 1 November 2001. Alprint Prepress was responsible only for Alma Media's printing plants. Its units have 36 employees.

Prospects to the year end

An exceptional degree of uncertainty surrounds the Finnish economy owing to global economic conditions. The company currently believes that this uncertainty will result in lower advertising income. Moreover

Alma Media's development investments in cable television, digital television and new media projects have raised costs compared to last year. Additionally, one-time efforts to improve cost-efficiency will raise costs compared to last year. As a result of these factors, together with MTV's reduced advertising sales, the operating profit for the full year will be negative.

In the present market situation Alma Media is giving top priority to measures to improve its cost structure. The company is already implementing cost-cutting programmes in its Broadcasting, New Media and Alprint business units. The aggregate impact of these measures will be to reduce costs next year very significantly.

Alma Media's results for 2001 will be published on 14 February 2002.

The figures in this interim report are unaudited.

ALMA MEDIA CORPORATION
BOARD OF DIRECTORS

Consolidated Income Statement (MFIM/MEUR)

	2001		2000		2001		2000		2000	
	Q3	MEUR	Q3	MEUR	Q1-Q3	MEUR	Q1-Q3	MEUR	Q1-Q3	MEUR
NET SALES	642	108	632	106	2,100	353	2,080	350	2,880	484
Share of associated companies results	-14	-2	2	0	-3	-1	14	2	27	5
Other operating income	2	0	20	3	74	12	35	6	44	7
Operating expenses	-664	-112	-660	-111	-2,190	-368	-2,062	-347	-2,858	-481
OPERATING PROFIT	-34	-6	-6	-1	-19	-3	67	11	93	16
Financial income and expenses	-12	-2	-8	-1	-27	-5	-7	-1	-23	-4
PROFIT BEFORE EXTRAY ITEMS	-46	-8	-14	-2	-46	-8	60	10	70	12
Extra'y income	0	0	0	0	0	0	0	0	1	0
Extra'y expenses	-7	-1	0	0	-10	-2	-15	-3	-21	-4
PROFIT BEFORE TAXES AND MINORITY INTEREST	-53	-9	-14	-2	-56	-9	45	8	50	8
Taxes	-2	0	4	-1	-5	-1	-16	-3	-19	-3
Minority interest	-1	0	0	0	-3	-1	0	0	-2	0
PROFIT/LOSS FOR THE PERIOD	-56	-9	-10	-2	-64	-11	29	5	29	5

Per share data (FIM/EUR)

	2001		2000		2001		2000		2000	
	Q3	EUR	Q3	EUR	Q1-Q3	EUR	Q1-Q3	EUR	Q1-Q3	EUR
EPS	-3.14	-0.53	-0.62	-0.10	-3.46	-0.58	2.76	0.46	2.77	0.47
Shareholders equity/share					65.76	11.06	76.81	12.92	75.73	12.74

Net sales and operating profit by quarter (MFIM)

	2000				2000
	I/00	II/00	III/00	IV/00	
Net sales	712	736	632	800	2,880
Operating profit	23	50	-6	26	93
	2001			2001	
	I/01	II/01	III/01		
Net sales	711	747	642		
Operating profit	-45	60	-34		



Consolidated balance sheet (MFIM/MEUR)

	2001		2000		2000	
	30 Sept.	MEUR	30 Sept.	MEUR	31 Dec.	MEUR
ASSETS						
FIXED ASSETS						
Intangible assets	130	22	97	16	105	18
Goodwill on consolidation	106	18	102	17	112	19
Tangible assets	794	134	954	160	932	157
Investments	1,011	170	725	122	698	117
CURRENT ASSETS						
Inventories	308	52	282	47	266	45
Receivables	314	53	339	57	314	53
Cash and bank	103	17	67	11	112	19
	2,766	465	2,566	432	2,539	427

	2001		2000		2000	
	30 Sept.	MEUR	30 Sept.	MEUR	31 Dec.	MEUR
SHAREHOLDER'S EQUITY AND LIABILITIES						
SHAREHOLDERS' EQUITY	1,034	174	1,208	203	1,191	200
MINORITY INTEREST	16	3	20	3	16	3
PROVISIONS	13	2	23	4	19	3
LIABILITIES						
Long-term	565	95	282	47	604	102
Short-term	1,138	191	1,033	174	709	119
	2,766	465	2,566	432	2,539	427

Capital expenditure (MFIM/MEUR)

	2001		2000		2001		2000		2000	
	Q3	MEUR	Q3	MEUR	Q1-Q3	MEUR	Q1-Q3	MEUR	Q1-Q3	MEUR
Gross capital expenditure on fixed assets	50	8	34	6	500	84	168	28	222	37

Group contingent liabilities (MFIM/MEUR)

	2001		2000		2000	
	30 Sept.	MEUR	30 Sept.	MEUR	31 Dec.	MEUR
For own commitments						
Pledges	1	0	1	0	1	0
Mortgages on land and buildings	58	10	228	38	228	38
Chattel mortgages	33	6	142	24	140	24
Guarantees	23	4	23	4	26	4
For associated companies						
Guarantees	0	0	4	1	0	0
Other own commitments						
Leasing commitments	8	1	6	1	9	2
Other commitments	10	2	2	0	2	0
	133	22	406	68	406	68

Maturity of Group's leasing commitments (MFIM)

	2001	2000	2000
Between 1 October - 31 Dec. 2001		1	1
After 2001		7	5

Personnel on average by business area

	2001		2000	
	Q1-Q3	MEUR	Q1-Q3	MEUR
Alpress	1,255		1,262	
BIG	242		173	
Broadcasting	564		629	
New Media	193		90	
Alprint	525		685	
Parent company	72		63	
Total	2,851		2,902	
Plus part-time employees	1,349		1,359	