EKSPRESS GRUPP

AS Ekspress Grupp

CONSOLIDATED ANNUAL REPORT

2017

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GENERAL INFORMATION

Beginning of reporting period	1 January 2017
End of reporting period	31 December 2017
Company name	AS Ekspress Grupp
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Main field of activity	Publishing and related services (5814)
Management Board	Mari-Liis Rüütsalu
	Pirje Raidma
	Andre Veskimeister (until 16.12.2017)
	Kaspar Hanni (since 18.12.2017)
Supervisory Board	Gunnar Kobin (Chairman) (until 22.02.2018)
	Andre Veskimeister (since 22.02.2018)
	Hans H. Luik
	Harri Helmer Roschier
	Indrek Kasela
	Marek Kiisa
	Peeter Saks
	Aleksandras Česnavičius
Auditor	KPMG Baltics OÜ

The Annual Report consists of the Management Board’s confirmation of the annual report, statement of the chairman of the Management Board, management report, report of corporate governance code, consolidated financial statements, independent auditor’s report, proposal for profit allocation, and declaration of the Management Board and Supervisory Board. The document comprises 97 pages.

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 5 to 43 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 44 to 90 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission and include a description of major risks and uncertainties.

Mari-Liis Rüütsalu	Chairman of the Management Board	*signed digitally*	22 March 2018
Pirje Raidma	Member of the Management Board	*signed digitally*	22 March 2018
Kaspar Hanni	Member of the Management Board	*signed digitally*	22 March 2018

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Pillars of our activities

We are a media group whose goal is to create synergy between the traditional paper-based high-quality journalism and digital channels through their combined strong development while moving increasingly into entertainment business. More than 2.5 million people use our content and services in the Baltic States annually and we are striving to offer our readers and viewers most relevant information and entertainment experiences.

As the leader in the media business we need to be trustworthy. We are expected to provide journalism which is independent and based on facts, draw attention to critical issues in the society and in the world, and unite communities. In a society where social media dominates, fake news spread and trust in one other is declining, the role of high-quality media is to be a stable point of reference and a guide. The decline of trust in social media has once again opened up several possibilities for classic media organisations whose key advantages include quality and independence.

We need to ensure the attractiveness and availability of our services at a busy and fast-changing time – digital channels, video content and outdoor billboards, fast payment options and desire of people to receive personal services without an eye-to-eye contact.

We need to strive at being an attractive employer to the best people. Competition to find employees is getting more intense and in changed circumstances, the employer is in a completely different role. The content of our services is created on each given day by people with diverse backgrounds. For this purpose, we need to understand the expectations of the young as our future employees regarding the meaning of work, work arrangement and position. If we are successful at that, we are going to lay the foundation for the development of services that also meet the expectations of new consumers.

A media organisation has always had and will always have great responsibility towards society. With our decisions we can impact the development of all areas, those who need help in different communities and the natural environment around us.

We will remain honest, open and ethical while managing our companies.

Success and developments in 2017

The year 2017 was primarily a year of adaption for the Group. At the beginning of the year, changes took place in the managements of the parent company and three media companies domiciled in Estonia.

The trend of users of all ages moving to Internet has become the new normality, creating new possibilities for our products on the one hand while leading to a decline of interest in printed newspapers, magazines and advertising products.

All this requires an innovative approach and entry into new lines of business in order to keep pace with the changing needs and requirements of consumers. Constant and bold innovation has become the cornerstone of our activities, it offers excitement and enables us to survive and grow in a more competitive business environment.

As the market leader of news portals in the Baltic States, Delfi continues to invest in innovative technology and IT solutions with the goal of improving the user experience of its readers and advertisers in various channels and platforms. In 2017, innovative technology was developed further, enabling to pay for fee-based content with one click. We believe that this technology will also have international success and in addition to taking part in the pilot project, we are also co-investors in Zlick Ltd.

We have launched ad-free Delfi, enabling to read ad-free Delfi portal for a monthly fee. New separate mobile applications of our digital newspapers, various product packages as well as Delfi verticals have been introduced.

The content produced by our companies has almost 75 000 digital subscribers with an access to content in all channels. It marks a strong entry into the market of digital subscribers. We are undoubtedly pioneers in our region, paving the way for the growth of paid content consumption in the Baltic States. This will help us offset the decline in paper revenue.

Since last year, our media companies offer customers an option to buy advertising services ranging from the idea and execution to media space. We also provide programmatic advertising sales and in addition to online advertising, we offer the possibility to buy advertising in other local or international channels. At the year-end, we acquired the remaining 51% holding in Adnet Media, the largest online advertising multi-channel and advertising network in the Baltic States.

As a new trend we have entered the event organising market. In addition to traditional media we are moving more into the entertainment sector, offering our current and new consumers also possibility to experience different events in addition to journalistic content. The greatest success stories include the Game of the Stars of the Estonian Basketball League in February; Ruja's reunion concert at Tallinn Song Festival Grounds dedicated to the day of regaining independence of Estonia (attended by 14 000 people which was second best result in terms of the concert audience in Estonia in 2017); Kadri Voorand's sold-out concerts in Nordea Concern Hall and preparations for the large-scale project "Idea for Lithuania" arranged by Delfi Lithuania in February 2018.

We are taking major steps in the business line of digital outdoor advertising. We have actively increased our reach by developing the network of digital billboards. It will be easy to continue from here and focus on sales activities.

In 2017, the activities of the Group's media branch were supported by strong macroeconomic indicators in the Baltic States (primarily in Latvia). On the other hand, we also compete with large global giants such as Facebook and Google that grab a larger share of the market growth.

The printing services sector experienced a downturn where the price pressure is extremely strong and the printing company with a focus on quality needs to aggressively expand its products and customer portfolio.

In 2017, the Group's consolidated revenue increased by 1% as compared to last year and totalled EUR 63.7 million. EBITDA was 21% lower than last year's level, totalling EUR 6.7 million and the net profit totalled EUR 3.1 million.

Ever-increasing price competition in the printing services segment, declining margins, lower delivery volumes of the home delivery company and increasing staff costs played a role in it. Significant impairment loss of books in the balance sheet of Ajakirjade Kirjastus, that had been published a few years earlier and whose circulations had been way too optimistic, had to be recognised.

As the market of books is in a continuous downturn, the department of the book publishing of Ajakirjade Kirjastus was merged with the Group's separate book publishing company Hea Lugu in the 4th quarter. Investments have been made in the online capability of Ajakirjade Kirjastus which has increased staff costs and which have had negative impact on the company's last year's profit.

At the year-end, the unprofitable business line of magazines was sold in Lithuania which will enable to focus primarily on online activities and other lines of business that continue growing.

On a positive note, online revenues grew in all countries and by 16% in Group total. Digital subscription revenue has increased by almost 50%. Online revenue now makes up almost 33% of the Group's total revenue.

The year 2018 will be a year of new hopes and expectations in several segments. Last year we made major investment decisions and this year should show the first results. In the media sector we are witnessing steady growth in all our companies. This year we will focus on increasing the revenue from digital subscribers. The business line of event organising has proven its viability in Estonia while Lithuania is also gaining momentum. In Latvia, the business of outdoor advertising is strongly underway. In the printing services segment we are expecting stabilisation and witness the effect of new investments on revenue and EBITDA. At the same time, we are planning to increase the share of digital revenue in our portfolio – both from the basis of current media business as well as new ideas.

BRIEF OVERVIEW OF THE GROUP

Ekspress Group is the leading media group in the Baltic States that owns the biggest online media portals in Estonia, Latvia and Lithuania, publishes the most popular newspapers and magazines in Estonia both in paper and in digital format and arranges their printing and home delivery. In addition to its own periodicals, it also provides the printing services to other Estonian and foreign customers.

In addition to creation of high-quality and reliable media content and providing fast news feed, Ekspress Group is becoming more and more an entertainment provider through different events and media related special projects.

The specifics of its field of activity, market and development stage are used by each group company. The goal of the media segment is to provide high-quality, diverse and flagship journalism in online and print channels based on the principles of free press and supported by the fastest delivery courier service in the market. The printing services segment is characterised by innovative solutions and environmentally friendly production.

The shares of Ekspress Group are listed on the Nasdaq Tallinn Stock Exchange.

Ekspress Grupp in 2017

- **Over 1 600** employees
- **Readership of over 2.5 million** in portals and paper periodicals throughout the Baltic States
- **3** major new investments
- **25** regularly published miscellaneous periodicals in Estonia and Lithuania
- **75 thousand** digital subscribers
- Online revenue growth of **16%**
- Revenue EUR **64 million**

CORPORATE STRUCTURE

Ekspress Meedia Estonia	Ekspress Meedia publishes internet portal Delfi with 600 thousand monthly visitors, newspapers Eesti Ekspress, Eesti Päevaleht and Maaleht and magazine Maakodu.
Delfi Latvia Latvia	Delfi Latvia, internet portal with 900 thousand monthly visitors, has been recognized in 2017 as most trustworthy news channel in Latvia.
Delfi Lithuania Lithuania	Delfi Lithuania is proud to serve 1.3 million monthly visitors and is recognized as the premier media partner for high profile business and sports events in Lithuania.
SL Õhtuleht Estonia	SL Õhtuleht publishes the largest daily newspaper Õhtuleht, free newspaper Linnaleht and internet portal ohtuleht.ee with over 300 thousand monthly visitors.
Ajakirjade Kirjastus Estonia	Ajakirjade Kirjastus publishes over 20 magazines on paper and in digital format with over 600 thousand readers and publishes special-interest online content.
Hea Lugu Estonia	Hea Lugu is a book publishing company. Hea Lugu publishes fiction, history, books for children, references and handbooks and various book series.
Ekspress Digital Estonia	Ekspress Digital is a technology provider that supports Group's other companies through development and management of their technology solutions.
Printall Estonia	One of the most modern Estonian printing company Printall prints a number of local newspapers and magazines while exporting majority of the production.
Express Post Estonia	Express Post is currently the only early-morning newspaper delivery company in Estonia, providing delivery services for periodicals, magazines and letters.
Babahh Estonia	Babahh Media provides full range of professional video production, real-time and recorded video streaming, video automation, management and archive solutions.
Linna Ekraanid Estonia	Linna Ekraanid is a fast-growing outdoor media company that builds and operates well-positioned digital outdoor screens in several cities across Estonia.
Kinnivarakeskkond Estonia	Kinnisvarakeskkond develops a modern real estate portal kinnisvara24.ee in co-operation with local real estate agencies and boasts over 12 thousand listings.
ACM Latvia	ACM is a fast-growing outdoor media company that builds and operates well-positioned digital outdoor screens in several locations across Riga.
Adnet Media Estonia, Latvia, Lithuania	Adnet Media is the largest online advertising network in the Baltic States offering modern programmatic advertizing, audience and campaign optimization.

RESPONSIBILITY OF A MEDIA GROUP IN THE SOCIETY

As a media group operating in three Baltic States, Ekspress Group plays a key role in shaping local societies. This is the responsibility to create professional journalistic content in a high quality, reliable and ethical manner.

The broader social responsibility of group companies stems primarily from six aspects:

<table>
<tr><td colspan="4">The society expects
high-quality, reliable and ethical media space</td></tr>
<tr><td>Satisfaction of over 2.5 million end consumers shaped by: quality and continuity of content and services as well as data protection.</td><td>Dependence of today's media business on advertising customers involves careful monitoring of the line between journalistic content and advertising.</td><td>Employer for more than 1500 people means both a risk and an opportunity: stressful but exciting work related to the trends in the field, intense competition to attract talent.</td><td>Sustainable arrangement of unavoidable environmental impact of printing is a prerequisite for success in export markets while also becoming part of the requirements of customers in home countries.</td></tr>
<tr><td colspan="4">The broader public and the related parties of Ekspress Group's assume that
group companies are managed in a honest, law-abiding and ethical manner.</td></tr>
</table>

According to the estimate of the well-known annual Edelman Trust Barometer for 2018, mistrust still prevails in the world and both the business sector as well as the media plays a key role in moving to greater transparency and truth[1]. The gap between well-informed groups of society and general population is still wide. 43% of the world's population trusts the media (last year it was also 43%, before that it was 48%). Although the survey did not cover the Baltic States, it means great responsibility for the producer of local high-quality media.

According to the global press freedom ranking, the media in the Baltic States is free – in the table[2] of the Reporters Without Borders (RSF) for 2017, Estonia ranked in the 12th, Latvia in the 28th and Lithuania in the 36th place.

"The cornerstone of the media business and the most important value of Ekspress Group is reliability to be attained through balanced journalism" – Mari-Liis Rüütsalu, Chairman of the Management Board of Ekspress Group.

A professional approach to content production and adherence to the norms of journalistic ethics will help create trust. Adherence to such principles is greatly subjective at Ekspress Group and part of an open organisational culture where managers, editors-in-chief and editors play a significant role in ensuring this.

According to the national surveys ordered by Delfi Latvia and Delfi Lithuania and conducted by research companies Kantar TNS (Latvia) and Sprinter Research (Lithuania), Delfi portals are the key media online channels for the local population, surpassing others by a wide margin. The most significant advantages of Delfi.lv as well as Delfi.lt as compared to other portals include content integrity and easy to find information. In both countries, Delfi is considered to be the most objective (31% of those who responded in Latvia and 39% in Lithuania) and reliable (48% and 37%) portal. Its popularity is 3-4 times higher than that of the national broadcasting news portals.

[1] https://www.edelman.com/trust-barometer

[2] https://rsf.org/en/ranking

The key role of the Group's media companies is to provide information to people, bring transparency, honesty and equality to the society. The objective of the journalists of Ekspress Group is to create fact-based and true content placed in the reference system. The work of media companies is guided by knowledge that the information space of an increasing number of groups in a society is primarily shaped by social media, information abundance and different capabilities of ordinary people to separate manipulation and deliberate misinformation from truth.

In 2017, Delfi Lithuania received funding from the innovation fund The Digital News Initiative funded by Google to create a platform for uncovering fake news and hindering their distribution. In a wider context, Delfi's initiative which automates uncovering deliberately misleading news aims at lowering the effect of fake news in the society, raise public awareness and skill to think critically, and to create more high-quality news media. The solution preceding the development that received funding:
https://www.delfi.lt/news/daily/demaskuok/

The meaning of journalistic ethics for Ekspress Group starts with independence. For the Group, it is essential that the work of journalists and publishers is not influenced by business interests, personal relations and gains, bribes or other benefits. The principles of balanced journalism are followed, various parties are allowed to speak and counter-arguments are allowed; source information is always verifiable and if necessary, each journalist needs to ensure source protection and confidentiality.

With the volume of content marketing growing, a clear distinction between advertising and journalistic content requires more attention. To this end, there is a clear line between the tasks of the media editorial offices and advertising department – journalistic stories are not created in the interest of content marketing or advertising customers, and vice versa, the writers of content marketing articles are not part of the journalistic staff. Content marketing stories are always marked with the respective note for the media consumer.

Media companies are turning more into organisers of entertainment events. In 2017, Ekspress Meedia was the first media company in Estonia that while covering its own events started to add the content marketing sign to them for the sake of clarity and honesty.

Eesti Ekspress, Eesti Päevaleht, Õhtuleht and Maaleht are members of the Estonian Newspaper Association and in their work the journalists of these periodicals adhere to the Code of Ethics of the Association. The editorial staff of Delfi Estonia and Delfi Lithuania has created and taken into use their own codes of ethics. The responsibility of journalists is also laid down in their job descriptions to be signed by anyone starting a new job. Õhtuleht has also laid down the rules of behaviour in social media in the job description.

Delfi Latvia and Delfi Lithuania – trendsetters in media ethics:
In addition to the Code of Ethics, Delfi Latvia has also put together an internal journalism quality manual. This covers ethics dilemmas for journalists and rules for solving them. Following the rules is mandatory for all employees and the company started to evaluate awareness of all employees with it in 2017.

Delfi Lithuania was the first online media channel in the country that developed and published its principles of ethics already in 2013.

The publishers of Ekspress Group in Estonia, Latvia and Lithuania are part of journalism self-regulation bodies of the respective countries. The Press Council offers an out-of-court option to protect the interests of those readers who are in conflict with the media.

Complaints concerning the journalistic content are an integral part of the media business. However, Ekspress Group tries to avoid official complaints, court cases and punishments. The complaints submitted directly to publishers are often resolved on an ongoing basis between readers or viewers and the editorial staff and lawyers of Ekspress Group.

In certain cases, group companies also recommend that those who submit complaints should contact the Press Council in order to find a solution for both parties. In case of condemning decisions of the Press Council (Ethics Committee in Latvia), Ekspress Group acknowledges its mistakes, publishes this information in its publications and follows prescribed guidelines.

In 2017, the Estonian Press Council made 11 condemning decisions regarding stories published in Delfi Estonia, Eesti Päevaleht, Eesti Ekspress or Õhtuleht. They were mostly related to the clauses of the Code of Ethics of Journalism according to which the journalist needs to hear out all parties in case of a conflicting material (5 cases of misdemeanour) and there is a responsibility to publish non-misleading headings or slogans (3 cases of misdemeanour). No condemning decisions were made in respect of the content published by Delfi Latvia and Delfi Lithuania.

Violation of the norms of ethics is taken seriously at the Group. Depending on the newspaper, complains and misdemeanour cases are discussed and conclusions are made by managers, editors-in-chief, journalists and lawyers. In case of the most serious violations, changes are also made to the editorial staff if necessary. Ethical issues are discussed daily within the framework of separate meetings, trainings or gatherings at group companies.

In addition to the norms of ethics, Ekspress Group companies follow the laws of data protection, public information as well as other laws. In unregulated situations, decisions are made on the basis of public interest or under the principle of honesty.

The media can aggravate situations – the editorial staff of Ekspress Group companies are aware of it and take it into consideration in their work. On the one hand, being the society's "watchdog" provides an opportunity to draw attention to certain topics and processes and impact them in a positive direction. On the other hand, it forces journalists and editors to understand the line of sensitivity in certain circumstances which is not ethical to cross. Both needs to be taken into consideration.

The above applies primarily to newspapers as well as portals. The dynamics of magazine publishing is slightly different (for example, the risk of errors is hedged by a larger timeframe which editors can use to read stories before they go to print). However, even those editorial staff follow the same principles.

In 2017, the journalists of Ekspress Group raised many topics that led to public discussions or brought about significant changes.

- Eesti Ekspress exposed suspicions of corruption in Tallinn's waste management leading to the arrest of deputy mayor Sarapuu. The necessity of care insurance for the elderly and tragically ended medication/treatment errors at large hospitals were also in focus.
- Maaleht paid great attention to the massive death of bees, preservative-filled school meals and fraud with apple varieties.
- Delfi Lithuania exposed problems related to regulations concerning public access to lakes, child abuse and drawbacks concerning the financial situation of hundreds of mothers as result of which changes were made to legislative acts.
- Delfi Latvia kept a close watch on such topics as pro-Kremlin motorcyclists, real estate disputes concerning Riga Skonto football stadium and participation activity of local government elections.
- Õhtuleht covered extensively the tax reform from the point of view of retired people, the situation of nursing care hospitals and the effect of frontier trade on a wider scale than just alcohol business. The latter case it was most likely as the first publisher in Estonia to do that.
- Among other topics, the periodicals of Ajakirjade Kirjastus focused on stories concerning health and cancer awareness as well as gender equality.

MEDIA DISTINCTIONS AND AWARDS IN 2017

Estonia

In 2017, the most important investigative journalism award Bonnier was awarded to journalist of Eesti Ekspress **Marian Männi** for the stories published on 23 November 2016 "So much for the Estonian origin: Repinski's goat cheese comes from the Netherlands" and on 30 November 2016 "Repinski's ten big and small lies".

At the contest "Journalism awards 2016", the employees and publications of Ekspress Group received several awards:

- In the news category, the winner was **Tuuli Jõesaar** from Eesti Päevaleht for her stories published in February 2016 "National de-icing requirements are ignored at the place of a serious bus accident", "De-icing requirements were not followed in key roads for years" and "The Estonian Road Administration was told to quickly start changing de-icing contracts".
- The Young Journalist Award was awarded to **Laura Mallene** from Eesti Päevaleht.
- In the opinion category, **Krister Kivi** was the winner for his story published in Eesti Ekspress on 31 August 2016 titled "I could not care less about sports!"
- In the total design categories of major newspapers, Õhtuleht received the bronze award for the design of the newspaper on 5 February and 7 May.
- For the design of feature stories of major newspapers, the bronze award was given to the story "The boy" published in the annex Areen of Eesti Ekspress on 21 June, the story "Jüri Arrak: anyone can learn sexual techniques but it is important to find a partner with the matching energy" published in LP on 22 October and the story "Injuries of Estonian top athletes: setbacks of current and former aces" published in Õhtuleht on 6 April.
- In the category of web pages, the silver award was given to the mobile web page of Õhtuleht.
- In the category of digital single project, the Gold award was given to the project "Influential people" by Eesti Päevaleht/Delfi.

The society Estonian Female Editors awarded the Good Word Award to **Rainer Kerge** from Õhtuleht. The award acknowledges journalists who excel in Estonian media, whose creation carries humanistic values, is meaningful and clear, appreciates the language and is original.

Latvia

- Delfi project "Chernobyl – 30" won the Latvian Press Association's Excellence Award in the visualisation category.
- Delfi won the Most Influential Brand in Social Media Award in the category of social networks for the third consecutive year in a row.

Lithuania

- At the Lithuanian Press photo contest for 2017, Delfi photographers won three awards: **Domantas Pipas** both in the news and portrait photo category and **Andrius Ufartas** in the category of everyday life.
- The Lithuanian Ministry of Environment awarded the 3rd prize to editor-in-chief **Tomas Janonis** of Delfi portal GRYNAS.lt for his article which covered the issue related to the state forest in Palanga that was closed both to locals and visitors.
- Lithuanian sports associations selected the article written by Delfi sports journalist Mindaugas Augustis about the multinationals in European football clubs as the best article of the year.

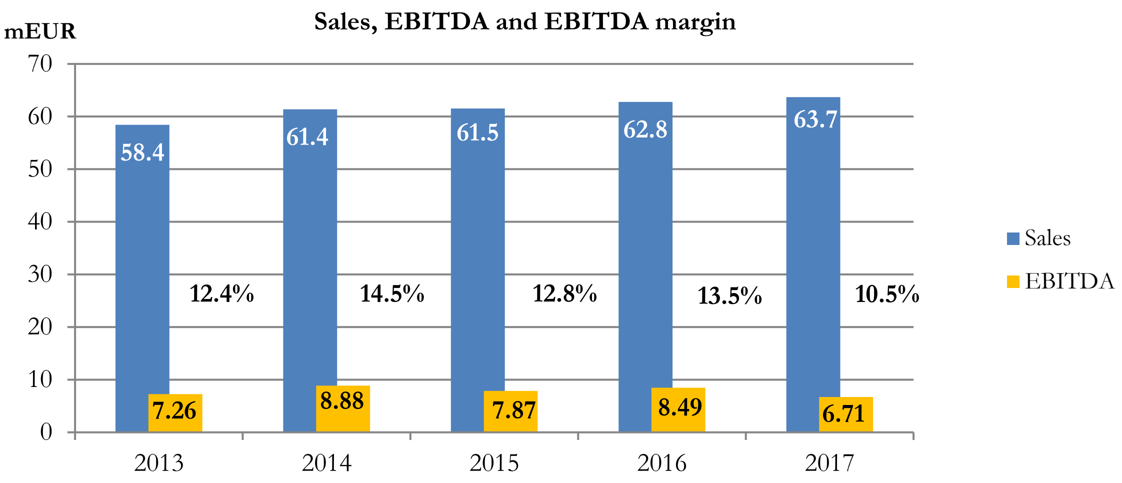
MANAGEMENT REPORT

In consolidated financial reports 50% joint ventures are recognised under the equity method, in compliance with **international financial reporting standards (IFRS).** In its monthly reports, the management monitors the Group's performance on a basis of proportional consolidation of joint ventures and the syndicated loan contract also determines the calculation of some loan covenants by proportional consolidation. For the purpose of clarity, the management report shows two sets of indicators: one where joint ventures are consolidated line-by-line 50% and the other where joint ventures are recognised under the equity method and their net result is presented as financial income in one line.

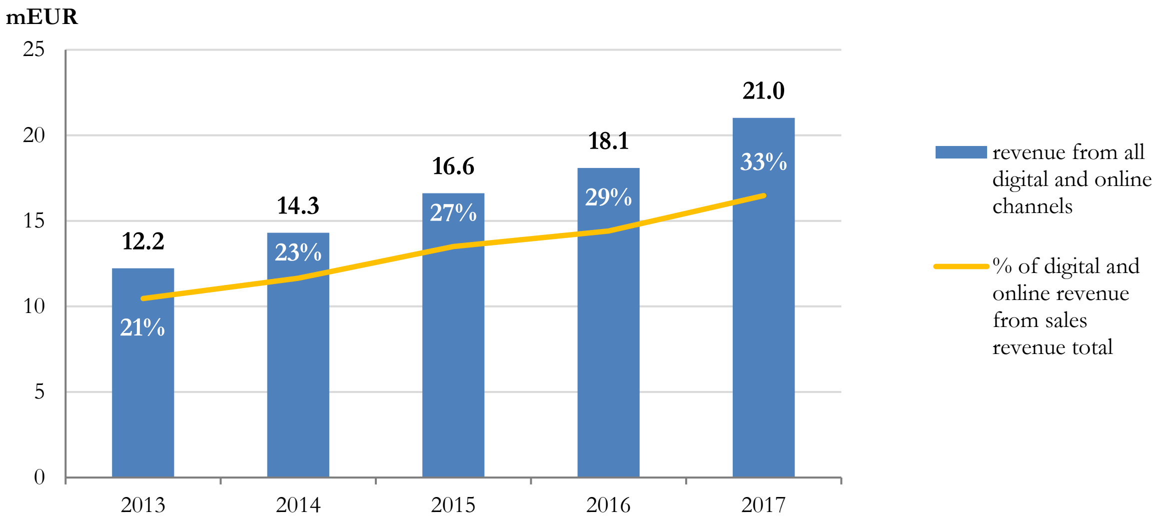
FINANCIAL INDICATORS AND RATIOS – joint ventures consolidated 50% line-by-line

Performance indicators – joint ventures 50% consolidated (EUR thousand)	**2017**	**2016**	**Change %**	**2015**	**2014**	**2013**
For the period						
Sales	63 699	62 793	1%	61 528	61 384	58 427
EBITDA	**6 713**	**8 487**	**-21%**	**7 869**	**8 878**	**7 264**
EBITDA margin (%)	***10.5%***	***13.5%***		***12.8%***	***14.5%***	***12.4%***
Operating profit*	3 526	5 221	-32%	4 866	5 638	4 647
Operating margin (%)*	*5.5%*	*8.3%*		*7.9%*	*9.2%*	*8.0%*
Interest expenses	(427)	(518)	17%	(618)	(732)	(763)
Net profit/(loss) for the period*	**2 952**	**4 406**	**-33%**	**3 907**	**4 620**	**3 548**
Net margin* (%)	***4.6%***	***7.0%***		***6.4%***	***7.5%***	***6.1%***
Net profit for the period in financial statements (incl. write-downs and gain from change in ownership interest)	3 146	4 406	-29%	2 707	5 110	1 081
Net margin (%)	*4.9%*	*7.0%*		*4.4%*	*8.3%*	*1.9%*
Return on assets ROA (%)	*4.1%*	*5.8%*		*3.5%*	*6.6%*	*1.4%*
Return on equity ROE (%)	*6.1%*	*8.9%*		*5.6%*	*11.4%*	*2.5%*
Earnings per share (EPS)	**0.11**	**0.15**		**0.09**	**0.17**	**0.04**

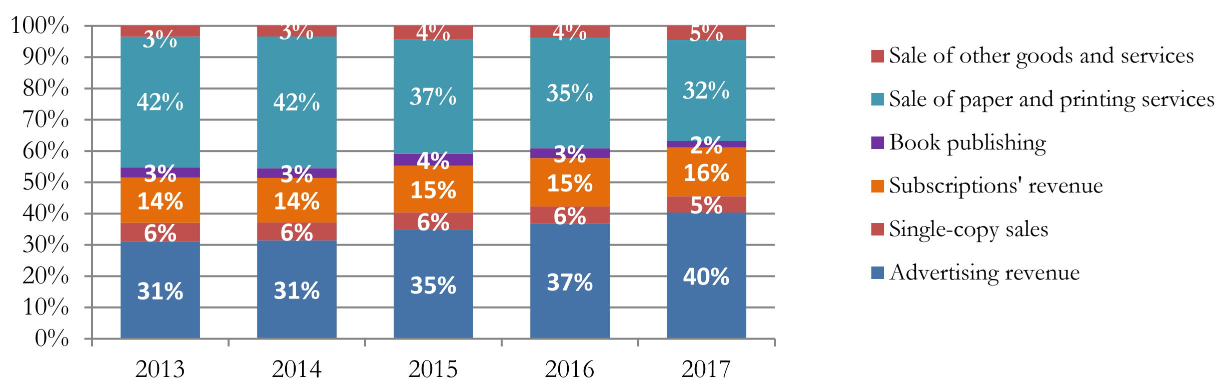
* The results reflect the outcome of regular business activities and do not include impairment losses on goodwill, profit arisen from the changes in ownership interests in our joint ventures etc.



Digital and online revenue of total sales revenue



Sales revenue by activity



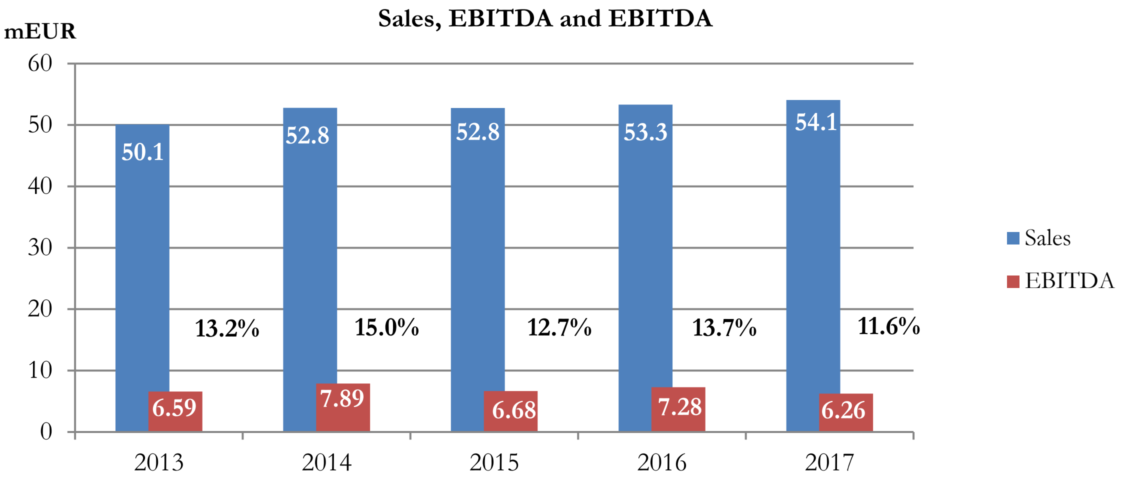
Balance sheet – joint ventures consolidated 50% (EUR thousand)	**31.12.2017**	**31.12.2016**	**Change %**	**31.12.2015**	**31.12.2014**	**31.12.2013**
At the end of the period						
Current assets	16 725	16 250	3%	15 553	15 189	14 447
Non-current assets	62 597	61 507	2%	61 588	65 665	63 019
Total assets	**79 322**	**77 757**	**2%**	**77 141**	**80 854**	**77 466**
incl. cash and bank	*2 818*	*4 572*	*-38%*	*4 666*	*6 788*	*4 501*
incl. goodwill	*39 920*	*38 904*	*3%*	*38 232*	*39 432*	*40 052*
Current liabilities	11 081	12 223	-9%	12 539	14 110	14 468
Non-current liabilities	15 747	14 462	9%	15 928	19 569	20 673
Total liabilities	**26 828**	**26 684**	**1%**	**28 467**	**33 679**	**35 141**
incl. borrowings	*15 791*	*16 603*	*-5%*	*18 787*	*24 592*	*24 432*
Equity	**52 494**	**51 073**	**3%**	**48 674**	**47 175**	**42 325**

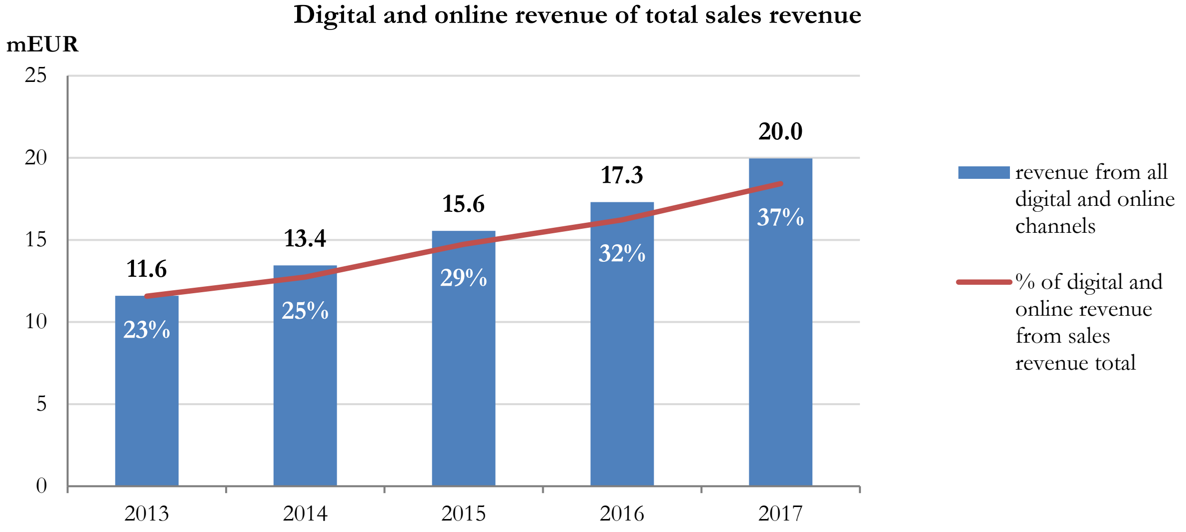
Financial ratios (%) – joint ventures consolidated 50%	**31.12.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Equity ratio (%)	66%	66%	63%	58%	55%
Debt to equity ratio (%)	30%	33%	39%	52%	58%
Debt to capital ratio (%)	20%	19%	22%	27%	32%
Total debt/EBITDA ratio	2.35	1.96	2.39	2.61	3.36
Liquidity ratio	1.51	1.33	1.24	1.08	1.00

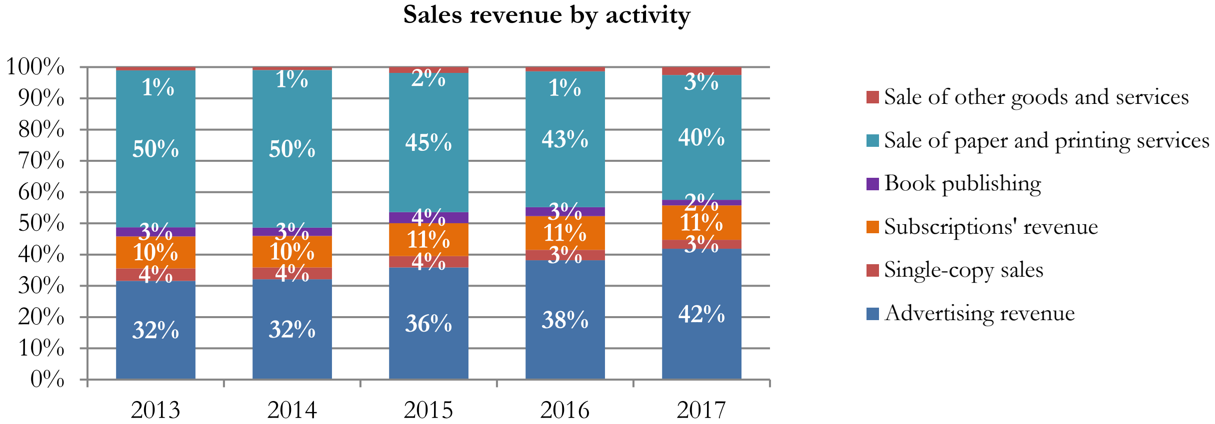
FINANCIAL INDICATORS AND RATIOS – joint ventures recognised under the equity method

Performance indicators – joint ventures by the equity method (EUR thousand)	2017	2016	Change %	2015	2014	2013
Sales revenue (only subsidiaries)	54 070	53 324	1%	52 773	52 793	50 086
EBITDA (only subsidiaries)	**6 261**	**7 280**	**-14%**	**6 680**	**7 894**	**6 591**
EBITDA margin (%)	***11.6%***	***13.7%***		***12.7%***	***15.0%***	***13.2%***
Operating profit* (only subsidiaries)	3 475	4 328	-20%	3 920	4 973	4 071
Operating margin (%)*	*6.4%*	*8.1%*		*7.4%*	*9.4%*	*8.1%*
Interest expenses (only subsidiaries)	(400)	(471)	-15%	(550)	(689)	(763)
Profit (loss) of joint ventures by equity method	(2)	772	-100%	785	557	494
Profit for the period*	**2 952**	**4 406**	**-33%**	**3 907**	**4 621**	**3 548**
Net margin* (%)	***5.5%***	***8.3%***		***7.4%***	***8.8%***	***7.1%***
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	3 146	4 406	-29%	2 707	5 110	1 081
Net margin (%)	*5.8%*	*8.3%*		*5.1%*	*9.7%*	*2.2%*
Return on assets ROA (%)	*4.2%*	*6.1%*		*3.7%*	*6.8%*	*1.4%*
Return on equity ROE (%)	*6.1%*	*8.9%*		*5.6%*	*11.4%*	*2.5%*
Earnings per share (EPS)	**0.11**	**0.15**		**0.09**	**0.17**	**0.04**

* The results reflect the outcome of regular business activities and do not include impairment losses on goodwill, profit arisen from the changes in ownership interests in our joint ventures etc.







Balance sheet– joint ventures by equity method (EUR thousand)	31.12.2017	31.12.2016	Change %	31.12.2015	31.12.2014	31.12.2013
As at the end of the period						
Current assets	13 827	13 094	6%	12 386	12 303	11 357
Non-current assets	62 130	61 074	2%	60 794	64 292	63 899
Total assets	**75 957**	**74 168**	**2%**	**73 180**	**76 595**	**75 256**
incl. cash and bank	*1 073*	*2 856*	*-62%*	*2 927*	*5 275*	*2 209*
incl. goodwill	*37 969*	*36 953*	*3%*	*36 953*	*38 153*	*39 596*
Current liabilities	8 372	9 591	-13%	9 033	11 481	12 259
Non-current liabilities	15 091	13 504	12%	15 473	17 939	20 672
Total liabilities	**23 463**	**23 095**	**2%**	**24 506**	**29 420**	**32 931**
incl. borrowings	*15 257*	*15 784*	*-3%*	*17 687*	*23 152*	*24 432*
Equity	**52 494**	**51 073**	**3%**	**48 674**	**47 175**	**42 325**

Financial ratios (%) – joint ventures by the equity method	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Equity ratio (%)	69%	69%	67%	62%	56%
Debt to equity ratio (%)	29%	31%	36%	49%	58%
Debt to capital ratio (%)	21%	20%	23%	27%	34%
Total debt / EBITDA ratio	2.44	2.17	2.65	2.93	3.71
Liquidity ratio	1.65	1.37	1.37	1.07	0.93

Formulas used to calculate the financial ratios	
EBITDA	Earnings before interest, tax, depreciation and amortization. EBITDA does not include any impairment losses recognized during the period or result from restructuring.
EBITDA margin (%)	EBITDA/sales x 100
Operating margin* (%)	Operating profit*/sales x100
Net margin* (%)	Net profit*/sales x100
Net margin (%)	Net profit /sales x100
Earnings per share	Net profit / average number of shares
Equity ratio (%)	Equity/ (liabilities + equity) x100
Debt to equity ratio (%)	Interest bearing liabilities /equity x 100
Debt to capital ratio (%)	Interest bearing liabilities – cash and cash equivalents (net debt)/(net debt +equity) x 100
Total debt/EBITDA ratio	Interest bearing borrowings /EBITDA
Debt service coverage ratio	EBITDA/loan and interest payments for the period
Liquidity ratio	Current assets / current liabilities
Return on assets ROA (%)	Net profit /average assets x 100
Return on equity ROE (%)	Net profit /average equity x 100

* The results reflect the outcome of regular business activities and do not include impairment losses on goodwill, profit arisen from the changes in ownership interests in our joint ventures etc.

Cyclicality

All operating areas of the Group are characterised by cyclicality and fluctuation, related to the changes in the overall economic conditions and consumer confidence. The Group's revenue can be adversely affected by an economic slowdown or recession in home and export markets. It can appear in lower advertising costs in retail, preference of other advertising channels like preference of internet rather than print media and changes in consumption habits of retail consumers e.g. following current news in news portals versus reading printed newspapers, preference of the younger generation to use mobile devices and other communication channels, etc.

Seasonality

The revenue from the Group's advertising sales as well as in the printing services segment is impacted by major seasonal fluctuations. The level of both types of revenue is the highest in the 2nd and 4th quarter of each year and the lowest in the 3rd quarter. Revenue is higher in the 4th quarter because of higher consumer spending during the Christmas season, accompanied by the increase in advertising expenditure. Advertising expenditure is usually the lowest during the summer months, as well as during the first months of the year following Christmas and New Year's celebrations. Book sales are the strongest in the last quarter of the year. Subscriptions and retail sales of periodicals do not fluctuate as much as advertising revenue. However, the summer period is always quieter and at the beginning of the school year in September there is an increase in subscriptions and retail sale which usually continues until next summer holiday period.

SEGMENT OVERVIEW

Key financial data of the segments 2013-2017

The Group's activities are divided into two large segments - **media segment** and **printing services segment**.

The segments' EBITDA does not include intragroup management fees, impairment of goodwill and trademarks. Volume-based and other fees payable to advertising agencies have not been deducted from the advertising sales of segments, because the management monitors gross advertising sales. Discounts and rebates are reduced from the Group's sales and are included in the combined line of eliminations.

(EUR thousand)	Sales			Sales		
	2017	2016	Change %	2015	2014	2013
media segment (by equity method)	33 498	31 579	6%	30 063	27 459	25 842
incl. revenue from all digital and online channels	*19 963*	*17 307*	*15%*	*15 555*	*13 449*	*11 595*
printing services	23 879	25 585	-7%	25 842	28 951	27 462
entertainment segment	0	0	-	517	0	0
corporate functions	2 486	2 233	11%	1 937	1 731	1 530
intersegment eliminations	(5 793)	(6 073)		(5 586)	(5 347)	(4 748)
TOTAL GROUP by equity method	**54 070**	**53 324**	**1%**	**52 773**	**52 793**	**50 086**
media segment by proportional consolidation	44 429	42 229	5%	39 942	36 930	34 954
incl. revenue from all digital and online channels	*21 024*	*18 094*	*16%*	*16 619*	*14 306*	*12 226*
printing services	23 879	25 585	-7%	25 842	28 951	27 462
entertainment segment	0	0	-	517	0	0
corporate functions	2 486	2 233	11%	1 937	1 731	1 530
intersegment eliminations	(7 095)	(7 254)		(6 710)	(6 228)	(5 520)
TOTAL GROUP by proportional consolidation	**63 699**	**62 793**	**1%**	**61 528**	**61 384**	**58 426**

(EUR thousand)	EBITDA			EBITDA		
	2017	2016	Change %	2015	2014	2013
media segment by equity method	3 729	3 572	4%	3 724	3 026	2 124
media segment by proportional consolidation	*4 181*	*4 779*	*-13%*	*4 913*	*4 010*	*2 796*
printing services	3 734	4 645	-20%	4 966	5 944	5 862
entertainment segment	(0)	(2)	-76%	(1 110)	0	0
corporate functions	(1 201)	(936)	-28%	(899)	(1 076)	(1 356)
intersegment eliminations	0	0		0	0	(38)
TOTAL GROUP by equity method	**6 261**	**7 280**	**-14%**	**6 680**	**7 894**	**6 591**
TOTAL GROUP by proportional consolidation	**6 713**	**8 487**	**-21%**	**7 869**	**8 878**	**7 264**

EBITDA margin	2017	2016	2015	2014	2013
media segment by equity method	11%	11%	12%	11%	8%
media segment by proportional consolidation	*9%*	*11%*	*12%*	*11%*	*8%*
printing services	16%	18%	19%	21%	21%
TOTAL GROUP by equity method	**12%**	**14%**	**13%**	**15%**	**13%**
TOTAL GROUP by proportional consolidation	**11%**	**14%**	**13%**	**14%**	**12%**

MEDIA SEGMENT

The media segment includes Group's activities in Estonia, Latvia and Lithuania. It comprises online portal Delfi operations, other different news portals, providing online advertising network and programmatic sales, providing outdoor digital screen advertising in Estonia and Latvia, publishing of Estonian weekly newspapers Maaleht, Eesti Ekspress and LP, publishing daily newspapers Eesti Päevaleht and tabloid Õhtuleht, publishing freesheet Linnaleht, publishing books and magazines in Estonia and Lithuania, providing home delivery services.

Latvian digital screen company ACM LV was acquired in the 3rd quarter of 2017. 100% ownership was acquired in Adnet Media in the 4th quarter of 2017.

News portals owned by the Group

Owner	Portal	Owner	Portal
Ekspress Meedia	www.delfi.ee	Ekspress Meedia	www.ekspress.ee
	rus.delfi.ee		www.maaleht.ee
Delfi Latvia	www.delfi.lv		www.epl.ee
	rus.delfi.lv		
Delfi Lithuania	www.delfi.lt	AS SL Õhtuleht	www.ohtuleht.ee
	ru.delfi.lt		www.vecherka.ee

(thousand EUR)	Sales			EBITDA		
	2017	2016	Change %	2017	2016	Change %
Ekspress Meedia	19 309	19 116	1%	1 554	1 448	7%
incl. Delfi Estonia online revenue	*6 853*	*6 728*	*2%*			
Delfi Latvia	3 811	3 375	13%	395	413	-4%
Delfi Lithuania	9 544	8 563	11%	1 799	1 741	3%
incl. Delfi Lithuania online revenue	*7 831*	*6 602*	*19%*			
Adnet	384	-	-	24	-	-
Hea Lugu	523	538	-3%	26	33	-21%
Zave Media	0	1	-1	0	(61)	100%
ACM LV	54	-	-	(55)	-	-
Other companies	-	-	-	(16)	(2)	-574%
Intersegment eliminations	(126)	(14)		2	0	
TOTAL subsidiaries	**33 498**	**31 579**	**6%**	**3 729**	**3 572**	**4%**
SL Õhtuleht*	4 625	4 329	7%	433	394	10%
Ajakirjade Kirjastus*	4 576	4 765	-4%	69	544	-87%
Express Post*	2 369	2 609	-9%	(117)	247	-147%
Linna Ekraanid*	411	166	148%	66	22	195%
Intersegment eliminations	(1 052)	(1 219)		2	0	
TOTAL joint ventures	**10 931**	**10 651**	**3%**	**453**	**1 207**	**-62%**
TOTAL segment by proportional consolidation	**44 429**	**42 229**	**5%**	**4 181**	**4 779**	**-13%**

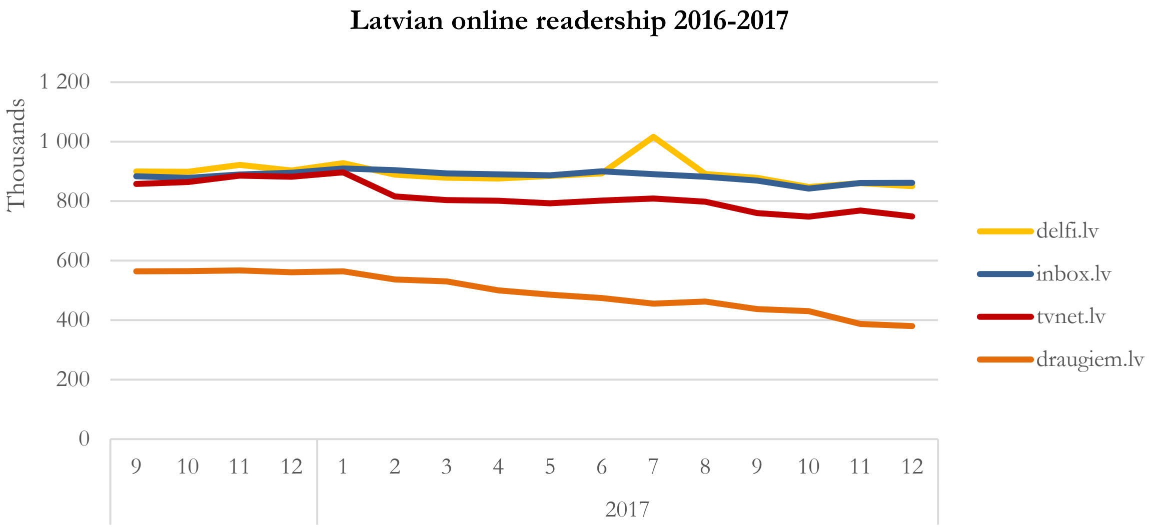
* Proportional share of joint ventures

ONLINE MEDIA

gemiusAudience Internet users research

In the third quarter 2016, Gemius changed the methodology of the online readership survey in Estonia, Latvia and Lithuania, as a result of which the data on the users of mobile devices and tablet PCs is now added into those of PC users. The comparable data is available only from September of last year.

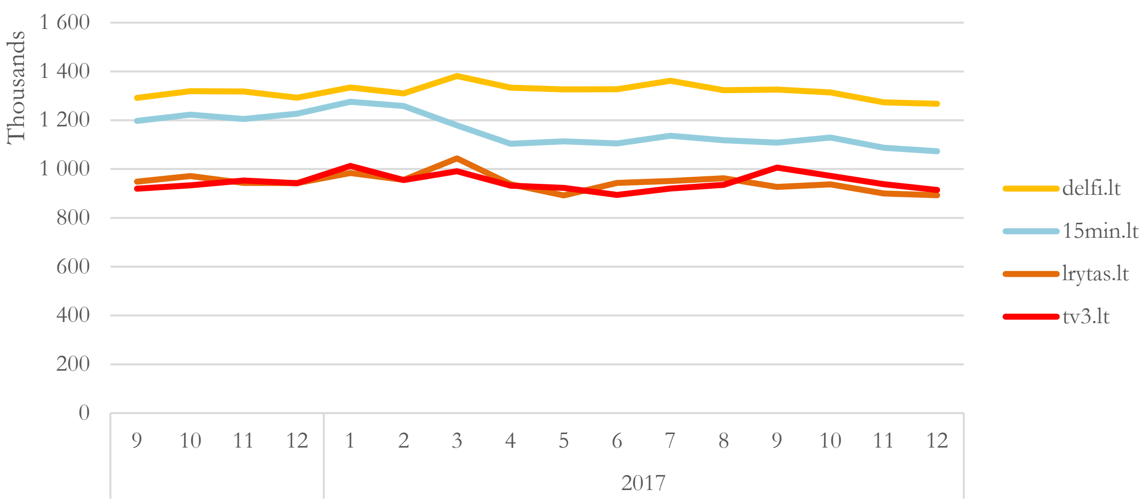
The number of users of Delfi in Estonia has been stable. In July 2017, the growth in the number of users of Delfi represented a technical measurement inaccuracy and not an actual result.



gemiusAudience Internet users research

Delfi continues to be the news portal with the largest online readership in Latvia. According to the survey commissioned by the Latvian government in spring 2017, Delfi.lv is Latvia's most trusted media channel and it is trusted even more than the state-owned TV-station. In July 2017, the growth in the number of users of Delfi represented a technical measurement inaccuracy and not an actual result.

Lithuanian online readership 2016-2017

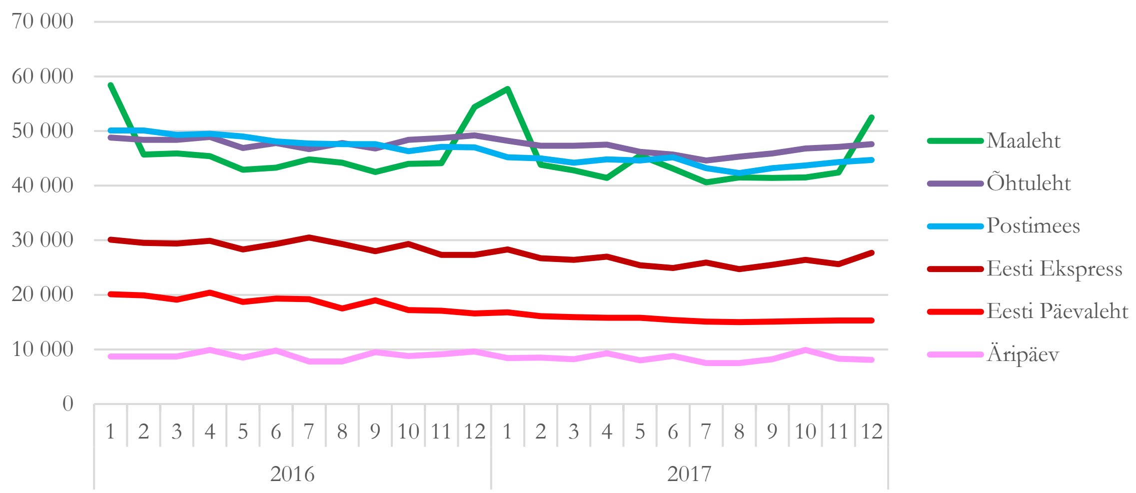


gemiusAudience Internet users research

Delfi.lt remains Lithuania's largest online portal with a high visibility in Lithuania. The Lithuanian online readership has remained stable. In 2017, Delfi has been able to grow the lead over competition on the market thanks to new products and good marketing execution, as well as timely progress in mobile.

PRINT MEDIA

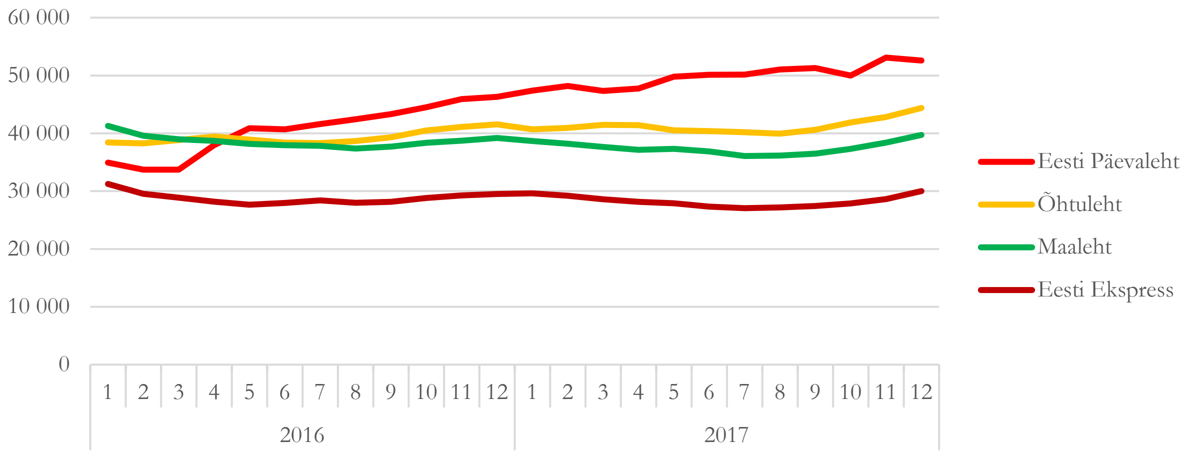
Estonian newspaper circulations 2016-2017



Estonian Newspaper Association data

Since October 2016 and throughout 2017, the daily newspaper with the largest circulation in Estonia was Õhtuleht. Traditionally, Maaleht was the largest in January and December. From the total circulation numbers, this graph shows print circulation only, digital newspaper subscribers are not reflected here.

Circulations of Group newspapers together with digital subscribers 2016-2017



To provide more complete overview of the newspaper market dynamics, the circulation of paper newspapers needs to be viewed together with the number of digital subscribers. This shows how the decrease in print subscribers has been more than compensated by digital subscribers and how for the second half of 2017 the combined growth of print circulation and digital subscribers has been clearly positive for all our newspapers. Eesti Päevaleht has been the earliest and is still very successful in developing its digital business. Based on the available data, we can show the combined information of print and digital only for the newspapers of Ekspress Grupp. Even if other newspapers on the market have digital-only products, there is currently no available data for digital subscribers of other publishers.

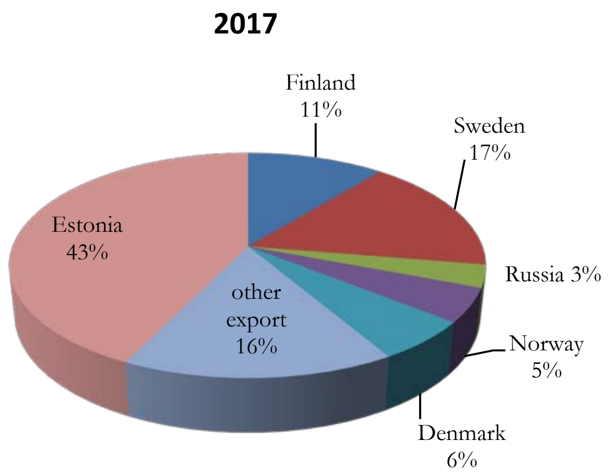
PRINTING SERVICES SEGMENT

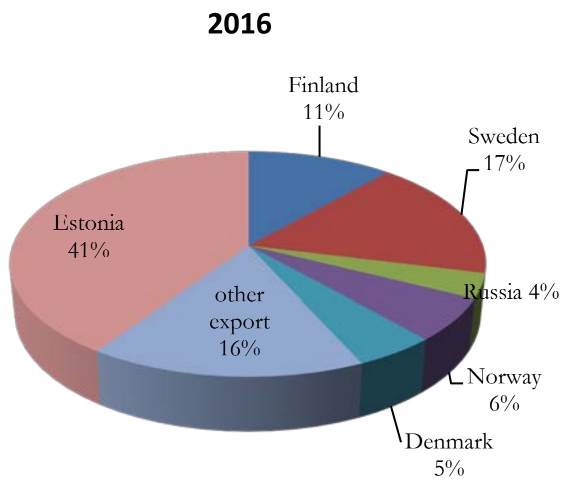
All printing services of the Group are provided by AS Printall which is one of the largest printing companies in Estonia. We can print high-quality magazines, newspapers, advertising materials, product and service catalogues, paperback books and other publications in our printing plant.

(EUR thousand)	Sales			EBITDA		
	2017	2016	Change %	2017	2016	Change %
AS Printall	23 879	25 585	-7%	3 734	4 645	-20%

Already several years the printing services segment continues to be under pressure due to continues digitalization of regular journalism and internet taking its share from printed products. The price pressure is very strong both in Scandinavia and Estonia including more competitive services provided by other Baltic States. A sheet-fed machine acquired two years ago has helped to prevent a steeper revenue decline, and has helped to expand the product range outside the regular media sector. More active sales approach has been taken outside of Nordic countries.

Geographical break-down of printing services by year





CUSTOMER EXPERIENCE AND SATISFACTION

The expectations and habits of customers' media consumption have changed and Ekspress Grupp tries to be accessible to customers in those channels where it is desired and needed. The role of digital channels is increasing and the Group's priority is to continually upgrade its technical platforms as well as digital products and services.

For Ekspress Group, the majority of the society's members are its customers – subscribers of paper newspapers and buyers of single copies, consumers of online channel content and advertising customers. In this chapter, the customers primarily refer to the consumers of the media channels' content.

Ekspress Group values customer experience and meeting their needs. The Company controls almost the entire channel of experience creation from the content production of publications to the print quality, subscription process and availability, including home delivery of publications.

> ”While many readers feel that the same topics are generally covered in competing newspapers and magazines, in addition, the same printing machines and home delivery people are used - then one opportunity for distinction lies in how we communicate with customers.” – Tarvo Ulejev, Distribution and Customer Service Director of Ekspress Meedia.

Development of services and provision of services

In the media business, customer experience depends greatly on the product itself – journalistic content is created every day and it is constantly changing. The buyer of a newspaper, magazine, subscription or access does not fully know until getting familiar with the content what he/she has paid for. The reader satisfaction also depends on additional services – sales and subscription, printing, home delivery and user experience of portals.

Thus, Ekspress Group companies are looking for provision of smoother services to their customers and opportunities for development of the customer journey, service channels and processes. For example, an environment for customers called EkspressKonto has been created to move around the media portals and manage subscriptions.

> In 2017, Ekspress Meedia had almost 75,000 incoming customer contacts and customer service calls.

The key upgrades in 2017 to improve customer experience include:

- A customer service environment created for Ekspress Meedia and Ajakirjade Kirjastus was launched which incorporates the management and services of the two companies' paper and digital newspapers. The Group's joint venture Express Post still manages subscriptions for Õhtuleht.
- An option was made available to buy the content available in the digital channels of Ekspress Meedia by individual articles, using a convenient and fast Zlick mobile payment solution. This creates a possibility to get familiar with the content and style of the publication prior to subscribing to it. The article-based purchase option was used by over 30,000 unique customers in 2017.
- Ajakirjade Kirjastus took faster action in digitalisation, and rearranged and upgraded the web pages of several publications.

> The Group's IT development and management company Ekspress Digital arranges hackathons once a year that are primarily targeted at the employees of various Ekspress Group's companies. The purpose of the intensive digital development contest is to resolve the existing problems of group companies, create additional value with the help of technology at the Group and find new business ideas for further development.

Measurement of satisfaction with customer experience and its results

The companies that are in direct contact with the customer collect feedback independently based on their field of activity. They ask feedback regarding the services, information about the complaints is collected and compliance with the customer service standards is monitored.

- Ekspress Meedia collects feedback about the content and subscription of publications, service process, technical aspect of the digital environment and home delivery of newspapers. This feedback is analysed with the goal of improving the content and result of the service. In 2017, according to the customers who contacted the service centre and answered the questionnaire the biggest problem was the home delivery service.
- Express Post measures daily the results of the service centre and the quality of the home delivery service. The goal of the early morning delivery service is to deliver newspapers to the customer on time (early morning at 7.30) and the objective for the rate of delays or complaints has been set at 1% of the entire amount of delivered publications. In 2017, the result was 1.05% which is an improvement over the year 2016 (2016 – 1.83%). The rate of mistakes in the delivery of all periodicals has been around 0.60% over the last two years.
- Õhtuleht conducted a web questionnaire in 2017 to receive feedback about digital products.
- Printall, the Group's printing house, is an important link in shaping the satisfaction of readers of paper publications. The high-quality end result is ensured by the properly described printing process and the clear roles and experience of those responsible for each stage of work, modern technology and equipment, as well as a personal sales manager for each customer. All customer complaints are registered at Printall and their cause of occurrence is determined and if possible, then resolved.

Data protection

As an online media company managing a large customer database and becoming an increasingly more integrated online media company, Ekspress Group is aware of the risks related to data protection. Secure collection, maintenance and processing of customer data is described by the respective processes which specify the secure treatment of data internally at the Group and protection against external malicious attacks.

Ekspress Group carefully monitors data protection regulations. In conjunction with the general regulation on the protection of personal data to be adopted in 2018 prescribing additional requirements, the entire data protection related documentation and processes were reviewed at the Group.

In 2017, no precepts or complaints were filed against Ekspress Group companies regarding data protection.

EMPLOYEES

The employees play a crucial role in the fulfilment of the mission and objectives of Ekspress Group. Group companies act as caring employers and they do their best to create motivating jobs, inspiring work and development opportunities.

Ekspress Group makes investments into the development of its employees and the working environment. The professionalism and ethical behaviour of employees is crucial for all group companies. For ensuring sustainable operations, focus is laid on retention of current employees and activities supporting succession.

Overview

In 2017, the focus themes of personnel management of Ekspress Group companies were affected by internal and external trends of the Group – replacement of managers at several subsidiaries, increasing competition in the labour market to find good employees and trends related to online media and overall competition in the media sector.

In 2017, group companies employed 1 670 employees on average, including 686 men and 984 women. As compared to 2016, the total number of employees increased by 80 people. The share of female and male employees is similar among the editorial staff and other employees – approximately 60% women and 40% men. Among the companies' managements, the situation is the opposite.

In 2017, there were four actual labour disputes in the Group total.

The staff turnover of Ekspress Group companies was between 22% and 59%. Due to the peculiarity of the area of operation, the biggest turnover occurred at Express Post and the lowest in the media segment companies (29% on average).

Extensive innovations concerning the organisational culture and identity were carried out at two group companies relating to the values of the entire company, the image of the employer and the company's brand in order to streamline the company's value system and identifying preconditions for successful rebranding in 2018.

Employee development

To a great extent, media companies are evaluated based on content quality and this is supported by general user experience (e.g. on-time home delivery, high-quality print or fully functioning portal). Each employee of the Group plays a distinct role in ensuring it.

New skills, development and training needs and employee satisfaction that are prerequisites for the above are primarily identified during staff appraisals. Each group company decides the arrangement of carefully planned personal appraisals itself. In 2017, slightly over one half of the employees of all group companies had regular appraisals (varies from company to company with Ekspress Meedia, Õhtuleht, Delfi Latvia and Delfi Lithuania standing out each with 80-90% participation). One-on-one appraisals are important to ensure the communication between managers and employees, and thereby keep employees satisfied and management more open.

> "With the joining of each new team member, the entire "knowledge cube" of a company needs to grow. We do not have any people who are too similar to one another. We grow in order to do things that really matter."– Executive Director of Ekspress Digital, Artur Rahkema

For employee development, both internal and external training sessions are conducted, employees participate in conferences and study trips are arranged to international media groups. For gaining new knowledge, visits are arranged to the largest media groups in Scandinavia, Great Britain and Europe. Ekspress Group also lets its employees participate in international journalism training programmes. Regular joint developmental evenings are carried out where the company's employees share their experience and knowledge gained from conferences and foreign business trips.

In 2017, several group companies started to use mentors and coaches more frequently with the goal of supporting employees' professional development.

Express Post regularly carries out training days for the delivery staff within the framework of which they visit the company's central office and thereby gain a clearer overview of the integrated functioning of the company.

The training need for Printall largely depends on the skills of operating the equipment. The quality assessment system established at the company supports the movement of trainee printers to the master status.

To increase employee development opportunities, Hans H. Luik scholarship was introduced for the employees of Ekspress Group in 2017. One of the key criteria is learning new work-related specific and necessary skills. For example, one person who received the scholarship was photographer of Ekspress Media who participated in war zone photography training in 2017. A total of 18 scholarships were granted in 2017.

Focus topics for training in 2017 based on employee needs, societal trends and regulations:

- legal topics (e.g. data protection, source protection, consumer protection, competition law);
- language studies;
- information technology, data visualisation, social media;
- cybersecurity and physical safety;
- journalistic ethics.

Approximately 90% of the employees of the Group's media segment companies participated in training sessions concerning the media ethics and responsibility.

Employee satisfaction and creation of a motivating environment

The Ekspress Group companies offer to its employees an enriching, inspiring and satisfying work environment. Employee satisfaction depends on remuneration on the one hand, and on open and engaging organisational culture and development opportunities on the other.

"Our key values are creativity, an opportunity to belong to the same team, be part of the most influential and largest online media company in Latvia. Therefore, we have been able to keep our employee turnover at a minimum level." – Ingus Bērziņš, editor-in-chief, Delfi Latvia.

Each group company has the responsibility to find the most suitable solution for increasing their employee's satisfaction.

- 72% of the employees participated in the satisfaction survey at Ekspress Meedia in 2017. Employee dedication index was 82 and satisfaction index 76 (out of the maximum 100 points). Satisfaction with immediate supervisors and work content were highly rated. Work environment related issues received a low rating and hence, the offices are planned to be renovated in 2018.

- 54% of employees of Õhtuleht participated in the survey in 2017, according to which employee satisfaction rate was 3.9 points and the recommendation rate 3.8 points (out of the maximum five points). Both results were significantly higher among the employees who had worked at the company for less than a year which could be related to the replacement of managers at the end of 2016 and beginning of 2017.

- Express Post conducts an annual employee satisfaction survey. 73% of employees responded to it in 2017 and the composite index was 63% (out of the maximum 100 per cent). As compared to 2016, the result has increased by 18 percentage points.

The results of the feedback and surveys are considered when setting future objectives for the companies: they help preserve their strengths and target weak points that require improvement. During a longer period, better comparison base is built in order to assess the effectiveness of development and changes made in respect of working environment.

Among other motivating factors which group companies provide their employees include flexible work time, benefits and allowances to promote health and family events, summer events and other joint events which also the families of employees can attend.

The Group monitors wage levels and equal treatment with the help of Fontes wage survey. Each subsidiary can shape its own system of remuneration, performance pay and benefits in order to provide to each employee a competitive motivation package reflecting his or her qualifications.

A share option programme was launched at Ekspress Group in 2017 targeted at key employees of all Group companies. The goal of the programme is to acknowledge and value employees working in key positions by giving them options to acquire shares of the parent company AS Ekspress Grupp, listed in Nasdaq Tallinn Stock Exchange, in three years time.

Occupational health and safety

For creating a safe and health promoting environment, group companies follow the respective national regulations. Performance of risk analysis, appointment of specialists responsible for the work environment and commissioners representing the interest of employees, employee mentoring and supplying them with necessary protective equipment and health checks have been implemented in compliance with requirements. At the Group, attention is paid to the ergonomics of the office equipment and investments are made in modern work appliances and work clothes at those subsidiaries where it is necessary.

At the offices, the goal is to ensure a convenient and ergonomic work environment – office equipment, furniture and working areas. Free access to media editorial staff is blocked to ensure the safety of employees. A terrorism and assault related training was carried for all employees of Ekspress Meedia in 2017.

Greater attention is paid to occupational safety at Printall where the key risk factors include noise, moving parts of printing machines and hoisting machines driving around in the production facility. Each operation manager who starts a new shift needs to check and confirm the safety of a machine. For Express Post, supplying periodical delivery staff with weather-proof clothes is crucial.

In 2017, a total of 11 work accidents were registered at Ekspress Group, most of which (8) were related to the stumbling or falling due to slippery surfaces of the delivery staff of Express Post. There were no work accidents ending in death at Ekspress Group in 2017. In two cases, journalists were regularly harassed late at night over the phone, in which cases measures were taken to resolve the situations.

Diversity and human rights

Ekspress Group pays attention to the equal and fair treatment of employees. The topics of human rights and diversity have been dealt with in the context of hiring where the principles of equal treatment are strictly followed. Discrimination based on gender, race, language, political views or age is not allowed at the Group. Employees speaking different languages from diverse cultural backgrounds work at the Group. In 2017, no cases of discrimination based on gender, race or other reasons were registered at the Group.

"I would like to get to the point where we have a diversity of opinions! " – Risto Eelmaa, Executive Director of Express Post, explains the significance of diversity when the diversity of opinions was introduced as a topic for shaping the new organisational culture and management principles.

Succession

The hiring process is open and transparent in all Group companies. In order to motivate its own employees, they are informed of vacancies before the announcement of a public competition. Both in case of an internal as well as an open hiring process, the basis for selection is the professional competency, values, personal characteristics, suitability with corporate culture and motivation of a candidate.

Ekspress Meedia, Delfi Latvia and Delfi Lithuania conduct active cooperation with various universities. They participate in student fairs and university events in order to popularise Ekspress Group as an employer (For more detail, please see the chapter “Social Participation”)

In 2017, Ekspress Group provided 73 trainees an opportunity to gain a work experience in the areas of journalism, marketing and language editing.

For smooth and effective employee induction, the Company makes sure that the new team members have a mentor who provides guidance and training for the new employee if necessary. For new employees also special “New Employee” training sessions are conducted.

DEVELOPMENT OF THE SOCIETY AND THE SECTOR

As the leading media group in the Baltic States, Ekspress Group is aware that it impacts the development of the economy and the society, quality of life of people and their views through its activities and decisions. Therefore, Ekspress Group companies contribute to the society at three levels:

1. Creating professional and reliable journalistic content for the audience.
2. Contributing to the development of the media sector through public speeches, professional associations and educational institutions.
3. Supporting society's long-term development through important community projects and support activities.

Professional and reliable journalism

The role of media is described in a more detail in the chapter "Responsibility of the media group in the society".

Contribution to the development of the media sector – succession and professional associations

Ekspress Group has assumed the significant role of a spokesperson for the field of media and printing services – to contribute to the development and sustainable growth of sectors.

The company collaborates with educational institutions in order to increase young people's awareness of career options and challenges related to journalism. Collaboration with educational institutions is active in Estonia, Latvia and Lithuania. The companies' employees, editors and editors-in-chief give lectures related to the topics of media and communication in universities, excursions are held in editorial offices, they participate in students' events and fairs and trainees are hired. In 2017, 73 young people were employed as trainees.

- The Group's Estonian companies are enhancing collaboration with Tartu University and Tallinn University.
- The key cooperation partners of Delfi Latvia were the University of Latvia, Stockholm School of Economics, Riga Stradins University, and Vidzeme University.
- Delfi Lithuania actively collaborates with the University of Vilnius.

The editor-in-chief of Delfi Latvia Ingus Bērziņš led the debate at the think tank of alumni and lecturers at the University of Latvia in 2017 which involved the topics of journalism, the quality of teaching it and development opportunities of the media sector.

Ekspress Meedia actively participates in the project "Tagasi Kooli" (Back to School), within the framework of which the company visits various schools throughout Estonia to talk about the profession of journalism inspiring and educating young people.

Printall regularly conducts study programmes for the students of printing technology.

In order to achieve a sustainable effect, group companies and employees take an active part in local and international umbrella organisations. The subsidiaries and joint ventures of Ekspress Group or their employees are members of the following organisations:

- Estonian Newspaper Association (and through this organisation also a member of News Media Europe) (Eesti Päevaleht, Õhtuleht, Eesti Ekspress, Maaleht, Linnaleht)
- INMA (The International News Media Association)
- Estonian Press Photographers Association
- Estonian Magazine Association (Ajakirjade Kirjastus, Ekspress Meedia)
- PARE (Estonian Personnel Management Association)(Ekspress Meedia, Express Post)
- UN Global Compact (Delfi Lithuania)
- Internet Media Association (Delfi Lithuania)

- Latvian Association of Journalists (Latvijas Žurnal asociācija) (Delfi Latvia)
- EPMA (Estonian Project Management Association)(Ekspress Digital)
- Finance Estonia (Ekspress Digital)
- Estonia Association of Printing and Packaging Industries (Printall)
- NOPA (The Nordic Offset Printing Association (Printall))
- Estonian Chamber of Commerce and Industry (Printall)
- EstBAN (Estonian Business Angels Network) (parent company)

Raising major social issues in community projects

Within the framework of different types of projects, Ekspress Grupp has actively raised and with volunteer work supported the coverage of several social issues and issues that are important from the perspective of the development of the society. For example, the issues in focus in 2017 included social sustainability, alcoholism, reduction of social stratification and discrimination (both gender-based and ethnic), domestic violence and poverty. Several collaborative projects that had begun in previous years were also continued.

The most significant and most influential social projects at Ekspress Group companies in 2017:

- In 2017 Delfi Lithuania together with four major media channels launched "**Idea for Lithuania**", the country's largest and most remarkable public social project. The aim of the project is to choose three ground-breaking proposals from those submitted by the public, that are critically important in the development perspective of the Lithuanian society, and to contribute to their implementation. The top three proposals that were selected from more than 600 proposed ideas will be presented at the conference on February 1, 2018. The public debate on the ideas started already in 2017. Media channels leading the project have published 150 articles and 40 video stories. The initiative is supported by the President of the Republic of Lithuania, the Prime Minister and representatives of the Parliament, and therefore is an important project for the synergy of the media and politicians.

- Within the framework of **"Latvia 2020"** project, Delfi Latvia published 15 analytical articles with interactive elements to provide politicians and other decision-makers in the public and private sector with ideas on which structural reforms and development strategies would Latvia need to increase the nation's wellbeing and wealth. In cooperation with Certus, the association of economic researchers, taxation, business, regional policy and other issues of national importance were analysed in the light of the experience of comparable countries. The special latvija2020.lv portal has accumulated over 130,000 readers. The project was funded by the National Culture Endowment Fund.

- To celebrate the centennial of the Republic of Estonia, Ekspress Media launched the **"100 Families of Estonia"** initiative. The project highlights the families that are part of Estonia, with their stories, problems and joys. The stories are published in the newspapers Päevaleht, LP, Maaleht, Eesti Ekspress and Delfi until February 24, 2018.

- For the third consecutive year, Ekspress Media continued its project **"Estonia's Influencers"** which ranks various categories of people who made the biggest social impact in 2017 through their actions, words, or silence, role models, aura, or long-term nature.

- In the framework of local government elections in 2017, Delfi Latvia raised the low turnout topic. Shortly before the election, Delfi urged residents of various municipalities to vote actively, offering a prize to the residents of the municipality that posts the highest increase in voter turnout in comparison with the previous elections.

- Traditionally, Ekspress Media participated at the Opinion Festival, a forum where editors and executives can interact with the public and discuss issues that are important for the society. At the festival held in Paide, Ekspress Media raised debates about Russophobia, school nutrition and excise duty on alcohol.

- Within the framework of the national campaign „For safe Lithuania" Delfi Lithuania organised the visit of 100 children who live in foster homes in Lithuania, to see Santa Claus in Lapland. During the "Mission Lapland", the public awareness on the issue of the situation of children without parental care and foster homes was raised.

- Delfi Lithuania also continued to implement other projects, including "Grynas", the environmental awareness portal, and a series of stories "Heroes among us", which portrayed ordinary people dedicated to their daily work who were chosen by readers.
- Since 2017, Delfi Lithuania has been supporting the operation of youth crisis helpline, helping, among other things, to find volunteers for the hotline service and raise public awareness of the helpline.

- The publications of Ajakirjade Kirjastus have helped to attract attention to various topics within the framework of cooperation projects. Within the framework of the 25th anniversary of the Estonian Cancer Society, the topic was covered in various magazines targeted mainly at women. Anne&Stiil hands out the Woman of the Year Award for inspirational behaviour and positive social contribution.

- Maaleht, in cooperation with the Estonian Chamber of Agricultural Commerce, gives out of the Farmer of the Year title. The tradition that began in 2001 has developed into the most prestigious event in the agricultural sector and is being attended also by the President of Estonia.

- The Maakodu magazine recognises the most beautiful homes in Estonia and awards the most distinguished of them with the title "The Most Beautiful Rural Home in Estonia."

Although the main focus of Ekspress Group is to achieve social change through its core business, the Group's companies will continue to sponsor sports, youth and health projects.

In 2017, Ekspress Media sponsored BC Kalev/Cramo, Estonia's most successful basketball team of the past decade, and Ott Tänak, a rally driver who won his first World Championship stage in 2017. In Latvia, the company financially sponsors the project of Doctor Clown who visits children in the hospital to bring joy and relief to their days.

In addition, the Group companies support a variety of NGOs and organizations through by offering them discounts or providing free promotional space and free distribution of magazines and newspapers.

ENVIRONMENTAL MANAGEMENT

The environmental impact of the Ekspress Group mainly concerns the printing of various periodicals, i.e. it depends on the activities of the print media segment and printing house Printall. Therefore, the environmental management efforts are focused on the use of production resources (paper, energy and water), air pollution and waste generation.

In forecasting sales, the media companies of Ekspress Grupp, together with the Group's retail partner, Lehepunkt OÜ, try to optimize circulation in order to avoid overprinting of copies sold in points of sale. On average and depending on the periodical, 30-50% of the circulation is returned from points of sale (returns of under 20% means that there is a deficit at some points of sale).

The newspapers and magazines that are not sold are collected and recycled by Lehepunkt with the help of AS Eesti Keskkonnateenused. As a rule, the paper for new newspapers is produced from old newspapers, and the heavy paper and cardboard is used to produce the insulation material used in construction. i.e. cellulose wool. About a third of electricity is needed to process waste paper than would be necessary for initial paper production.

Environmental management at Printall

Almost all of the periodicals of Ekspress Group (newspapers, magazines, books) are printed at Printall, whose eco-friendly printing solutions appeal to group companies and support their image.

A significant part of Printall's production goes to external customers of the Group, and about 60% is exported. Customers in the Nordic countries and other foreign markets expect and highly value environmentally-friendly printing solutions, which is why the environmentally-conscious production of Printall is a prerequisite for staying competitive in sales and procurement.

To this end, the company has assessed environmental aspects, established its environmental policy and implemented the ISO 14001 environmental management standard. Printall's systematic approach is evidenced by FSC and PEFC Chain of Custody certificates for the sustainable use of wood-based paper. The compliance of the production process with the environmentally friendly principles is confirmed by the Nordic EcoLabel Eco-label and the Green Choice certificate attributed to Printall.

Printall has described its work processes, environmental procedures and job responsibilities. This creates an opportunity to implement more economical solutions in the production process. The company has been investing in high-tech printing technology over the years, but with the growing environmental requirements, it continues to develop and modernize its machinery and technology.

Printall has a valid environmental permit, which is a legally required instrument for preventing potential pollution from companies with a significant environmental impact.

Choice of suppliers and materials. The prerequisite for the selection of all suppliers is their compliance with the requirements of the Nordic Ecolabel label. This means the non-use of environmentally harmful materials. The material to be delivered must be of high quality and allow paper-based production. The final choice is made based on the options available to the previous criteria at a more favourable price.

Printall has approximately 90 suppliers a year, including manufacturers and resellers. The share of local suppliers is around 7%. Printall mainly uses the most environmentally friendly raw materials - 95% of the used paper is certified or otherwise environmentally friendly. Without exception, all magazines produced in Printall are printed on FSC and PEFC certified paper.

Over the past few years, Ajakirjade Kirjastus has not been coating the front covers of most of its periodicals. Since 2017, Pere ja Kodu and Tervis Pluss magazines are being printed on environmentally-friendlier paper.

Energy and water. Printing machines consume a lot of energy. Printall buys 100% of electricity from renewable energy sources. Over the past few years, for conserving energy, the company has replaced its printing plates, modernized lights, modified heating and ventilation systems, and uses thermal energy generated by machines for heating. In 2017, a water treatment system was commissioned that uses washing affluent of reverse osmosis filters for refrigeration in production, thereby reducing overall water consumption.

This helped Printall to reduce its gas consumption to 590 thousand cubic meters in 2017. In 2017, Printall consumed 6 million kWh of electricity.

***Table**: Printall's gas consumption (in thousands of cubic meters)*

Waste. While cutting edges form about a tenth of paper used in Printall, the company is constantly seeking to optimize paper usage and reduce unnecessary excess consumption. On the walls of the company's premises there are guidance for sorting waste for employees. The remuneration system for printers and printing assistants encourages them to use paper more economically in their workplaces.

In 2017, Printall generated 3.766 tonnes of non-hazardous waste (mainly paper) and 44 tonnes of hazardous waste. A waste collection system for all types of printing equipment ensures that almost every cut of paper and edges is recycled. More than 97% of all printing waste at Printall is recycled. On average, 300 tonnes of paper waste every month, are recycled. Packaging and printing plates are also reused.

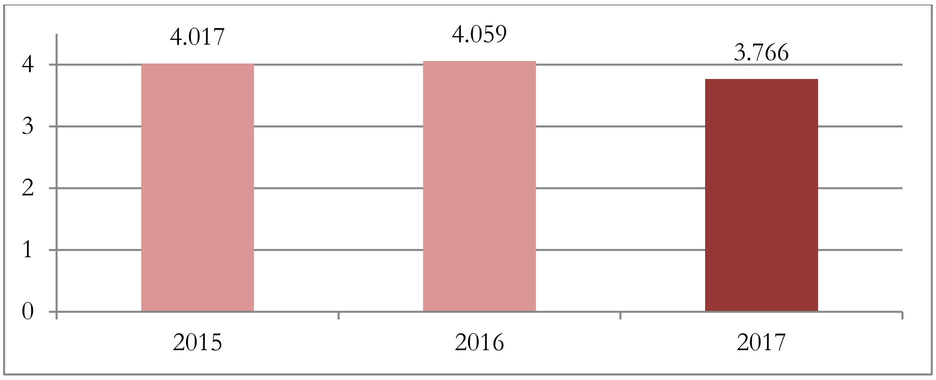


***Table**: Non-hazardous waste generated in Printall (in thousands of tonnes)*

Air pollution. One of the main environmental impacts of the printing industry is air pollution. The afterburners of drying residue installed on printing machines help to reduce air pollution (as well as heat buildings). The presence of the Nordic Ecolabel label ensures that the most environmentally-friendly chemicals are used.

Printall also significantly contributes to reducing air pollution and improving the working environment by not using Isopropanol in any of its printing processes for several years already.

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2017, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share. The share capital and the total number of shares have remained unchanged since 31.12.2011.

All shares are of one type and there are no ownership restrictions. The company does not have any shares granting specific controlling rights and the company lacks information about agreements dealing with the restrictions on voting rights of shareholders. The articles of association of the public limited company set no restrictions on the transfer of the shares of the public limited company. The agreements between the public limited company and the shareholders set no restrictions on the transfer of shares. In the agreements concluded between the shareholders, they are only known to the company to the extent related to pledging of securities and that is public information.

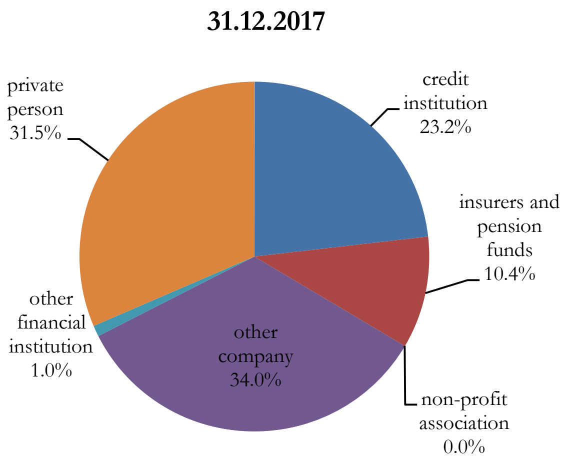
Structure of shareholders as of 31.12.2017 according to the Estonian Central Register of Securities

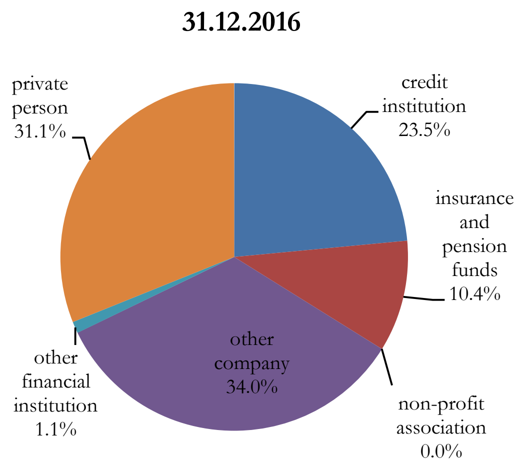
Name	Number of shares	%
Hans Luik	17 281 872	58.00%
Hans Luik	*7 963 307*	*26.73%*
Hans Luik, OÜ HHL Rühm	*9 311 665*	*31.25%*
Hans Luik, OÜ Minigert	*6 900*	*0.02%*
ING Luxembourg S.A.	4 002 052	13.43%
LHV Bank and funds managed by LHV Varahaldus	2 551 908	8.56%
SEB S.A. CLIENT ASSETS UCITS	1 273 394	4.27%
Members of the Management and Supervisory Boards and their close relatives	1 900	0.01%
Pirje Raidma, OÜ Aniston Trade	*1 900*	*0.01%*
Other minority shareholders	4 668 188	15.67%
Treasury shares	17 527	0.06%
Total	**29 796 841**	**100.0%**

East Capital Asset Management AB has an ownership interest through the nominee account of SEB S.A. CLIENT ASSETS UCITS. KJK Fund SICAV-SIF has an ownership interest through the account of ING Luxembourg S.A.

Distribution of shareholders by category according to the Estonian Central Register of Securities

Category	31.12.2017		31.12.2016	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	2 665	9 379 607	2 731	9 268 573
Other companies	203	10 120 578	231	10 119 455
Other financial institutions	47	308 066	44	318 078
Credit institutions	14	6 903 744	14	7 005 889
Insurance and pension funds	7	3 084 427	10	3 084 427
Non-profit associations	2	419	2	419
TOTAL	**2 938**	**29 796 841**	**3 032**	**29 796 841**





AS Ekspress Grupp share information and dividend policy

Share information

ISIN	EE3100016965
Ticker symbol	EEG1T
List/segment	BALTIC MAIN LIST
Issuer	Ekspress Grupp (EEG)
Nominal value	EUR 0.60
Issued shares	29 796 841
Listed shares	29 796 841
Date of listing	05.04.2007

Payment **of dividends** is decided annually and it depends on the Group's results, fulfilment of conditions laid down in the syndicated loan contract and potential investment needs. The company expects to continue with regular dividend payments which are not lower than in the preceding year.

Date of the General Meeting	24.05.2013	20.06.2014	27.05.2015	13.06.2016	13.06.2017
Period for which dividends are paid	2012	2013	2014	2015	2016
Dividend payment per share (EUR)	1 cent	1 cent	4 cents	5 cents	6 cents
Total payment of dividends (EUR thousand)	298	298	1 187	1 456	1 787
Date of fixing the list of dividend recipients	07.06.2013	09.07.2014	10.06.2015	29.06.2016	29.06.2017
Date of dividend payment	01.10.2013	02.10.2014	02.10.2015	06.07.2016	06.07.2017

The table below shows the stock trading history 2013-2017

Price (EUR)	2017	2016	2015	2014	2013
Opening price	1.32	1.35	1.15	1.12	1.06
Closing price	1.25	1.32	1.35	1.14	1.14
High	1.37	1.37	1.47	1.14	1.22
Low	1.21	1.18	1.07	0.79	1.03
Average	1.30	1.27	1.28	1.03	1.13
Traded shares in pieces	538 175	696 292	657 508	1 389 244	1 395 363
Sales in millions	0.70	0.88	0.84	1.43	1.57
Capitalisation at balance sheet date in millions	37.25	39.33	40.23	33.97	33.97
P/E ratio (price earnings ratio)	11.84	8.93	14.94	6.56	31.45

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2013 until 31 December 2017.

The share price comparison (%) with OMX Tallinn Stock Exchange index from 1 January 2013 until 31 December 2017.

COMPANY MANAGEMENT

Ethics, transparency and anti-corruption activities

In its business activities, Ekspress Group companies follow legal acts of all markets (Estonia, Latvia and Lithuania), the Company's articles of association, as a publicly listed company from the requirements of Nasdaq Tallinn Stock Exchange, the guidelines of the Corporate Governance Code (CGC) and the equal treatment of its shareholders and investors. As a media group, the principles of free press and the codes of journalistic ethics form an important foundation.

The greatest value of Ekspress Group is its credibility. Although there are no intra-group policies and regulations concerning behavioural and ethical codes at the Group, there is zero tolerance regarding conflict of interest, corruptive behaviour or dishonest competition.

In 2017, Ekspress Group did not provide funding for any political party and did not receive any hidden funding from parties or government institutions other than advertising space purchased at market conditions or project based funding available publicly to everyone.

Corruption, ethics and miscellaneous compliance risks are managed at subsidiaries. The Management Board of the Group's parent company intervenes into the management of the subsidiaries based on the authority as laid down in the articles of association, giving its unique subsidiaries the greatest possible independence, freedom of choice and responsibility. On a Group level, regular exchange of information takes place between the Management Board of Ekspress Group and the management of subsidiaries. It ensures that large scale transactions, changes and decisions reach a wider circle of decision-makers.

The Group considers it important to increase its employees awareness of the principles of honest and ethical behaviour, organisational culture and business philosophy. Therefore, new employees are taught the company's business philosophy, journalism ethics, source protection, sales and marketing issues, staff principles and other necessary topics. Company-based ethics and behaviour codes exist at Delfi Latvia and Delfi Lithuania, the Estonian media companies proceed from the Code of Ethics of the Estonian Newspaper Association and the Estonian Magazine Association.

In addition to ethical standards, Ekspress Group companies follow the laws of the local data protection, public information and other relevant laws. In situations that are not regulated decisions are made based on public interest and the principle of honesty.

No monetary fines or penalties arising from violations of laws or other regulations were registered at Ekspress Group 2017. Information about the decisions made by the Press Council is disclosed in the chapter "Responsibility of the media group in the society".

REPORT OF THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (CGC) is a set of guidelines which is primarily intended to be followed by the companies listed on the stock exchange. Compliance with the provisions of CGC is not mandatory, the company has the obligation to disclose and substantiate as to whether and to which extent CGC is not complied with. Listed companies are subject to the requirement "fulfil or explain".

In its business activities, AS Ekspress Grupp proceeds from laws and legal provisions and, as a listed company, from the requirements of the Nasdaq Tallinn Stock Exchange and it takes into account the guidelines of the Corporate Governance Code in its activities to a great extent. For practical considerations, some of the recommendations are partially followed.

Clause 2.2.7 of CGC

Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Code Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of an expense to the Issuer or the amount of a foreseeable expense as of the day of disclosure.

The Group discloses in the Notes to the Financial Statements the total amount of the remuneration and termination benefits paid to the members of the Management Board, but not the remuneration of each member individually. The Group does not disclose the basic salary, performance pay, termination and other benefits of the members of the Management Board, because these constitute sensitive information for the members of the Management Board and the disclosure of such information is not inevitably necessary for judgment of the company's management quality. Neither does the Group wish to disclose such information to its competitors.

The remuneration of the members of all management boards of the consolidation group (incl. key management of subsidiaries) consist monthly salary and annual bonus. In some cases also company car is provided. Annual bonus depends on specific targets met and those targets vary each year depending on strategic aims of the company for following year. Annual bonus can form up to 50% of the annual salary of the member of the key management.

In June 2017 the General Meeting of Shareholders approved a share option plan for the key employees. Under the plan, up to 1 300 000 share options will be granted, each giving right to obtain one Company share free of charge. Option plan was opened in November 2017 and will last until March 2021.

Upon expiry and termination of the contract, the members of all management boards of the consolidation group (incl. key management of subsidiaries) are paid compensation in accordance with the conditions prescribed in the contract of services agreed with the member. Termination benefits are payable to the members of the management boards of the consolidation group companies usually in case termination is initiated by the company. If a member is recalled without a reasonable excuse, it shall be announced up to three months in advance and termination benefits shall be paid in the amount of up to seven months' salary. Termination benefits are usually not paid if a member of the management board leaves at his or her own initiative, or a member of the management board is recalled with a reasonable cause.

Clause 2.3.2 of CGC

The Supervisory Board shall approve the transactions which are significant to the Issuer and concluded between the Issuer and a member of its Management Board or another person connected or close to them and shall determine the terms of such transactions. Transactions approved by the Supervisory Board between the Issuer and a member of the Management Board, a person close to them or a person connected to them shall be published in the Corporate Governance Code Report.

In 2017, no significant transactions were conducted between the Group and the members of the Management Board.

Clause 3.2.5 of CGC

The amount of remuneration of a member of the Supervisory Board determined at a General Meeting and the terms of payment shall be published in the Corporate Governance Code Report, indicating separately basic and additional remuneration (incl. termination and other payable benefits).

In 2017, remuneration was neither assigned to the Supervisory Board members of the Issuer nor to the members of the Supervisory Boards of the Group's subsidiaries and associates.

Election and authority of the governing bodies of AS Ekspress Grupp (hereinafter Ekspress Group)

GENERAL MEETING

The General Meeting is highest governing body of Ekspress Group. The ordinary General Meeting is held once a year but not later than six months after the end of the financial year at the seat of the company. The extraordinary General Meeting is convened in the cases prescribed by law.

The annual General Meeting of Ekspress Group was held on 13 June 2017 at the location of the company. The meeting was attended by all Management Board members. The annual General Meeting:

- Approved Ekspress Group's consolidated annual report for the year 2016 and **profit distribution** proposal as presented by the management. The net profit for 2016 in the amount of EUR 4 406 thousand was allocated as following: EUR 220 thousand was transferred to statutory reserve capital, dividends of six euro cent per share were declared in total amount of EUR 1 788 thousand and the remaining amount of EUR 2 398 thousand was transferred to retained earnings. The shareholders who had been included in the list of shareholders of AS Ekspress Grupp as of 29 June 2017 at 23:59 were entitled to receive dividends. The dividends were paid out on 6 July 2017.
- Appointing KPMG as the **Group auditor** for auditing the financial years covering the period from 01.01.2017 - 31.12.2019
- Approval of the terms and conditions of **Share Option Programme** issuing within 5 years up to 1,300,000 share options where every share option grants the option holder the right to acquire one share of the Company free of charge.

SUPERVISORY BOARD

The Supervisory Board of the Company approves the activities of the company, organises its management and supervises the activities of the Management Board.

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. The Supervisory Board of Ekspress Group has seven members.

Information about members of the Supervisory Board:

Gunnar Kobin
- Chairman of the Supervisory Board and member of the Audit Committee since Jan 2017 until 22 Feb 2018
- CEO of AS Ekspress Grupp 2009-2016
- The board member of the companies Griffen Management OÜ, Griffen Invest OÜ, Jolanthe OÜ, Griffen Holding OÜ and Feedback wizards

Hans H. Luik
- Member of the Supervisory Board since 2004
- Member of the Management Board of OÜ HHL Rühm
- Member of the Management Board of OÜ Minigert
- Graduated from University of Tartu in 1984 with a degree in journalism

Harri Helmer Roschier – independent Supervisory Board member
- Member of the Supervisory Board since 2007
- Chairman of the Board of (Directors) Avaus Marketing Innovations OY
- Chairman of the Board of (Directors) Rostek OY
- Member of the Board of (Directors) Futurice OY
- HRC Invest OY Chairman of the Management Board
- Completed graduate studies in economics

Indrek Kasela - independent supervisory board member
- Member of the Supervisory Board since 2014
- Partner of the private equity fund Amber Trust
- Chairman of the Management Board of AS PRFoods
- Member of the Supervisory Board of AS Toode, ELKE Grupi AS, EPhaG AS and Salva Kindlustuse AS
- Graduated from New York University in 1996 with a Master's degree in law. Bachelor's degree from Tartu University in 1994, has a certificate in EU law from Uppsala University.

Marek Kiisa – independent supervisory board member
- Member of the Supervisory Board since 2016
- Member of the Management Board of telecommunication infrastructure company Astrec Baltic OÜ
- Member of the Management Board of Miss Mary of Sweden OÜ
- Member of the Management Board of Dynaplay Estonia OÜ
- Member of the Management Board of Fitek AS which provides solutions for financial process automation
- Founding member and a board member of a Nordic Business Angels Network NordicBAN
- Graduated from Swedish KTH Royal Institute of Technology with a master's degree in engineering in 1995 and Estonian Business School with a degree in Business Administration in 2004.

Peeter Saks – independent supervisory board member
- Member of the Supervisory Board since 2016
- Managing partner of Baltics private equity and venture capital company AS BaltCap
- Member of the Management Board of BC EKT HoldCo OÜ and Surroundings OÜ
- Member of the Supervisory Board of AS Epler & Lorez, AS Adam Bd, Intrac Eesti AS, Magnetic MRO AS, BPT Real Estate AS, Fitek AS, Eesti Keskkonnateenused AS, Radix Hoolduse OÜ, OÜ Kudjape Ümberlaadimisjaam and Radix Rent OÜ
- Graduated from Tallinn University of Technology in 1993, specialising in economics.

Aleksandras Česnavičius
- Member of the Supervisory Board since 2016
- General Manager of Central European Media Enterprises Ltd. Romanian region
- Managing Director of Delfi Lithuania between 2011-2013
- Graduated from Vilniaus Universitetas in Lithuania with a PhD in Media in 2010

Andre Veskimeister
- Member of the Supervisory Board since 22.02.2018
- Innovation and Development Director of Ekspress Grupp 2009-2017
- CEO of AS Ekspress Meedia June 2017-Feb 2018
- Graduated from Estonian Business School in 2004, specialising in business management

MANAGEMENT BOARD

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board of Ekspress Group does not have any right to issue shares of the company.

The election of the members of the Management Board is the authority of the Supervisory Board. The members of the Management Board are elected for a period of up to 5 years. In order to elect and remove the members of the Management Board, a simple majority of the votes of the Supervisory Board is required. In order to resign from the position of a member of the Management Board, the member shall give one month's notice to the Supervisory Board. There are no agreements between Ekspress Group and the members of the Management Board which would deal with the benefits regarding a takeover of a public limited company provided for in Chapter 19 of the Securities Market Act.

In accordance with the articles of association, the Management Board shall comprise one to five members. The Management Board of Ekspress Group has three members as of the year-end and preparation of the financial statements. The Chairman of the Management Board is Mari-Liis Rüütsalu. The members of the Management Board are Pirje Raidma and Kaspar Hanni, who was appointed on 18 December 2017. Andre Veskimeister's appointment as Member of the Board ended on 16 December 2017.

Information about the members of the Management Board:

Mari-Liis Rüütsalu
- Chairman of the Management board since 2017
- Chief Executive Officer of the Group
- Managing director of AS Ekspress Meedia 2015-2016
- Managing director of AS Delfi 2012-2015
- Marketing and development director of AS Estravel 1998-2012
- Graduated from Eesti Majandusjuhtide Instituut in 1998 specializing in business administration and University of Tartu Pärnu College in 1995 specializing in entrepreneurship and business management

Kaspar Hanni
- Member of the Management Board since 2017
- Innovation and Business Development Director of the Group
- Member of the board of the Estonian Business Angles Association since 2017
- Software Asset Management and Compliance Lead of Microsoft in Baltics 2015-2016
- Enterprise and Partner Group Lead of Microsoft in Baltics 2011-2015
- Graduated from Estonian Business School in 2002 with a degree in Business Administration and studied Information Technology at Tallinn University of Technology

Pirje Raidma
- Member of the Management Board since 2010
- Chief Financial Officer of the Group
- Finance and Administrative Director of the investment bank GILD Bankers in 2006 - 2010
- Finance and Administrative Director of LHV Group in 2005 - 2006
- Auditor at auditing company PwC (worked in Estonia and the Channel Islands) in 1997 - 2005
- Graduated from University of Tartu in 1996 with a degree in international economy
- Certified Auditor and fellow of the Association of Chartered Certified Accountants, FCCA

Audit Committee

The Audit Committee is an advisory body to the Supervisory Board in respect of accounting, auditing, risk management, internal control, supervision and budget preparation and in the area of legality of the activities of the Supervisory Board. Since 2017 Hans Luik and Gunnar Kobin are members of the Audit Committee.

Selection and pay of auditors

An auditor is selected and approved by the General Meeting of Shareholders. Usually the auditor is selected for the period of three years after which new tender is organised. The basis for selection is the experience of the audit team, reputation of the audit company, its access to international network, the independence of the auditor and price for the services. For the period 2017-2019 the General Meeting of the Shareholders approved KPMG to be an auditor of the Group. Latvian operations are audited by the local audit firm and joint venture AS Express Post by Ernst & Young Baltic AS. The total fee to be paid for 2017 audits (including all joint ventures) is EUR 60 thousand.

Other information

Pursuant to Chapter 19 of the Securities Market Act, in case of a takeover of the Group, the current co-owner of AS Express Post, i.e. AS Eesti Meedia, has the right to acquire the joint venture's 50% ownership interest at a fair value from Ekspress Group. Ekspress Group has the same right in case of a change in the shareholding of AS Eesti Meedia according to the existing agreement between current shareholders.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2017	31.12.2016	Notes
ASSETS			
Current assets			
Cash and cash equivalents	1 037	2 805	5
Term deposits	36	51	5
Trade and other receivables	9 917	7 468	6
Corporate income tax receivable	4	0	
Inventories	2 832	2 770	10
Total current assets	**13 827**	**13 094**	
Non-current assets			
Other receivables and investments	1 750	982	11
Deferred tax asset	47	34	
Investments in joint ventures	2 372	2 435	13
Investments in associates	354	591	14
Property, plant and equipment	12 189	12 722	15
Intangible assets	45 419	44 310	16
Total non-current assets	**62 130**	**61 074**	
TOTAL ASSETS	**75 957**	**74 168**	
LIABILITIES			
Current liabilities			
Borrowings	166	2 313	18
Trade and other payables	8 095	7 170	17
Corporate income tax payable	111	108	
Total current liabilities	**8 372**	**9 591**	
Non-current liabilities			
Long-term borrowings	15 091	13 471	18
Deferred tax liability	0	33	
Total non-current liabilities	**15 091**	**13 504**	
TOTAL LIABILITIES	**23 463**	**23 095**	
EQUITY			
Minority interest	68	0	
Capital and reserves attributable to equity holders of parent company:			
Share capital	17 878	17 878	29
Share premium	14 277	14 277	29
Treasury shares	(22)	(863)	29
Reserves	1 531	2 058	29
Retained earnings	18 762	17 723	
Total capital and reserves attributable to equity holders of parent company	**52 426**	**51 073**	
TOTAL EQUITY	**52 494**	**51 073**	
TOTAL LIABILITIES AND EQUITY	**75 957**	**74 168**	

The Notes presented on pages 48 to 90 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

(EUR thousand)	2017	2016	Notes
Sales revenue	54 070	53 324	22
Cost of sales	(42 869)	(42 122)	23
Gross profit	**11 201**	**11 202**	
Other income	1 189	1 085	27
Marketing expenses	(2 898)	(2 488)	24
Administrative expenses	(5 921)	(5 357)	25
Other expenses	(97)	(114)	
Gain from selling business assets	194	0	
Operating profit	**3 669**	**4 328**	
Interest income	173	32	
Interest expense	(400)	(471)	
Foreign exchange gains (losses)	(11)	(10)	
Other finance (costs)/income	129	(56)	
Net finance cost	**(109)**	**(505)**	
Profit (loss) on shares of joint ventures	(2)	772	13
Profit (loss) from investments in associates	(68)	113	14
Profit before income tax	**3 490**	**4 708**	
Income tax expense	(344)	(302)	8
Profit for the reporting period	**3 146**	**4 406**	
Net profit for the reporting period attributable to:			
Equity holders of the parent company	3 140	4 406	
Minority shareholders	6	0	
Other comprehensive income	0	0	
Total comprehensive income	**3 146**	**4 406**	
Comprehensive income for the reporting period attributable to:			
Equity holders of the parent company	3 140	4 406	
Minority shareholders	6	0	
Basic and diluted earnings per share	0.11	0.15	29

The Notes presented on pages 48 to 90 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(thousand EUR)	Attributable to equity holders of the Parent Company						Minority interest	Total equity
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total		
Balance on 31.12.2015	**17 878**	**14 277**	**(176)**	**1 787**	**14 908**	**48 674**	**0**	**48 674**
Increase of statutory reserve capital	0	0	0	135	(135)	**0**	0	**0**
Purchase of treasury shares	0	0	(687)	0	0	**(687)**	0	**(687)**
Share option	0	0	0	136	0	**136**	0	**136**
Paid dividends	0	0	0	0	(1 456)	**(1 456)**	0	**(1 456)**
Total transactions with owners	*0*	*0*	*(687)*	*271*	*(1 591)*	***(2 007)***	*0*	***(2 007)***
Net profit for the reporting period	0	0	0	0	4 406	**4 406**	0	**4 406**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*4 406*	***4 406***	*0*	***4 406***
Balance on 31.12.2016	**17 878**	**14 277**	**(863)**	**2 058**	**17 723**	**51 073**	**0**	**51 073**
Increase of statutory reserve capital	0	0	0	220	(220)	**0**	0	**0**
Share option	0	0	841	(747)	(94)	**0**	0	**0**
Paid dividends	0	0	0	0	(1 787)	**(1 787)**	0	**(1 787)**
Other changes	0	0	0	0	0	**0**	62	**62**
Total transactions with owners	*0*	*0*	*841*	*(527)*	*(2 101)*	***(1 787)***	*62*	***(1 725)***
Net profit for the reporting period	0	0	0	0	3 140	**3 140**	6	**3 146**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*3 140*	***3 140***	*6*	***3 146***
Balance on 31.12.2017	**17 878**	**14 277**	**(22)**	**1 531**	**18 762**	**52 426**	**68**	**52 494**

Additional information about changes in equity is disclosed in Note 29.

The Notes presented on pages 48 to 90 form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(EUR thousand)	2017	2016	Notes
Cash flows from operating activities			
Operating profit for the reporting year	3 669	4 328	
Adjustments for:			
Depreciation, amortisation and impairment	2 787	2 953	15,16
Gain from selling business assets	(194)	0	
(Gain)/loss on sale and write-down of property, plant and equipment	(11)	37	
Change in value of share option	0	136	
Cash flows from operating activities:			
Trade and other receivables	(105)	(709)	
Inventories	(62)	(53)	
Trade and other payables	(497)	484	
Cash generated from operations	**5 587**	**7 175**	
Income tax paid	(371)	(293)	
Interest paid	(448)	(519)	
Net cash generated from operating activities	**4 769**	**6 363**	
Cash flows from investing activities			
Acquisition of subsidiaries (less cash acquired)	(546)	0	
Acquisition of joint ventures	0	(868)	
Acquisition of associate	(74)	(311)	
Purchase and receipts of other investments	(785)	5	
Proceeds from sale of business assets	130	0	
Interest received	169	32	
Purchase of property, plant and equipment	(2 023)	(1 335)	15,16
Proceeds from sale of property, plant and equipment	12	39	15,16
Loans granted	(2 227)	(25)	
Loan repayments received	1 054	175	
Net cash used in investing activities	**(4 290)**	**(2 289)**	
Cash flows from financing activities			
Dividends paid	(1 787)	(1 456)	
Dividend received from associates and joint ventures	56	246	
Finance lease repayments	(71)	(72)	19
Change in use of overdraft	92	0	18
Loan received	0	11	
Repayments of bank loans	(552)	(2 186)	18
Purchase of treasury shares	0	(687)	
Net cash used in financing activities	**(2 261)**	**(4 144)**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1 782)**	**(71)**	
Cash and cash equivalents at the beginning of the year	2 856	2 927	5
Cash and cash equivalents at the end of the year	1 073	2 856	5

The Notes presented on pages 48 to 90 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries consist of media operations including online, newspaper, magazine and book publishing, home delivery and other media related activities; and provision of printing services. AS Ekspress Grupp (registration number 10004677, address: Parda 6, 10151 Tallinn) is a holding company registered and operating in the Republic of Estonia. Pursuant to the Commercial Code of the Republic of Estonia, the annual report, including the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board, shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 22 March 2018.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2017 reflect the results of the following group companies.

Company name	Status	Owner ship interest 31.12. 2017	Owner ship interest 31.12. 2016	Main field of activity	Domicile
Operating segment: corporate functions					
Ekspress Grupp AS	Parent comp.			Holding company and support services	Estonia
Ekspress Digital OÜ	Subsidiary	100%	100%	Provision of IT services	Estonia
Ekspress Finance OÜ	Subsidiary	100%	100%	Provision of financing for the Group	Estonia
Operating segment: media (online and print media)					
Ekspress Meedia AS (former Delfi AS)	Subsidiary	100%	100%	Online media, publishing of daily and weekly newspapers	Estonia
Delfi A/S	Subsidiary	100%	100%	Online media	Latvia
ACM LV SIA	Subsidiary	100%	-	Sale of outdoor advertising (acquired in July 2017)	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media (magazine business was sold in Dec 2017)	Lithuania
Sport Media UAB	Subsidiary	51%	51%	Currently dormant	Lithuania
Medipreza UAB	Associate	-	40%	Wholesale of magazines and books (sold in Dec 2017)	Lithuania
Delfi Holding SIA	Subsidiary	100%	100%	Holding company (previously parent company to Delfi companies in different countries)	Latvia
Hea Lugu OÜ	Subsidiary	83%	100%	Book publishing (mergered with Ajakirjade Kirjastus book publishing department in Nov 2017)	Estonia
Adnet Media UAB	Subsidiary	100%	49%	Online advertising solutions and network	Lithuania
Adnet Media OÜ	Subsidiary	100%	49%	Online advertising solutions and network	Estonia
Adnet Media SIA	Subsidiary	100%	49%	Online advertising solutions and network	Latvia
Zave Media OÜ	Subsidiary	100%	100%	Operations moved to Delfi local companies	Estonia
Ajakirjade Kirjastus AS	Joint venture	50%	50%	Magazine publishing	Estonia
SL Õhtuleht AS	Joint venture	50%	50%	Newspaper publishing	Estonia
Express Post AS	Joint venture	50%	50%	Home delivery of periodicals	Estonia
Linna Ekraanid OÜ	Joint venture	50%	50%	Sale of digital outdoor advertising	Estonia
Babahh Media OÜ	Associate	49%	49%	Sale of video production, media and infrastructure solutions	Estonia
Kinnisvarakeskkond OÜ	Associate	49%	-	Development of real estate portal (founded in August 2017)	Estonia
Operating segment: printing services					
Printall AS	Subsidiary	100%	100%	Printing services	Estonia
Operating segment: entertainment					
Delfi Entertainment SIA	Subsidiary	100%	100%	Currently dormant	Latvia

Note 2. Accounting policies adopted in the preparation of the financial statements

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

Basis of preparation

The consolidated financial statements of AS Ekspress Grupp have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission. These financial statements have been prepared in accordance with these standards (IFRS) and IFRIC interpretations which have been issued and are effective, or have been issued and adopted early as of the time of preparing these statements.

The financial statements have been prepared under the historical cost convention, unless it is otherwise stated in the accounting policies below.

The preparation of the financial statements in conformity with IFRS requires management to make accounting estimates and exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or the areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements are presented in thousands of euros, unless otherwise indicated.

Comparability

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their impact is explained in the respective notes.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2017 and have not been applied in preparing these consolidated financial statements.

IFRS 9 *Financial Instruments* (2014) - effective for annual periods beginning on or after 1 January 2018, to be applied retrospectively with some exemptions.

This standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*, except for some hedge accounting principles.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The entity does not expect IFRS 9 (2014) to have a material impact on the financial statements. The classification and measurement of the entity's financial instruments are not expected to change under IFRS 9 because of the nature of the entity's operations and the types of financial instruments that it holds. The entity has not yet finalised the impairment methodologies that it will apply under IFRS 9.

IFRS 15 ***Revenue from Contracts with Customers*** - effective for annual periods beginning on or after 1 January 2018.

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its final assessment of the potential impact of IFRS 15 on the group's financial statements, management does not expect that the new standard, when initially applied, will have a material impact on the group's financial statements. The timing and measurement of the entity's revenues are not expected to change under IFRS 15 because of the nature of the entity's operations and the types of revenues it earns.

IFRS 16 ***Leases*** - effective for annual periods beginning on or after 1 January 2019.

IFRS 16 supersedes IAS 17 *Leases* and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained.

It is expected that the new standard, when initially applied, will have a significant impact on the financial statements, since it will require the entity to recognise in its statement of financial position assets and liabilities relating to operating leases for which the entity acts as a lessee. The entity has not yet prepared an analysis of the expected quantitative impact of the new standard.

Amendments to IFRS 2: ***Classification and Measurement of Share-based Payment Transactions*** **- e**ffective for annual periods beginning on or after 1 January 2018, to be applied prospectively.

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The quantitative impact of the adoption of the amendments can only be assessed in the year of initial application of the amendments, as this will depend on the nature of the share-based payment transactions that the entity enters into.

Amendments to IFRS 10 and IAS 28: ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** - *The European Commission decided to defer the endorsement indefinitely.*

The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The quantitative impact of the adoption of the amendments can only be assessed in the year of initial application of the amendments, as this will depend on the transfer of assets or businesses to the associate or joint venture that take place during that reporting period.

IFRIC 22 ***Foreign Currency Transactions and Advance Consideration*** - effective for annual periods beginning on or after 1 January 2018. *This pronouncement is not yet endorsed by the EU*

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The entity does not expect that the interpretation, when initially applied, will have a material impact on the financial statements.

IFRIC 23 ***Uncertainty over Income Tax Treatments*** - effective for annual periods beginning on or after 1 January 2019. *This pronouncement is not yet endorsed by the EU.*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The entity has not yet assessed the expected impact of the new standard.

Annual Improvements to IFRSs 2014-2016 cycle - effective for annual periods beginning on or after 1 January 2018 except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017.

None of these changes are expected to have a material impact on the financial statements of the entity.

Annual Improvements to IFRS 2015-2017 Cycle - effective for annual periods beginning on or after 1 January 2019. *This pronouncement is not yet endorsed by the EU.*

The *Improvements to IFRSs (2015-2017)* contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 *Business Combinations*;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 *Joint Arrangements*;

- clarify that the entity should always account for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and
- clarify that in computing the capitalisation rate for funds borrowed generally, an entity should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs related to specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing costs of the entity..

The entity has not yet assessed the expected impact of the new standard, however none of these changes are expected to have a material impact on the financial statements of the entity.

Other Changes

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the group's financial statements.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. Control is assumed if the Parent Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed before.

When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficiant to give it power, including: the size of the parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Parent Company, other vote holders or other parties; rights arising from other contractual agreements; and any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Parent Company acquired or transferred control over the company during the period, the respective subsidiary is subject to consolidation from the date at which control is transferred to the Parent Company until the date that control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of subsidiaries is accounted for under the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acqusition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acqusition-related costs are generally recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of acquired net assets. If cost is lower than the fair value of acquired net assets, the difference is immediately taken to profit or loss as a bargain purchase gain.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in the consolidated financial statements. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20-50%.

Investments in joint ventures and associates are initially recognised at cost and thereafter, using the equity method of accounting. The Group's investment in joint ventures and associates includes goodwill identified on acquisition.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or an associate equals or exceeds its interest in the associate, including any other unsecured receivables from the associate, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of joint ventures and associates similarly to the acquisition of subsidiaries by the Group.

Parent Company's separate financial statements – primary statements presented as an additional disclosure to these consolidated financial statements

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (Parent Company) shall be disclosed in the Notes to the consolidated financial statements. In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as also in preparing the consolidated financial statements.

The parent company is using equity method of accounting less any impairment identified for its subsidiaries, joint ventures and associates.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts and short-term deposits with original term of up to three months. Bank overdraft is included within borrowings in current liabilities in the balance sheet.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each group company are measured in their functional currency, which is the currency of the primary economic environment in which the company operates. The consolidated financial statements are presented in euros.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions of the central banks of the countries where the respective group companies are located or the European Central Bank in case of euro. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Group companies

The Group has companies in Estonia, Latvia and Lithuania which all have euro as their functional and presentation currency.

Inventories

In the balance sheet, inventories are stated at the lower of cost and net realisable value. Cost is determined using FIFO method for inventories used in periodicals and book sales segments and the weighted average cost method for production inventories used in the printing services segment. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price of products in the ordinary course of business, less applicable variable selling expenses to finish the product and complete the sale.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Group has no held-to-maturity investments or available-for-sale financial assets. It does have assets measured at fair value through profit or loss. The management determines the classification of its financial assets at initial recognition and reviews the asset's classification at each balance sheet date. The Group's management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The purchases and sales of financial assets are recognised at the trade date – the date at which the Group commits to purchase or sell the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "Trade and other receivables" in the balance sheet.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate. Impairment of receivables is calculated on an individual basis.

Derecognition of financial assets

Financial assets are derecognised from the balance sheet when the assets are redeemed or the rights to cash flows from the assets otherwise expire or the rights to the cash flows from the financial assets have been transferred while also transferring substantially all risks and rewards of ownership of the assets to the third party.

Property, plant and equipment

Assets with an expected useful life of more than one year are capitalised as property, plant and equipment, if it is probable that future economic benefits associated with the asset will flow to the entity.

Property, plant and equipment are stated at historical cost less any depreciation. Cost includes the purchase price, non-refundable taxes and other expenditure that are directly or indirectly attributable to the acquisition of non-current items. The cost of items of property, plant and equipment also includes estimates of the costs of dismantling and removing the item and restoring the site on which it is located, for which an obligation arises for the entity either when the item is acquired or as a consequence of having used the item. The cost of self-constructed assets includes the cost of materials and direct labour.

If an item of property, plant and equipment consists of components with significantly different useful lives, these components are initially recognised as separate items of property, plant and equipment and separate depreciation rates are set for them depending on their useful lives. Items of property, plant and equipment with similar useful lives are accounted for as groups.

If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. The estimated future discounted cash flows are used as the basis for determining value in use (see also the accounting policy "Impairment of assets"). Impairment losses of non-current assets are expressed as an increase in accumulated depreciation and are recognised as an expense in the income statement. A recovery in value in use is recognised as a reversal of the impairment loss.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The magazine printing machines and finishing machines with the cost of over EUR 320 thousand are generally depreciated using the production unit method. Depreciation rates are set separately to each asset depending on its estimated useful life or the estimated total production. Depreciation of an asset is started when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the residual value is higher than the carrying amount, the asset is completely withdrawn from use or is reclassified as held for sale. Depreciation does not cease when the asset is withdrawn from use. The assets' depreciation rates, the depreciation method and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. When the residual value of the asset exceeds its carrying amount, the depreciation of the asset is ceased.

Gains and losses on disposals on non-current assets are the amounts determined by comparing sales proceeds with the carrying amount and they are recognised as other income or expenses in profit and loss statement.

Depreciation is calculated on a straight-line basis or according to the production unit method using the following estimated useful lives. Land is not subject to depreciation.

Buildings and structures	20-33 years
Machinery and equipment:	
Production equipment	5-15 years
Other non-current assets:	
Vehicles	5-10 years
Other fixtures and equipment	2-7 years

Subsequent expenditure incurred for items of property, plant and equipment is recognised as separate non-current assets, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the profit or loss at the time they are incurred.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets; goodwill on acquisitions of joint ventures and associates is included in investments in joint ventures and associates respectively. Goodwill is tested at least annually for impairment and where necessary, impairment losses are recognised. Impairment losses on goodwill are not reversed. Goodwill recognised in the consolidated balance sheet is taken into account when calculating the gains and losses at the disposal of the shares of a subsidiary. If the cost of acquisition is lower than the fair value of the net assets acquired, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill is allocated to the asset groups for which it is possible to identify cash flows (cash-generating units). The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The basis for the recoverable amount of a cash-generating unit is the expected cash flows of that cash-generating unit, which are discounted using the weighted average cost of capital. When the carrying amount of the investment is not recoverable, the investment is written down to its recoverable amount and an impairment loss is recognised. When the carrying amount of the investment is recoverable, no impairment loss is recognised. The estimates and decisions used for evaluation of business combinations are reviewed on an ongoing basis and if actual results differ from estimates, the latter are adjusted.

Trademarks

Trademarks are initially recognised at cost, including the purchase price and other costs directly attributable to the preparation of the asset for its use. Trademarks with finite useful lives are recognised in the balance sheet at fair value less any accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the acquisition cost of trademarks over their estimated useful lives. Assets that are subject to amortisation are reviewed for impairment whenever there is any indication that the carrying amount may not be recoverable and, if necessary, an impairment loss is recognised (see also ”The impairment of assets”).

The estimated useful lives of trademarks with finite useful lives are 5-50 years. The amortisation rates are assessed for appropriateness each year.

Development costs

Development costs are costs which are incurred upon implementation of research results for elaboration of new products and services. The costs related to surveys and research conducted for generation of new scientific or technical knowledge are recognised as an expense in the income statement at the time they are incurred. Development costs are capitalised only if: a) completing the intangible asset so that it will be available for use or sale is technically feasible; b) the company has sufficient monetary funds for this purpose; c) the company has the ability to use or sell the intangible asset; d) the company has the ability to reliably measure the expenditures attributable to the intangible asset during its development.

Capitalised costs include the cost of materials and direct labour costs. Other development costs are recognised as an expense in the statement of comprehensive income at the time they are incurred. Capitalised development costs are recognised at cost less any accumulated amortisation and any impairment losses. Development costs are expensed under a straight-line method over the expected useful life, the maximum length of which does not exceed 5 years.

Other intangible assets

Other intangible assets (including computer software) are stated in the balance sheet at historical cost less any accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis using 2-7 year estimated useful lives.

Impairment of assets

Assets with an indefinite useful life are not subject to amortisation but they are tested annually for impairment. Assets that are subject to amortisation and assets with infinite useful lives (land) are reviewed for impairment whenever there is any indication that the carrying amount may not be recoverable. Under such circumstances the recoverable amount is compared with the carrying amount. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The assets (other than goodwill thats impairment losses are not reversed) that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Financial liabilities

All financial liabilities (trade payables, borrowings and other borrowings) are initially recognised at their fair value, including all transaction costs. Financial liabilities are recognised at the trade date. After initial recognition, financial liabilities are measured at amortised cost. The amortised cost of current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the balance sheet at their redemption value. For calculating the amortised cost of non-current financial liabilities, interest expenses are calculated on the liabilities in subsequent periods, using the effective interest rate method.

Financial liabilities are classified as current when they are due within twelve months after the balance sheet or if the company does not have an unconditional right to defer the payment for later than 12 months after the balance sheet date. Borrowings whose due date is within 12 months after the balance sheet date but which are refinanced as non-current after the balance sheet date but before the financial statements are authorised for issue are recognised as current. Borrowings that the lender has the right to recall at the balance sheet date due to a breach of contractual terms are also classified as current. Borrowing costs (e.g. interest) incurred for the construction of an item of property, plant and equipment are capitalised in the cost of the item during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed at the time they are incurred.

Provisions

Liabilities that have arisen as a result of past event before the balance sheet date, which have a legal or contractual basis or which arise from the company's established or published practice, which are probable to result in an outflow of resources, and which can be reliably measured, but for which the actual payment amount and payment date have not been definitely determined, are recorded as provisions in the balance sheet. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount which according to the management is necessary for settling the obligation or transferring it to the third party as of the balance sheet date. The provision expense is included in the income statement of the period. Provisions are not recognised for future operating losses.

Contingent liabilities

Promises, guarantees and other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability, are disclosed as contingent liabilities in the Notes to the financial statements.

Payables to employees

Payables to employees and members of the Management Board include accrued wages and salaries, bonuses that have been calculated in accordance with the approved bonus policy and accrued vacation pay calculated in accordance with contracts of employment concluded with employees, contracts of services concluded with the members of the Management Board, and local laws in force as of the balance sheet date.

The liability related to the payment of a vacation payroll accrual together with social security and unemployment insurance payments is included within "trade and other payables" in the balance sheet and as personnel expenses in the income statement.

Share-based transactions

The fair value of services (work contribution) provided by employees to the entity in return for shares is recognised as employee costs in the income statement and as an equity reserve from the date of granting the share option and during the period when the services have been provided if it is an equity settled share based option scheme. In case of cash-settled share-based option scheme a share option liability is recognised. The fair value of the services received is determined on the fair value of equity instruments (market price) granted to employees at the grant date. Upon expiry of the share option, the company has the obligation to transfer an agreed number of shares which it buys from the market and at the market price. The shares purchased for the purpose of a share option are included as "Treasury shares" among equity. When shares are transferred the amounts reported as "Treasury shares" and the appropriate equity reserve or liability are offset. The resulting difference is taken to retained earnings.

Finance and operating lease

Leases of plant, property and equipment under which the lessee assumes substantially all risks and rewards incidental to ownership are classified as finance leases. Other lease agreements are classified as operating leases.

The Group as a lessee

Finance lease payments are recognised in the balance sheet as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments. Rental payments are divided into finance costs (interest expense) and a reduction of the outstanding balance of the liability. Finance costs are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded in the income statement on the accrual basis, unless they are directly attributable to construction of an item of property, plant and equipment and they are capitalised in the cost of the asset. Assets leased under finance leases are depreciated similarly to acquired non-current assets, with the depreciation period being the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are charged as expenses on a straight-line basis over the term of the relevant lease, irrespective of the execution of payments. Assets leased under operating lease are not recognised in the balance sheet.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the sale of goods or provision of services, taking into account any discounts and rebates.

Retail sales of periodicals and books

Revenue from the sale of goods is recognised when a group company has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is probable. Newspapers and magazines are often sold with the right to return them. Historical experience with returned goods is used to estimate and provide for such returns at the time of a sale as a deduction from the sale. The sale of published books is recognised at the time when they have been sold to the end customer.

Sales of subscribed periodicals and books

The customer prepayments for the subscription of books, newspapers and magazines are apportioned according to the subscription period and recognised as income when the periodical is published. Customer prepayments for periodicals issued in future period are recognized as deferred income.

Sale of services

Revenue from the sale of services is recognised in the accounting period in which the services are rendered, or if a service is provided over a long period of time, based on the stage of completion method. Revenue from sales of advertising services is recognised as income in the same period when the advertisement is published. Revenue from production of media services and printing services is recognised as revenue according to the percentage-of-completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract.

Revenue from longer term advertising packages is allocated on a linear basis over the package duration.

Interest income

Interest income is recognised using the effective interest rate method unless the receipt of interest is uncertain. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Goverment Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Earnings per share

Basic earnings per share are calculated by dividing the profit of the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Treasury shares are eliminated from calculations. Diluted earnings per share are calculated based on profit or loss attributable to the ordinary equity holders of the Parent Company, and the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Statutory reserve capital

The statutory reserve in equity is a mandatory reserve, created in accordance with the Commercial Code of Estonia. Reserve capital can only be used for covering losses or to increase share capital. Each year, at least 1/20 of net profit should be transferred to reserve capital until it makes up 1/10 of share capital. The distribution to shareholders from the statutory reserve is not permitted.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

If dividends are declared after the balance sheet date, those dividends are not recognised as a liability at the balance sheet date.

Events after the balance sheet date

Significant events that occurred during the preparation of the financial statements and are related to transactions that took place during the financial year are considered in the valuation of assets and liabilities.

The events which occurred after the balance sheet date that have not been taken into consideration in the valuation of assets and liabilities, but that significantly impact the results of the next financial year, are disclosed in the Notes to the financial statements.

Segment reporting

Operating segments are components of an entity that engage in business activities and on which it may earn revenue and incur expenses, for which discrete financial information is available and which operating results are regularly reviewed by the entity's chief operating decision maker in order to make decisions about the resources to be allocated to the segment and to assess its performance.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. The chief operating decision marker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Management Board of the Parent Company.

Corporate income tax and deferred income tax

Corporate income tax in Estonia

According to the Income Tax Act applicable in Estonia, the annual profit earned by entities is not taxed in Estonia. Income tax is paid on dividends, fringe benefits, gifts, donations, reception costs, non-business related expenses and adjustments of the transfer price. From 1 January 2015, the profit distributed as dividends is subject to income tax of 20/80 of the net amount to be paid out. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are actually paid. The obligation to pay income tax arises on the 10th day of the month following the payment of dividends.

The corporate income tax arising from the payment of dividends is not recognised as a provision until the declaration of dividends. The maximum amount of a contingent income tax liability which may arise from distribution of all retained earnings is specified in the Notes to the financial statements.

Corporate income tax for companies registered in Latvia

In accordance with the local income tax laws the net profit of companies located in Latvia adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax 15% until 31.12.2017.

As of 1 January 2018, the new Law on Corporate Income Tax of the Republic of Latvia comes into effect, setting out a conceptually new regime for paying taxes, which is similar to scheme in place in Estonia. As of the date, the tax rate will be 20% and it is applied on profit distribution. The taxation period will be one month instead of a year.

The use of tax losses carried forward from previous periods is limited and it will be possible to utilise these losses to decrease the amount of tax calculated on dividends by not more than 50% until 2022.

The carrying amounts of deferred tax assets and liabilities were reversed and changes were charged to profit or loss in the reporting period.

Corporate income tax for companies registered in Lithuania

In accordance with the local income tax laws the net profit of companies located in Lithuania adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax 15%.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction impacts neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates by the management that have an effect on the financial statements. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies.

For preparation of the financial statements, the estimates made by the managements of all group companies shall be used which impact the Group's assets and liabilities at the balance sheet date, and also revenue and expenses for the financial year. These estimates are based on the latest information about the situation of group companies, and they take into consideration the Group's and entities' separate plans and related risks at the time of preparation of the financial statements.

Management estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year include assessment of useful lives of intangible assets identified (Note 16), valuation of inventories (Note 10), valuation of goodwill (Note 16), determination of useful lives of property, plant and equipment (Note 15) and valuation of receivables and loans granted (Notes 4, 6, 7), evaluation of derivative instruments (Notes 4, 28).

a) Valuation of goodwill, trademarks, other intangible and tangible assets

At each balance sheet date, the management carries out impairment tests for goodwill which have arisen upon acquisition of the following cash-generating units or companies: Delfi Estonia, Delfi Latvia, Delfi Lithuania, Maaleht published by Ekspress Meedia AS, Adnet Media, Linna Ekraanid and Babahh Media. Along with impairment tests for goodwill the value of other assets will also be assessed because the recoverable amounts of cash-generating units should cover goodwill as well as other assets related to cash-generating units like trademarks, intangible and tangible assets, net current assets. For finding the recoverable amount of the assets of all cash-generating units, the future expected cash flows have been discounted using the weighted average cost of capital (WACC). A more detailed overview of impairment tests is disclosed in Note 16.

As of 31.12.2017 and 31.12.2016, no impairment losses were recognised for goodwill.

The Group has intangible and tangible assets other than goodwill and for estimating the value of these assets management will assess factors whether there are any indications referring that the value of assets has decreased. If there are such indications then impairment test will be performed for the assets of the smallest cash-generating unit and if the recoverable amount is smaller than carrying amount according to the realistic cash-flow forecast provided by the management, then the carrying amount of assets will be written down to the recoverable amount.

b) Estimation of useful lives of intangible assets

The management has determined the estimated useful lives of intangible assets, taking into account the business conditions and volumes, historical experience in the given field and future projections. The depreciation charges will be increased where useful lives are shorter than previously estimated lives, and technically obsolete and idle assets that have been written off or written down.

According to the estimates, the useful lives of **trademarks** as of the balance sheet date are 5-50 years, based on past experiences on useful lives of similar trademarks. The trademark in the online media is the title of the online portal “Delfi”, the trademarks in print media are mainly the titles of different publications (magazines, newspapers). The useful lives of online media trademarks are estimated to be longer than those of print media. The remaining amortisation period of online media trademarks is up to 42 years. The useful lives of print media trademarks are generally estimated to be between 5-10 years.

Carrying amount of trademarks as of 31.12.2017 is EUR 6 259 thousand (31.12.2016: EUR 6 506 thousand). If useful lives of online trademarks increased or decreased by 10%, the annual amortisation charge would increase or decrease, respectively, by EUR 22/27 thousand.

c) Valuation of useful lives of property, plant and equipment

The management has determined the estimated useful lives of the items of property, plant and equipment, taking into account the business conditions and volumes, historical experience in the given field and future projections. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

If the useful lives increased/decreased by 10%, the annual depreciation charge would increase/decrease by EUR 21/25 thousand, EUR 147/179 thousand and EUR 33/40 thousand of ‘Buildings’, ‘Machinery and equipment’ and ‘Other equipment’, respectively. The total increase/decrease in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 200/244 thousand.

d) Assessment of the value of receivables is based on the Group’s procedures according to which the provision for receivables that are overdue more than 60 days will be recognised, taking also into account the management’s estimates on each receivable separetely. The estimates are made based on the financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. As a result of changes in the market conditions or economic situation, the current estimates of the management may significantly change.

e) Inventory valuation

Upon valuation of inventories, the management will rely on its best estimates taking into consideration historical experience, general background information and assumptions and preconditions of the future events. For determining the impairment of finished goods (carrying amount as of 31.12.2017, EUR 352 thousand and as of 31.12.2016, EUR 241 thousand), the sales potential as well as the net realisable value of finished goods is considered. Upon valuation of raw materials and materials (carrying amount as of 31.12.2017, EUR 2 161 thousand and as of 31.12.2016, EUR 2 208 thousand) their potential use in producing finished goods and generating income is considered. Upon valuation of work in progress (carrying amount as of 31.12.2017, EUR 292 thousand and as of 31.12.2016, EUR 313 thousand) their stage of completion that can reliably be measured is considered.

Note 4. Financial risk management

The management of financial risks is an essential and integral part in managing the business processes of the Group. The ability of the management to identify, measure and verify different risks has a substantial impact on the profitability of the Group. The risk is defined by the management of the Group as a possible negative deviation from the expected financial performance.

Several financial risks are related to the activities of the Group, of which the more substantial ones include credit risk, liquidity risk, market risk (including foreign exchange risk, interest rate risk and price risk), operational risk and capital risk.

The risk management of the Group is based on the requirements established by the Tallinn Stock Exchange, Financial Supervision Authority and other regulatory bodies, compliance with the generally accepted accounting standards and good practice, internal regulations and policies of the Group and its subsidiaries. The management of risks at the Group level includes the definition, measurement and control of risks. The Group's risk management programme focuses on unpredictability of financial markets and finding of possibilities to minimise the potential negative impacts arising from this on the Group's financial activities.

The main role upon the management of risks is vested in the management boards of the Parent and its subsidiaries. The Group assesses and limits risks through systematic risk management. For managing financial risks, the management of the Group has engaged the financial unit of the Group that deals with the financing of the Parent Company and its subsidiaries and hence also managing of liquidity risk and interest rate risk. The risk management at the joint ventures is performed in cooperation with the other shareholder of joint ventures.

Credit risk

Credit risk is expressed as a loss which may be incurred by the Group and is caused by the counterparty if the latter fails to perform its contractual financial obligations. Credit risk arises from cash and bank, trade receivables, other short-term receivables and loans granted. Since the Group invests available liquid funds in the banks with the credit rating of "A" they do not expose the Group to substantial credit risk.

Cash and bank accounts (incl. deposits) by credit ratings of the banks they are held at

Bank name	Moody`s	Standard & Poor`s	31.12.2017	31.12.2016
SEB	Aa3	A+	339	2 153
Swedbank	Aa3	AA-	519	330
Nordea/Danske	Aa3/A2	AA-/A	201	359
Total			**1 059**	**2 842**

The banks' latest long-term credit rating shown on the bank's website is used.

The payment discipline of clients is continuously monitored to reduce credit risk. A credit policy has been established to ensure the sale or services to clients with an adequate credit history and the application of prepayments to clients in a higher risk category. According to the credit policy, different client groups are subject to different payment terms and credit limits. Clients are classified on the basis of their size, reputation, and the results of credit background checks and history of payment behaviour. At the first level, the advertising clients are divided into two groups: advertising agencies and direct clients, they are further grouped according to the above principles. The Group applies the same credit policy in all Baltic States, but is aware of different credit behaviour of clients. While in Estonia invoices are generally paid when due, the usual practice in Latvia and Lithuania is to pay invoices 1-3 months past their due date and not to consider it as a violation of the credit discipline. Subsidiaries in Estonia outsource reminder services in order to collect overdue receivables more effectively.

In the case of new clients, their credit background is checked with the help of financial information databases such as Krediidiinfo and other similar databases. At the beginning clients' payment behaviour will be monitored with heightened interest. Upon following the payment discipline, it is possible to receive more flexible credit terms, such as longer payment terms, higher credit limits, etc. Upon violation of the payment discipline, stricter credit terms are applied. In case of large transactions, in particular in the segment of printing services, clients are requested to make prepayment or provide a guarantee letter.

The Group is not aware of any substantial risks related to the concentration of its clients and partners. The management estimates that there is no substantial credit risk in the loans to related parties due to their solid financial position.

The maximum credit risk which arises from the trade and other receivables is provided below:

31.12.2017 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	5 422	1 398	823	96	7 739
Other short-term receivables	1 553	0	0	0	1 553
TOTAL	**6 975**	**1 398**	**823**	**96**	**9 292**

31.12.2016 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	4 387	1 155	753	42	6 337
Other short-term receivables	803	0	0	0	803
TOTAL	**5 190**	**1 155**	**753**	**42**	**7 140**

In 2017, the Group has written down doubtful receivables in the amount of EUR 363 thousand (31.12.2016: EUR 547 thousand), in accordance with the rules for valuation of trade receivables applicable at the Group based on estimated cash flows.

Since a significant part of other receivables is due from the joint ventures, the management estimates that the receivables do not contain substantial credit risk, as the financial health is regularly monitored and the management of Parent Company has substantial influence over the joint ventures.

Liquidity risk

Liquidity risk means that the Group may not have liquid funds to fulfil its financial obligations in a timely manner.

The objective of the Group is to maintain a balance between the financial needs and financial possibilities of the Group. Cash flow planning is used as a means to manage the liquidity risk. To manage liquidity risk as effectively as possible, the bank accounts of the Parent Company and its subsidiaries comprise one group account (cash pool) which enables the members of the group account to use the finances of the Group within the limit established by the Parent Company. The group account operates in Estonia, but foreign subsidiaries in Latvia and Lithuania are also part thereof. According to the policy of the Group, all subsidiaries and joint ventures prepare long term cash flow projections for the following year, which are adjusted on a quarterly basis. For monitoring short-term cash flows the subsidiaries prepare eight week cash flow projections on a weekly basis.

To manage the liquidity risk, the Group uses different financing sources which include bank loans, overdraft, continuous monitoring of trade receivables and delivery contracts.

Overdraft credit is used to finance working capital, long-term bank loans and finance lease agreements are used to make capital expenditures to acquire non-current assets. The Group's overdraft loan is long-term and related to the term of the syndicated loan contract. This essentially works as a long-term line of credit, the use of which the Group can regulate at its own discretion.

Analysis of undiscounted financial liabilities (principal and future interest payments) by payment term

31.12.2017 (EUR thousand)	Undiscounted				Carrying amount
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	
Bank loans	28	52	337	15 463	**14 986**
Finance lease payments	6	13	59	202	**271**
Trade payables	2 151	0	2	0	**2 153**
Other payables	867	0	0	0	**867**
TOTAL	**3 052**	**65**	**398**	**15 665**	**18 277**

31.12.2016 (EUR thousand)	Undiscounted				Carrying amount
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	
Bank loans	217	435	1 956	13 908	**15 446**
Finance lease payments	6	13	57	276	**338**
Trade payables	1 944	0	0	0	**1 944**
Other payables	433	0	0	0	**433**
TOTAL	**2 600**	**448**	**2 013**	**14 184**	**18 161**

Other payables include payables to joint ventures, accrued interest and other accrued liabilities, see Note 17.

Interest rate risk

Interest rate risk means that a change in interest rates results in a change in the cash flow and profit of the Group. The interest rates of loans granted and lease taken are all tied to Euribor. Interest rate of the syndicate loan is fixed to zero plus margin.

The Group's interest rate risk is related to short-term and long-term borrowings which carry a floating interest rate. The interest rate risk is mainly related to the fluctuation of Euribor. Interest rate change by 1 percentage point would change the Group's loan interest expense by ca 150 thousand euros per year.

Type of interest	Interest rate	31.12.2017 (thousand EUR)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	0% + 2.15%	Syndicated loan (*Parent Company*)	0	9 067	9 067
	0% + 2.15%	Syndicated loan *(Printall)*	0	5 827	5 827
	1-month Euribor + 2.3%	Finance lease *(Printall)*	74	197	271
	1-month Euribor + 1.9%	Overdraft	92	0	92

Type of interest	Interest rate	31.12.2016 (EUR thousand)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	3-month Euribor + 2.5%	Syndicated loan (*Parent Company*)	1 546	7 902	9 448
	3-month Euribor + 2.5%	Syndicated loan *(Printall)*	697	5 301	5 998
	1-month Euribor + 2.3%	Finance lease *(Printall)*	70	268	338
	1-month Euribor + 1.9%	Overdraft	0	0	0

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is to some extent exposed to foreign exchange risk. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the Group. Group companies are required to manage their foreign exchange risk with regard to the functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros in Estonia, Latvia and Lithuanian. The Group also pays most of its suppliers and employees in local currencies. The subsidiaries are typically required to use the euro as the currency in foreign contracts. The subsidiary Printall exports outside of euro-zone and it also issues invoices denominated in Norwegian kroner and Swedish kronor. In 2017, such foreign exchange risk was on a level of ca 2% of Group's revenue (in 2016: ca 4%). The Russian clients pay also in Russian roubles, although the invoices issued have been denominated in euros and hence carry no exchange risk. The amounts received in foreign currencies are converted into euros immediately after their receipt in order to reduce open foreign currency positions. No other means are used for hedging foreign exchange risk.

As of 31.12.2017, the Group had foreign currency risk related to the Swedish krona in the amount of EUR 55 thousand and other currencies (NOK, USD) in the amount of EUR 103 thousand. As of 31.12.2016, the Group had foreign currency risk related to the Swedish krona in the amount of EUR 141 thousand and other currencies (NOK, USD, RUB) in the amount of EUR 96 thousand.

Price risk

The price of paper affects the activities of the Group the most. By taking into consideration several criteria, the Group considers acceptance of paper price risk as the most optimal solution and does not consider it necessary to use derivative instruments to hedge this risk.

Operational risk

Operational risk is a possible loss caused by insufficient or non-functioning processes, employees and information systems or external factors.

The involvement of employees in the risk assessment process improves the general risk culture. For performing transactions different limits are used to minimise possible losses. The four-eye principle in use, under which the confirmation of at least two employees independent of each other or that of a unit is necessary for the performance of a transaction or a procedure, reduces the possible occurrence of human errors and mistakes. The four-eye principle is also applied in other departments and for all different transactions including all agreements and legal documents. The management considers the legal protection of the Group to be good.

The management estimates that the dependence of the Group's activities on IT systems is high and continuous investments are made to increase its security and reliability. The responsibility for managing operational risk lies with the Management Board of the Group and the management boards of the subsidiaries.

Capital risk

The main objective of the Group upon managing capital risk is to ensure the sustainability of the Group in order to ensure income for its shareholders and benefits for other stakeholders, while maintaining the optimal capital structure in order to reduce the price of capital.

According to the common industry practice, the Group uses the debt to capital ratio to monitor its capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and bank accounts from total debt (short and long-term interest bearing liabilities recognised in the consolidated balance sheet). Total capital is recognised as the aggregate of equity and net debt.

Equity ratios of the Group

(EUR thousand)	31.12.2017	31.12.2016
Interest-bearing debt	15 257	15 784
Cash and bank accounts	1 073	2 856
Net debt	14 184	12 928
Equity	52 494	51 073
Total capital	66 678	64 001
Debt to capital ratio	**21%**	**20%**
Total assets	75 957	74 168
Equity ratio	**69%**	**69%**

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17,18,19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2017 and 31 December 2016. The Group's interest bearing liabilities were refinanced in 2017 and Euribor was fixed to zero which reflects the adequate situation of current market interest rates. Also, the Group's risk margins correspond to market conditions. Based on that, the management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments. Trade receivables and trade payables are recognised at amortised cost, due to which the management estimates that their carrying amount approximates their fair value.

The fair value of other investments through profit or loss was 873 thousand euros as at 31.12.2017. Investments are not listed on any stock exchange and these are categorised as level 3 in fair value hierarchy. In 2017 the investment acquisition was done near to balance sheet date, thus the Management of the Group estimates that the fair value of the investment is not substantially different compared to its book value.

Note 5. Cash and bank

(EUR thousand)	31.12.2017	31.12.2016
Cash in hand	14	14
Cash at bank	1 023	2 791
Cash and cash equivalents	**1 037**	**2 805**
Term deposit	36	51
Total cash and bank	**1 073**	**2 856**

Note 6. Trade and other receivables

(EUR thousand)	31.12.2017	31.12.2016
Trade receivables (Note 7)	7 739	6 337
Other tax receivables	107	0
Other receivables (Note 9)	1 553	803
Prepayments	519	328
Total trade and other receivables	**9 917**	**7 468**

Note 7. Trade receivables

(EUR thousand)	31.12.2017	31.12.2016
Trade receivables	8 148	6 687
Allowance for doubtful receivables	(410)	(350)
Total trade receivables	**7 739**	**6 337**

(EUR thousand)	31.12.2017	31.12.2016
Allowance for doubtful receivables at the beginning of the period	(350)	(331)
Proceeds from doubtful receivables during the period	207	329
Allowance for doubtful receivables recognised during the period	(363)	(547)
Receivables written off from balance sheet during the period	97	199
Allowance for doubtful receivables at the end of the period	**(410)**	**(350)**

Impairment losses from trade receivables recognised during the period are reported in the statement of comprehensive income as "Cost of sales". For further information on ageing of receivables (including overdue receivables), see Note 4. Allowances made for doubtful receivables are based on individual assessment of the receivables. Factors considered in the assessment process are the amount of days overdue, feedback from outsourced reminder service companies and other factors which may indicate the possible impairment of receivables.

Note 8. Corporate income tax and deferred tax

Group's income tax expense (EUR thousand)	2017	2016
Corporate income tax expense	376	295
Deferred income tax expense	(33)	7
Total income tax expense	**344**	**302**

Corporate income tax

(EUR thousand)	2017	2016
Latvia		
Profit (loss) before tax	518	406
Tax rate	15%	15%
Estimated income tax	(78)	(61)
Impact of not taxable income/expenses not deductible for tax purposes	8	9
Current income tax expense	**(103)**	**(45)**
Deferred income tax gains (losses)	**33**	**(7)**
Lithuania		
Profit (loss) before tax	2 030	1 607
Tax rate	15%	15%
Estimated income tax	(305)	(241)
Impact of income not taxable/expenses not deductible for tax purposes	32	(9)
Current income tax expense	**(273)**	**(250)**
Deferred income tax gains (losses)	**0**	**0**

Note 9. Other short-term receivables

(EUR thousand)	31.12.2017	31.12.2016
Receivables from associates (Note 31)	**186**	**338**
Trade receivables	53	323
Loans granted	133	15
Receivables from joint ventures (Note 31)	**297**	**391**
Accounts receivable	203	357
Loans granted	80	0
Other receivables	13	34
Receivables from related parties (Note 31)	**1**	**3**
Other receivables	1	3
Other short-term receivables	**1 069**	**71**
Loans granted	1 005	5
Other receivables	64	66
Total other short-term receivables	**1 553**	**803**

Note 10. Inventories

(EUR thousand)	31.12.2017	31.12.2016
Raw materials	2 161	2 208
Work in progress	292	313
Finished goods	352	241
Goods for resale	27	8
Total inventories	**2 832**	**2 770**

(EUR thousand)	2017	2016
Impairment of finished goods	62	55
Allowance for impairment recognised in profit and loss	**62**	**55**

Impairment of inventories is included in the line of the statement of comprehensive income ”Cost of sales“.

Note 11. Other receivables and investments

(EUR thousand)	31.12.2017	31.12.2016
Receivables from joint ventures (Note 31)	875	898
Prepayments	3	4
Other investments - designated as fair value through profit and loss	873	80
Total long-term receivables	**1 751**	**982**

Note 12. Business combinations

On 16 November 2017, AS Ekspress Grupp acquired 51% of the company **UAB Adnet Media** after getting an approval from the Lithuanian Competition Council. As a result, AS Ekspress Grupp now owns 100% of the shares of the company. The 49% of the shares belongs to AS Ekspress Grupp from autumn 2014. UAB Adnet Media is engaged in internet advertising sales in Estonia, Latvia and Lithuania. A consideration of EUR 415 thousand was paid for the ownership. In the financial statements the transaction was recognised in two parts: the sale of previous ownership 49% and the acquisition of 100% of ownership and control of the company. As a result of sales transaction financial income was recognised in amount of 190 thousand euros.

On 17 July 2017, A/S Delfi (Latvia) acquired a 100% ownership interest in **ACM LV SIA** that is engaged in the sale of outdoor digital advertising in Latvia. A payment of EUR 390 thousand was made for the acquisition.

The acquisition supports the Group's objective of developing digital outdoor advertising in all three Baltic countries and thereby grow its portfolio of activities. The acquisition in Latvia follows the acquisition of a 50% ownership interest in **Linna Ekraanid OÜ** engaged in digital outdoor advertising in Estonia on 22 July 2016. A payment of EUR 868 thousand was made for the ownership interest. In the 2nd quarter of 2019, AS Ekspress Grupp will also acquire the remaining 50% of the shares of Linna Ekraanid OÜ and will thus become the sole shareholder of the company. The acquisition price of the remaining 50% of the ownership interest is tied to the company's actual target results which will become known at the beginning of 2019.

On 16 September 2016, the Group acquired a 49% ownership interest in **Babahh Media OÜ** which is engaged in video production, media solutions and streaming related infrastructure sales in Estonia. A payment was immediately made for it in the amount of EUR 311 thousand. The purchase price or ownership interest percentage could be adjusted in accordance with the actual results over the next 5 years. AS Ekspress Grupp also obtained an option to acquire additional shares of Babahh Media OÜ in 2021, as a result of which the ownership interest of AS Ekspress Grupp in the share capital of Babahh Media OÜ would increase to 70%.

The purpose of the acquisition is to expand its fast-growing online video production and video streaming business. The team of Babahh Media represents a company that has operated in this market for a number of years and has a great potential in the growing video production market.

The table below gives an overview of the acquired identifiable assets and liabilities at the time of acquisitions. The purchase analysis has been prepared using the balance sheets of Linna Ekraanid OÜ as of 31.07.2016, Babahh Media OÜ as of 30.09.2016 and ACM LV SIA as of 31.07.2017

(thousand EUR)	Adnet Media UAB (100%)		ACM LV SIA (100%)	
	Fair value	Carrying amount	Fair value	Carrying amount
Trade receivables	839	839	8	8
Accounts payable	(978)	(978)	(11)	(11)
Cash and bank balances	248	248	12	12
Other net assets	(17)	(17)	20	20
Tangible assets	11	11	56	56
Total identifiable assets	**103**	**103**	**85**	**85**
Goodwill	**712**		**305**	
Cost of ownership interest	815		390	
Paid for additional ownership interest in cash	(415)		(390)	
Cash and cash equivalents in acquired entity	248		12	
Total cash effect on the Group	**(167)**		**(378)**	

If Adnet Media had been acquired as at 1 January 2017 then the revenues of the Group would have been 3.2 million euros bigger and net profit by 27 thousand euros. The impact of 2017 total year result of ACM would have been insiginificant.

Note 13. Joint ventures

Company name	Ownership interest %		Co-owner
	31.12.2017	31.12.2016	31.12.2017
AS SL Õhtuleht	50%	50%	OÜ Suits Meedia
AS Ajakirjade Kirjastus	50%	50%	OÜ Suits Meedia
AS Express Post	50%	50%	AS Eesti Meedia
Linna Ekraanid OÜ	50%	50%	Private individuals

AS Ekspress Grupp has a liability to purchase remaining 50% of the shares in Linna Ekraanid in the first half of 2019.

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Linna Ekraanid OÜ	Total
31.12.2017					
Net assets of the joint venture	1 070	1 726	297	249	3 342
Proportion of ownership in the joint venture	50%	50%	50%	50%	
Goodwill	0	0	0	672	672
Other adjustments	(62)	0	0	91	29
Carrying amount of interest in the joint venture	**474**	**863**	**149**	**887**	**2 372**
Profit on shares of joint ventures	(142)	258	(134)	17	**(1)**
31.12.2016					
Net assets of the joint venture	1 356	1 210	566	158	3 290
Proportion of ownership in the joint venture	50%	50%	50%	50%	
Goodwill	0	0	0	672	672
Other adjustments	0	0	0	119	119
Carrying amount of interest in the joint venture	**677**	**605**	**283**	**870**	**2 435**
Profit on shares of joint ventures	376	222	171	2	**772**

Financial information of joint ventures

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Linna Ekraanid OÜ	Total
31.12.2017					
Current assets	2 516	2 207	1 473	143	6 339
Non-current assets	1 952	2 773	65	362	5 151
Total assets	**4 467**	**4 979**	**1 538**	**505**	**11 491**
Current liabilities	2 133	2 397	1 241	190	5 961
Non-current liabilities	1 264	856	0	67	2 187
Total liabilities	**3 397**	**3 253**	**1 241**	**257**	**8 148**
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	*888*	*1 666*	*872*	*63*	*3 489*
Current financial liabilities (excluding trade and other payables and provisions)	*240*	*372*	*0*	*20*	*632*
Non-current financial liabilities (excluding trade and other payables and provisions)	*260*	*110*	*0*	*67*	*437*
31.12.2016					
Current assets	3 150	1 846	1 882	146	7 024
Non-current assets	2 088	2 782	50	134	5 054
Total assets	**5 238**	**4 628**	**1 932**	**280**	**12 078**
Current liabilities	2 332	2 188	1 366	88	5 974
Non-current liabilities	1 550	1 230	0	34	2 814
Total liabilities	**3 882**	**3 418**	**1 366**	**122**	**8 788**
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	*778*	*1 379*	*1 210*	*66*	*3 432*
Current financial liabilities (excluding trade and other payables and provisions)	*240*	*372*	*0*	*11*	*623*
Non-current financial liabilities (excluding trade and other payables and provisions)	*500*	*482*	*0*	*34*	*1 016*

(EUR thousand)	AS Ajakirjade Kirjastus	AS SL Õhtuleht	AS Express Post	Linna Ekraanid OÜ	Total
2017					
Revenue*	9 153	9 250	4 739	823	23 964
Depreciation and amortisation	(354)	(315)	(34)	(40)	(744)
Interest expense	(40)	(36)	0	(1)	(78)
Profit before income tax	**(236)**	**516**	**(268)**	**91**	**103**
Income tax expense	0	0	0	0	0
Profit for the reporting period	**(236)**	**516**	**(268)**	**91**	**103**
Other comprehensive income	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	**(236)**	**516**	**(268)**	**91**	**103**
2016					
Revenue*	9 531	8 658	5 219	331	23 739
Depreciation and amortisation	(269)	(277)	(46)	(14)	(606)
Interest expense	(63)	(58)	0	(0)	(120)
Profit before income tax	**752**	**444**	**449**	**29**	**1 674**
Income tax expense	0	0	(106)	0	(106)
Profit for the reporting period	**752**	**444**	**343**	**29**	**1 568**
Other comprehensive income	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	**752**	**444**	**343**	**29**	**1 568**

* Volume-based and other fees payable to advertising agencies have not been deducted from the advertising sales.

Note 14. Associates

(EUR thousand)	31.12.2017	31.12.2016
Acquisition of associates	74	311
Disposal of associate interest	(210)	0
Dividend paid	56	34
Impairment loss recognised for the receivables of associates (Note 31)	(23)	13
Shares of associates in the balance sheet	353	591
Share of loss in associates recognised in statement of comprehensive income		
Profit (loss) under the equity method	(68)	113
Total profit (loss) of associates	**(68)**	**113**

Company name	Ownership %	
	31.12.2017	31.12.2016
UAB Medipresa	-	40%
Adnet Media UAB	100%	49%
Babahh Media OÜ	49%	49%
Kinnisvarakeskond OÜ	49%	-

In August 2017, a new associate OÜ Kinnisvarakeskond was established with the 49% ownership interest, whose main activity is a development of a real estate portal. At the end of 2017 shares in UAB Medipresa were sold together with Lithuanian magazine business. In November 2017 remaining 51% of shares in Adnet Media were acquired (see Note 12).

Financial information of associate

(EUR thousand)	UAB Medipresa	Adnet media UAB	Babahh Media OÜ	Kinnisvara-keskkond OÜ
31.12.2017				
Total assets	NA	NA	359	360
Total liabilities	NA	NA	288	282
Total revenue	5 705	3 217	609	0
Total expenses	5 794	3 188	601	72
Net profit (loss)	**(89)**	**29**	**8**	**-72**
31.12.2016				
Total assets	4 357	801	170	
Total liabilities	4 286	614	125	
Total revenue	8 001	3 125	105	
Total expenses	7 870	2 980	106	
Net profit (loss)	**131**	**146**	**-1**	**NA**

Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total
31.12.2015						
Cost	409	5 831	24 195	2 101	7	**32 542**
Accumulated depreciation	0	(2 371)	(14 865)	(1 516)	0	**(18 752)**
Carrying amount	**409**	**3 460**	**9 329**	**585**	**7**	**13 791**
Acquisitions and improvements	0	4	112	253	699	**1 068**
Disposals (at carrying amount)	0	0	0	(9)	0	**(9)**
Write-offs (at carrying amount)	0	0	(40)	(2)	0	**(42)**
Reclassification	0	37	496	179	(712)	**0**
Depreciation	0	(219)	(1 538)	(330)	0	**(2 087)**
31.12.2016						
Cost	409	5 872	24 708	2 184	(6)	**33 166**
Accumulated depreciation	0	(2 589)	(16 348)	(1 508)	0	**(20 446)**
Carrying amount	**409**	**3 282**	**8 359**	**676**	**(6)**	**12 722**
Acquisitions and improvements	0	0	109	279	1 241	**1 629**
Disposals (at carrying amount)	0	0	(15)	(8)	0	**(23)**
Write-offs (at carrying amount)	0	0	(2)	(12)	0	**(14)**
Reclassification	0	46	47	224	(318)	**0**
Acquired through business combination	0	0	0	72	0	**72**
Depreciation	0	(226)	(1 612)	(359)	0	**(2 197)**
31.12.2017						
Cost	409	5 918	23 992	2 756	918	**33 992**
Accumulated depreciation	0	(2 816)	(17 105)	(1 883)	0	**(21 804)**
Carrying amount	**409**	**3 102**	**6 887**	**872**	**918**	**12 189**

Information about pledged items of property, plant and equipment is disclosed in Note 18. Information about payments and terms of finance lease and non-current assets leased under the finance lease terms is disclosed in Note 19.

Note 16. Intangible assets

(EUR thousand)	Goodwill	Trademarks	Development costs	Customer relationships	Computer software	Prepayments	Total intangible assets
31.12.2015							
Cost	47 750	11 046	589	2 379	2 046	23	**63 834**
Accumulated amortisation and impairments	(10 797)	(4 135)	(475)	(2 379)	(1 456)	0	**(19 244)**
Carrying amount	**36 953**	**6 911**	**114**	**0**	**590**	**23**	**44 590**
Purchases and improvements	0	30	8	0	330	244	**612**
Write-offs (at carrying amount)	0	0	(2)	0	0	(23)	**(25)**
Reclassification	0	0	46	0	119	(165)	**0**
Amortisation	0	(435)	(75)	0	(356)	0	**(866)**
31.12.2016							
Cost	47 750	11 076	639	2 379	2 406	79	**64 329**
Accumulated amortisation and impairments	(10 797)	(4 571)	(548)	(2 379)	(1 723)	0	**(20 018)**
Carrying amount	**36 953**	**6 506**	**91**	**0**	**683**	**79**	**44 310**
Purchases and improvements	0	0	0	0	318	359	**678**
Write-offs (at carrying amount)	0	0	0		0	0	**0**
Reclassification	0	0	220	0	16	(236)	**0**
Acquired through business combination	1 016	0	0	0	3	0	**1 020**
Amortisation	0	(246)	(97)	0	(247)	0	**(590)**
31.12.2017							
Cost	47 866	10 247	786	2 379	2 660	203	**64 141**
Accumulated amortisation and impairments	(9 897)	(3 988)	(572)	(2 379)	(1 886)	0	**(18 722)**
Carrying amount	**37 969**	**6 259**	**214**	**0**	**774**	**203**	**45 419**

Information about intangible assets pledged as collateral for loans is disclosed in Note 18.

Goodwill by cash-generating units

(in thousands)	EUR	
	31.12.2017	31.12.2016
Delfi Estonia	15 281	15 281
Delfi Latvia	7 312	7 007
Delfi Lithuania	12 848	12 848
Adnet media	712	0
Maaleht	1 816	1 816
Total goodwill	**37 969**	**36 953**

The discounted cash flow method is used to determine **the recoverable value** and to calculate value in use in the impairment tests. For each business unit acquired, five-year cash flow forecasts have been prepared for the respective cash-generating units. Revenue growth, variable and fixed costs have been estimated on the basis of prior period results and future strategic plans. In the impairment tests, the nominal models are used.

The impairment test of Delfi Estonia includes the cash flows of the Delfi related product in AS Ekspress Meedia. The impairment test of Delfi Latvia includes the cash flows of Latvian legal entity AS Delfi. The impairment test of Delfi Lithuania includes the cash flows of Lithuanian entity UAB Delfi, which comprise now only Delfi related products while its magazine publishing business was sold in December 2017. The impairment test of Maaleht is based on the future cash flows of business of newspaper Maaleht (including all related activities and their results) and magazine Maakodu in AS Ekspress Meedia.

No impairment test for Adnet Media was done, as the full ownership was only acquired in November 2017 and the purchase price allocation was performed at that time. The cash flows of Adnet Media include its activities in all Baltic countries.

Cash flows of all cash generating units are based on group accounting principles and adjusted for any internal management or similar fee where applicable.

The applied revenue growth rates are as follows:

Cash-generating unit	Average revenue growth pa Next 5 years		Terminal value growth	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Delfi Estonia	8.6%	9.3%	3.5%	3.5%
Delfi Latvia	10.2%	9.5%	3.5%	3.5%
Delfi Lithuania	7.5%	6.5%	3.5%	3.5%
Maaleht	0%	0.9%	0%	0%

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 10.5%-11.8% (2016: 12.4%-12.8%) and the return on debt is 2.5%-3.2% (2016: 2.8%-3.6%). The debt to equity ratio is based on the latest average debt to equity ratio in publishing and newspapers sector provided by the database of Damodaran Online. The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The latest average unleveraged beta of the publishing and newspaper industry based on Damodaran Online database has been used as one component. The yields on long-term government bonds with maturities of close to ten years issued by Latvia and Lithuania provided by the European Central Bank have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the long-term euro bond yield of Germany, plus the default spread for Estonia according to the database of Damodaran Online.

In 2017 there has been a further decrease in risk-free-interest-rates in the securities markets which has resulted also smaller applied discount rates used in valuation tests.

The applied discount rates are as follows:

Cash-generating unit	31.12.2017	31.12.2016
Delfi Estonia	9.03%	9.46%
Delfi Latvia	9.19%	9.37%
Delfi Lithuania	8.17%	8.90%
Maaleht	9.03%	9.46%

The table below shows the recoverable and carrying amounts of cash-generating units, and the differences between them prior to recognition of an impairment loss. **The carrying amounts** include in addition to goodwill also trademarks, property, plant and equipment, other intangible assets and working capital. No impairment losses have been recognised during the year or the year before.

(EUR thousand)	31.12.2017			31.12.2016		
	Recoverable Amount	Carrying amount (prior to impairment)	Difference	Recoverable amount	Carrying amount (prior to impairment)	Difference
Delfi Estonia	20 308	17 736	2 573	23 448	17 673	5 775
Delfi Latvia	11 605	9 693	1 912	9 957	9 711	246
Delfi Lithuania	45 264	16 830	28 434	35 466	16 720	18 746
Maaleht	5 424	1 635	3 789	9 340	1 565	7 774

The Group's management considers the key assumptions used for the purpose of impairment testing of all cash-generating units to be realistic. If there is a major unfavourable change in any of the key assumptions used in the test, an additional impairment loss may be recognised.

The earnings of both Delfi Lithuania and Maaleht are high and their future expected cash flows exceed the carrying value of its related assets by amount where any reasonable change in underlying assumptions would not cause the necessity for impairment loss to be recognized.

The sensitivity of goodwill related to Delfi Estonia and Delfi Latvia is much greater. It would be necessary to recognise an impairment loss if revenue increase of Delfi Estonia on average was less than 5.6% in 2018-2022, the residual value growth was lower more than 1 pp or the applied discount rate was higher more than 0.75 pp. Regarding Delfi Latvia it would be necessary to recognise an impairment loss if revenue increase on average was less than 5% in the period 2018-2022, the terminal value growth was lower more than 1.4 pp or the applied discount rate was higher more than 1.1 pp.

Note 17. Trade and other payables

(EUR thousand)	31.12.2017	31.12.2016
Trade payables	2 153	1 944
incl. payables to related parties (Note 31)	14	15
Payables to employees	1 768	1 574
Other taxes payable	1 640	1 407
Deferred income	1 661	1 806
Payables to joint ventures (Note 31)	111	96
Payables to associates (Note 31)	7	6
Accrued interest	2	4
Other accrued liabilities	754	333
Total trade and other payables	**8 095**	**7 170**

Deferred income includes mainly the client prepayments for subscriptions of periodicals.

Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	Between 1-5 years
Balance as of 31.12.2017			
Overdraft	**92**	92	0
Long-term bank loans	**14 894**	0	14 894
incl. syndicated loan (AS Ekspress Grupp)	**9 067**	0	9 067
incl. syndicated and mortgage loan (AS Printall)	**5 827**	0	5 827
Finance lease (Note 19)	**271**	74	197
Total	**15 257**	**166**	**15 091**
Balance as of 31.12.2016			
Long-term bank loans	**15 446**	2 243	13 203
incl. syndicated loan (AS Ekspress Grupp)	**9 448**	1 546	7 902
incl. syndicated and mortgage loan (AS Printall)	**5 998**	697	5 301
Finance lease (Note 19)	**338**	70	268
Total	**15 784**	**2 313**	**13 471**

The effective interest rates are very close to the nominal interest rates. The fair value of the loan liabilities is close to its book value as in April 2017 the margin has been negotiated based on market terms and the interest rate was fixed to zero while 3-month Euribor was still negative. It is a market term to cap Euribor to zero while it is negative. The loan liabilities are within level 3 of the fair value hierarchy.

Long term bank loan

In April 2017, an amendment to the syndicated loan agreement was signed with AS SEB Pank, terminating the monthly loan payments and the loan shall be paid back in a lump sum in October 2020. Previously, the loan was repaid as monthly annuity payments. The interest rate on the loan is fixed to zero plus a margin.

The syndicated loan is still guaranteed by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 17 million, the commercial pledge on the assets of AS Printall in the amount of EUR 19 million, the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is included within the net assets of the Group. In addition, a mortgage has been set on the registered immovable and production facilities of AS Printall. As of 31.12.2017, the carrying amount of the building was EUR 3.0 million and that of the registered immovable was EUR 0.4 million. The ultimate controlling shareholder has also given a personal guarantee in the amount of EUR 4 million to cover the syndicated loan and overdraft agreements.

According to the conditions of the loan agreement, the borrower needs to keep the total debt/EBITDA ratio below 3.0. If the latter rises above 2.5, the monthly loan repayments shall be resumed. As of 31.12.2017, the total debt/EBITDA ratio was 2.35. In addition a liquidity reserve 1 million euros must be kept in the bank.

Overdraft facilities

As of 31.12.2017, the Group had entered into a long-term overdraft facility with SEB Bank in the amount of EUR 3 million with the due date of 25.10.2020 of which EUR 92 thousand had been used by the balance sheet date. No overdraft had been used by the balance sheet date of 31.12.2016.

Note 19. Finance lease

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2017	
Cost	440
Accumulated depreciation	(68)
Carrying amount	**372**
Balance as of 31.12.2016	
Cost	436
Accumulated depreciation	(22)
Carrying amount	**414**

(EUR thousand)	2017	2016
Finance lease liabilities at the end of the year	**271**	**338**
Principal payments in the financial year	71	72
Interest expenses in the financial year	6	2
Average annual interest rate p.a.	1.95%	1.95%

(EUR thousand)	2017	2016
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	78	75
Later than 1 year and not later than 5 years	202	276
Total	**280**	**352**
Future finance charges on finance leases	9	14
Present value of finance lease liabilities	271	338

Note 20. Operating lease

Group companies as lessees lease office facilities, motor vehicles and other equipment under the operating lease terms.

(EUR thousand)	2017	2016
Operating lease payments (Notes 23, 24, 25)	**1 455**	**1 264**
Office rental	652	516
Motor vehicles and other machinery and equipment	803	748
Future minimum lease payments under non-cancellable operating leases	**1 149**	**1 563**
Not later than 1 year	404	580
Later than 1 year but not later than 5 years	745	983

Note 21. Segment reporting

Operating segments have been specified by the management on the basis of the reports monitored by the Management Board of the Parent Company AS Ekspress Grupp. The Management Board considers the business from the company perspective.

Media segment: management of online news portals and classified portals, advertising sales in own portals in the Baltics and publishing of newspapers, magazines, customer publications and books in Estonia and Lithuania.

This segment includes subsidiaries AS Ekspress Meedia (former AS Delfi and AS Eesti Ajalehed in Estonia), AS Delfi (Latvia), UAB Delfi (Lithuania), Delfi Holding SIA (Latvia), OÜ Hea Lugu (Estonia), OÜ Zave Media (Estonia), ACM LV SIA (Latvia) and Adnet Media (Lithuania, Estonia, Latvia). The latter since December 2017 when 100% of the ownership was acquired.

This segment also includes the joint ventures AS Ajakirjade Kirjastus, AS SL Õhtuleht, AS Express Post and Linna Ekraanid OÜ. Joint ventures are not consolidated line-by-line; however some tables include their results and impact on the Group's figures.

The revenue of the **media segment** is derived from sale of advertising banners and other advertising space and products in its own portals, sales of advertising space in newspapers and magazines, revenue from subscriptions and single copy sales of newspapers and magazines, sales of books and miscellaneous series, services fees for preparation of customer materials and other projects.

Printing services: rendering of printing and related services. This segment includes the group company AS Printall.

Segment revenue is derived from the sale of paper and printing services.

The **Group's corporate functions** are shown separately and they do not form a separate business segment. It includes the Parent Company AS Ekspress Grupp, which provides legal advice and accounting services to its group companies, a subsidiary OÜ Ekspress Digital that provides intra-group IT services, and OÜ Ekspress Finance, the main activity of which is intra-group financing.

The Management Board assesses the performance of the operating segments based on revenue, EBITDA and the EBITDA margin. Volume-based and other fees payable to advertising agencies have not been deducted from the advertising sales of segments, because the Group's management monitors the gross income of companies and segments. Discounts and volume rebates are reported as a reduction of the consolidated sales revenue and are shown in the aggregate line of eliminations. Internal management fees and goodwill impairment are not included in segment results.

According to the estimate of the Parent Company's management, the inter-segment transactions have been carried out at arm's length basis and they do not differ significantly from the conditions of the transactions concluded with third parties.

2017 (EUR thousand)	Media	Printing services	Corporate functions	Elimi-nations	Total Group
Sales to external customers (subsidiaries)	**33 372**	**21 895**	**424**	**(1 621)**	**54 070**
Effect of joint ventures	10 931	(1 048)	(174)	(80)	9 629
Inter-segment sales	126	3 032	2 236	(5 394)	0
Total segment sales, incl. joint ventures	44 429	23 879	2 486	(7 095)	63 699
EBITDA (subsidiaries)	**3 729**	**3 734**	**(1 201)**	**0**	**6 261**
EBITDA margin (subsidiaries)	**11%**	**17%**			**12%**
EBITDA incl. joint ventures	*4 181*	*3 734*	*(1 201)*		*6 713*
EBITDA margin incl. joint ventures	*9%*	*16%*			*11%*
Depreciation (subsidiaries) (Note 15,16)					2 786
Gain from selling business assets					194
Operating profit (subsidiaries)					3 669
Investments (subsidiaries) (Note 15,16)					2 307

2016 (EUR thousand)	Media	Printing services	Corporate functions	Elimi-nations	Total Group
Sales to external customers (subsidiaries)	**31 566**	**23 409**	**162**	**(1 813)**	**53 324**
Effect of joint ventures	10 651	(1 054)	(75)	(53)	9 469
Inter-segment sales	13	3 230	2 146	(5 389)	0
Total segment sales, incl. joint ventures	42 231	25 585	2 233	(7 255)	62 793
EBITDA (subsidiaries)	**3 572**	**4 645**	**(938)**	**0**	**7 280**
EBITDA margin (subsidiaries)	**11%**	**20%**			**14%**
EBITDA incl. joint ventures	*4 779*	*4 645*	*(938)*		*8 487*
EBITDA margin incl. joint ventures	*11%*	*18%*			*14%*
Depreciation (subsidiaries) (Note 15,16)					2 953
Operating profit (subsidiaries)					4 328
Investments (subsidiaries) (Note 15,16)					1 674

Capital expenditure comprises additions to property, plant and equipment (Note 15) and intangible assets (Note 16). The significant non-current assets located outside Estonia include primarily the online trademarks of Delfi Group in their carrying amounts as follows:

- In Latvia, EUR 2.1 million as of 31.12.2017 (EUR 2.1 million as of 31.12.2016)
- In Lithuania, EUR 1.9 million as of 31.12.2017 (EUR 2.0 million as of 31.12.2016)

Goodwill relating to companies outside Estonia at their carrying amounts is as follows:

- Delfi Latvia EUR 7.3 million as of 31.12.2017 (EUR 7.0 million as of 31.12.2016)
- Delfi Lithuania EUR 12.8 million as of 31.12.2017 and 31.12.2016
- Adnet Lithuania EUR 0.7 million as of 31.12.2017

Note 22. Sales revenue

(EUR thousand)	2017	2016
Sales revenue by activity		
Advertising revenue	22 582	20 361
incl. barter deals	*815*	*518*
Single-copy sales	1 573	1 792
Subscriptions' revenue	5 938	5 754
Book publishing	978	1 516
Sale of paper and printing services	21 644	23 179
Sale of other goods and services	1 355	722
Total	**54 070**	**53 324**
Sales revenue by geographical area		
Estonia	27 608	27 232
Scandinavia	9 217	10 249
Lithuania	8 684	7 226
Latvia	4 544	3 984
Russia	767	902
Other Europe	3 207	3 721
Other countries	42	9
Total	**54 070**	**53 324**

Note 23. Cost of sales

(EUR thousand)	2017	2016
Raw materials and consumables used	12 186	13 469
Services purchased	6 387	5 530
Salaries and social taxes	19 486	18 060
Rental expenses (Note 20)	553	518
Other expenses	2 112	2 274
Depreciation and amortisation (Note 15,16)	2 145	2 271
Total expenses	**42 869**	**42 122**

Note 24. Marketing expenses

(EUR thousand)	2017	2016
Marketing	1 819	1 562
Salaries and social taxes	1 046	891
Rental expenses (Note 20)	29	31
Depreciation and amortisation (Note 15,16)	4	4
Total marketing expenses	**2 898**	**2 488**

Note 25. Administrative expenses

(EUR thousand)	2017	2016
Raw materials and consumables used	79	94
Repairs and maintenance	477	451
Communication expenses	118	112
Rental expenses (Note 20)	873	715
Services purchased	901	910
Salaries and social taxes	2 836	2 397
incl. cost of the share options issued	*189*	*136*
Depreciation and amortisation (Note 15,16)	637	678
Total administrative expenses	**5 921**	**5 357**

Note 26. Expenses by type

(EUR thousand)	2017	2016
Salaries and social taxes	23 368	21 348
Raw materials and consumables used	12 265	13 563
Rental expenses (Note 20)	1 455	1 264
Services purchased	7 288	6 440
Marketing expenses	1 819	1 562
Repairs and maintenance	477	451
Communication expenses	118	112
Other expenses	2 112	2 274
Depreciation and amortisation	2 786	2 953
Total cost of sales, marketing and administrative expenses	**51 688**	**49 967**
Average number of employees	**839**	**806**

Note 27. Other income

(EUR thousand)	2017	2016
Government projects	758	849
Subsidized projects	230	126
Other income	201	110
Total other income	**1 189**	**1 085**

Note 28. Share option plans

In June 2017, the General Meeting of Shareholders approved the new share option plan for the Group's key personnel. As of 31.12.2017 total amount of share options granted was 435 thousand, each giving a right to obtain free of charge one share of the Company. Each calendar year 1/3 of the options is vested depending on fulfilment of personal goals set. Share options can be exercised in December 2020.

The share options are considered to be cash-settled share-based payments. Upon signing the agreements, the options were recognised at its fair value and are recognised as a staff cost in the income statement and, on the other side, as a liability. As of 31.12.2017 the share option liability amounted to 189 thousand euros.

For finding the fair value of the share options, the Black-Scholes-Merton model is used. The assumptions used in the model were as follows: share price at the time of issuing the options: 1.25 euros, dividend rate: 0.06 euros per share, risk-free rate 1.12%, option term: 3 years.

The Company will obtain the shares to fulfil its option obligations from the market. The employees have a right to sell back shares received within two months after exercising their share options and the company has an obligation to buy back those shares. Buy-back is done with a market value of the shares.

Until the beginning of 2017 a separate share option plan was in place for the CEO of the Group. The option was exercised on 3 January 2017 and there were no additional costs related to it in 2017. In 2016 the option cost recognized in the income statement was 136 thousand euros. This share option was considered equity-settled share-based payment. The cost related to the share option was recognised as a staff cost in the income statement and as an equity reserve on the other side. As of 31.12.2016, the amount of this reserve was EUR 747 thousand which was fully settled at the beginning of 2017.

Note 29. Equity

Share capital and share premium

As of 31 December 2017 and 31 December 2016, the share capital of AS Ekspress Grupp was EUR 17 878 105 and it consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 25 564 656.

Treasury shares

Within the framework of the CEO's share option plan which was in place between 2013-2016, the company purchased treasury shares through SEB Bank between April 2014 and May 2016 and in an OTC buyback transaction in May 2016. As of 31.12.2016, AS Ekspress Grupp had purchased ca 678 thousand treasury shares at the average price of EUR 1.27 per share for the total of EUR 863 thousand. The option was exercise on 3 January 2017 and the option owner was transferred 660 400 shares. As a result, the balance of treasury shares decreased by EUR 841 thousand, of which EUR 747 thousand was covered from the option reserve and the retained earnings were reduced by EUR 94 thousand.

Dividends

At the Ordinary General Meeting of Shareholders held on 13 June 2017, it was decided to pay dividends to shareholders in the amount of 6 euro cents per share in the total amount of EUR 1 787 thousand. Dividends were paid out on 6 July 2017. There was no accompanying income tax liability because the Company will pay out dividends it has received from its joint ventures and subsidiaries that have already paid corporate income tax on dividends or the profit which has already been taxed in its domicile. Therefore, there will be no additional tax to be paid on distribution of dividends from the Parent Company.

<u>Reserves</u>

The reserves include statutory reserve capital required by the Commercial Code, a general-purpose equity contribution by a founding shareholder and a share option reserve (see Note 28).

(EUR thousand)	31.12.2017	31.12.2016
Statutory reserve capital	892	672
Additional cash contribution from shareholders	639	639
Share option reserve	0	747
Total reserves	**1 531**	**2 058**

<u>Earnings per share</u>

Basic earnings per share have been calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period. Treasury shares owned by the Parent Company are not taken into account as shares outstanding.

EUR	2017	2016
Profit attributable to equity holders of the Parent Company	3 139 994	4 405 875
The average number of ordinary shares (pc)	29 779 314	29 301 553
Basic and diluted earnings per share	**0.11**	**0.15**

As the Group had no instruments diluting earnings per share as of 31.12.2017 and 31.12.2016 **diluted net profit per share** was equal to regular net profit per share.

Note 30. Contingent assets and liabilities

Contingent income tax liability

As of 31.12.2017, the consolidated retained earnings of the Group amounted to EUR 18 762 thousand (31.12.2016: EUR 17 723 thousand). Income tax of 20/80 of net dividend paid is imposed on the profit distributed as dividends. When an entity pays dividends it has received from its joint ventures and subsidiaries that have already paid income tax on those dividends or the profit of which has already been taxed in the domicile of the entity, the payment of those dividends by the Parent Company is not subject to additional income tax. As of 31.12.2017, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 21 427 thousand (as of 31.12.2016: EUR 23 214 thousand). Upon the payment of all possible retained earnings as at 31.12.2017, no potential income tax liability occurs.

Contingent liabilities related to the Tax Board

Tax authorities have the right to review the Group's tax records for up to 3 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies during 2015-2017. Latvian Tax Authorities have performed consultative transfer pricing tax audit in Delfi Holding, which ended in 2018. The management of the Group's Parent Company believes that there are no any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Contingent assets and liabilities arising from pending court cases

OÜ Grupivara, minority shareholder of AS Ekspress Grupp, holding 100 shares in the Company, has challenged in the court the results of the impairment tests of goodwill of Delfi Latvia and Delfi Estonia in the financial statements for the years 2013, 2014 and 2015. OÜ Grupivara claims that bigger impairment losses on goodwill should have been recognized in the annual reports. Hence, the annual reports should have not been approved and a decision to pay dividends should have not been made.

The Management Board of AS Ekspress Grupp and its independent auditors are of an opinion that the financial statements for all the years, present fairly, in all material respects, the financial position and the financial performance of the company in accordance with the International Financial Reporting Standards as adopted by the European Commission. In relation to years 2013 and 2014, the Supreme Court has also confirmed the Management Board's and auditors opinion. Court case in relation to year 2015 is still pending.

The Group's subsidiaries have also several pending court cases, the impact of which on the Group's financial results is insignificant.

Note 31. Related party transactions

Transactions with related parties are transactions with shareholders, associates, joint ventures, members of the Key Management of all group companies, their immediate family members and the companies under their control or significant influence.

The ultimate controlling individual of AS Ekspress Grupp is Hans H. Luik.

The Group has purchased from (goods for resale, manufacturing materials, non-current assets) and sold its goods and services (lease of non-current assets, management services, other services) to the following related parties:

SALES (EUR thousand)	2017	2016
Sales of goods		
Associates	589	491
Total sale of goods	**589**	**491**
Sale of services		
Members of Management Board and companies related to them	0	1
Members of Supervisory Board and companies related to them	13	13
Associates	145	17
Joint ventures	2 578	2 330
Total sale of services	**2 737**	**2 361**
Total sales	**3 325**	**2 852**

PURCHASES (EUR thousand)	2017	2016
Purchase of services		
Members of Management Board and companies related to them	9	40
Members of Supervisory Board and companies related to them	300	308
Associates	199	12
Joint ventures	823	1 019
Total purchases of services	**1 330**	**1 379**

RECEIVABLES (EUR thousand)	31.12.2017	31.12.2016
Short-term receivables		
Members of Management Board and companies related to them	0	1
Members of Supervisory Board and companies related to them	1	2
Associates (Note 9)	186	338
Joint ventures (Note 9)	297	391
Total short-term receivables	**484**	**732**
Long-term receivables		
Joint ventures (Note 11)	875	898
Total long-term receivables	**875**	**898**
Total receivables	**1 359**	**1 630**

LIABILITIES (EUR thousand)	31.12.2017	31.12.2016
Current liabilities		
Members of Management Board and companies related to them	1	2
Members of Supervisory Board and companies related to them	13	13
Associates	7	6
Joint ventures	111	96
Total liabilities	**132**	**117**

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik are paid a guarantee fee of 1.5% per annum on the amount for the personal guarantee of EUR 4 million given on the syndicated loan and overdraft agreements until the expiration of the guarantee. In 2017, the payment for personal guarantee was made in amount of EUR 60 thousand (2016: EUR 60 thousand) and there were no outstanding liabilities as of 31 December 2017 and 31 December 2016.

The management estimates that the transactions with related parties have been carried out at arms' length conditions.

Remuneration of members of the Management of all group companies

(EUR thousand)	2017	2016
Salaries and other benefits (without social tax)	1 308	1 376
Termination benefits (without social tax)	102	0
Share option (Note 28)	0	136
Total (without social tax)	**1 410**	**1 512**

The members of all management boards of the group companies (incl. key management of foreign subsidiaries if these companies do not have management board as per Estonian Commercial Code) (hereinafter Key Management) are entitled to receive compensation upon expiry or termination of their contracts in accordance with the terms agreed in their employment contracts. The Key Management terminations benefits are usually payable only in case the termination of contracts is originated by the company. If a member of the Key Management is recalled without a substantial reason, a notice thereof shall be given up to 3 months in advance and the member shall be paid compensation for termination of the contract in the amount of up to 7 months' salary. Upon termination of an employment relationship, no compensation shall be usually paid if a member of the Key Management leaves at his or her initiative or if a member of the Key Management is removed by the Supervisory Board with a valid reason. As of 31.12.2017, the maximum gross amount of potential Key Management termination benefits was EUR 537 thousand (31.12.2016: EUR 463 thousand). No remuneration is paid separately or in addition to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

Note 32. Subsequent events

AS Ekspress Grupp and Suits Meedia OÜ have signed an agreement under which the activities of AS Ajakirjade Kirjastus will be reorganized. After the reorganization, the six monthly magazines and weekly magazine Kroonika, belonging to the AS Ajakirjade Kirjastus, will be published by Ekspress Meedia and the remaining publications of the publishing company will merge with the SL Õhtuleht.

According to the agreement, Ekspress Meedia, the subsidiary of Ekspress Grupp, will take over the publishing of the monthly magazines (Eesti Naine, Anne ja Stiil, Pere ja Kodu, Oma Maitse, Tervis Pluss and Jana) and the weekly magazine Kroonika belonging to the AS Ajakirjade Kirjastus. AS Ajakirjade Kirjastus together with the rest of publications will be merged with AS SL Õhtuleht; after the merger the name of the new legal entity will be AS Õhtuleht Kirjastus. The merger will be completed in 2018. The transaction must be confirmed by the Competition Authority. Until then, the AS Ajakirjade Kirjastus will continue its activities separately. The ownership structure of the newly merged firm AS Õhtuleht Kirjastus will not change. As before, the Ekspress Grupp will own 50% and Suits Meedia 50% of the company.

The reorganization will be carried out to enhance future perspectives of the magazines. The main goal of the reorganization is to create a better online-output of the content of printed magazines of Ajakirjade Kirjastus, integrating these more tightly with strong digital publishing platforms of the owning companies Eesti Ekspress and Suits Meedia. In 2018 it makes no sense to start contributing to the construction of a new large online center, rather it would be reasonable to find synergy with the existing platforms, i.e. Delfi and Õhtuleht. There is no intention to close any of the currently published magazines. For subscribers of magazines all subscriptions will remain as they are at the current moment.

Sales revenue of the magazines to be obtained 100% by Ekspress Grupp will be after the transaction fully recognized in the Group’s consolidated sales revenues. Their annual impact to the consolidated figures will be ca 2 million euros

Note 33. Financial information about the Parent Company

In accordance with the Accounting Act of Estonia, the separate non-consolidated primary reports of the Parent Company shall be disclosed in the consolidated annual report.

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2017	31.12.2016
ASSETS		
Trade receivables		
Other receivables	2 830	1 948
Prepayments	59	65
Total trade and other receivables	**2 889**	**2 013**
Total current assets	**2 889**	**2 013**
Non-current assets		
Long-term financial investments	1 744	978
Investments in subsidiaries	111 680	105 393
Loans to subsidiaries	400	220
Investments in joint ventures	2 372	2 435
Investments in associates	354	563
Property, plant and equipment	26	27
Intangible assets	39	60
Total non-current assets	**116 614**	**109 676**
TOTAL ASSETS	**119 503**	**111 689**
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	92	1 546
Trade and other payables		
Trade payables	24	43
Payables to employees	93	103
Tax payables	125	68
Other liabilities	189	0
Other liabilities towards subsidiaries	18 037	50 954
Total trade and other payables	**18 467**	**51 168**
Total current liabilities	**18 559**	**52 714**
Long-term borrowings	9 067	7 902
Other long-term liabilities towards subsidiaries	39 450	0
Total long-term trade and other payables	**48 517**	**7 902**
Total liabilities	**67 077**	**60 616**
Equity		
Share capital at nominal value	17 878	17 878
Share premium	14 277	14 277
Treasury shares	(22)	(863)
Statutory reserve capital	892	672
Other reserves	639	1 386
Retained earnings	18 762	17 723
Total equity	**52 426**	**51 073**
TOTAL LIABILITIES AND EQUITY	**119 503**	**111 689**

Statement of comprehensive income of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2017	2016
Sales revenue	577	470
Cost of sales	(5)	0
Gross profit	**572**	**470**
Other income	190	1
Marketing expenses	(12)	(1)
Administrative expenses	(1 590)	(1 484)
Other expenses	(1)	(7)
Finance income and costs on shares of subsidiaries	5 410	6 056
Finance income and costs on shares of joint ventures	(2)	772
Finance income and costs on shares of associates	(17)	71
Interest income	184	75
Interest expenses	(1 535)	(1 492)
Other finance income and costs	(60)	(55)
Financial income and expense	**3 981**	**5 427**
PROFIT FOR THE YEAR	**3 140**	**4 406**
Other comprehensive income (expense) for the year	0	0
Total comprehensive income for the year	**3 140**	**4 406**

Statement of changes in equity of AS Ekspress Grupp (Parent Company)

(thousand EUR)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total
Balance on 31.12.2015	**17 878**	**14 277**	**(176)**	**1 787**	**14 908**	**48 674**
Increase of statutory reserve capital	0	0	0	135	(135)	**0**
Purchase of treasury shares	0	0	(687)	0	0	**(687)**
Share option	0	0	0	136	0	**136**
Paid dividends	0	0	0	0	(1 456)	**(1 456)**
Total transactions with owners	*0*	*0*	*(687)*	*271*	*(1 591)*	***(2 007)***
Net profit for the reporting period	0	0	0	0	4 406	**4 406**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*4 406*	***4 406***
Balance on 31.12.2016	**17 878**	**14 277**	**(863)**	**2 058**	**17 723**	**51 073**
Increase of statutory reserve capital	0	0	0	220	(220)	**0**
Share option	0	0	841	(747)	(94)	**0**
Paid dividends	0	0	0	0	(1 787)	**(1 787)**
Total transactions with owners	*0*	*0*	*841*	*(527)*	*(2 101)*	***(1 787)***
Net profit for the reporting period	0	0	0	0	3 140	**3 140**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*3 140*	***3 140***
Balance on 31.12.2017	**17 878**	**14 277**	**(22)**	**1 531**	**18 762**	**52 426**

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2017	2016
Cash flows from operating activities		
Operating profit (loss) for the period	**(1 031)**	**(1 021)**
Adjustments for:		
Depreciation, amortisation and impairment	37	34
Change in value of share option	0	136
Changes in working capital:		
Trade and other receivables	(13)	55
Trade and other payables	202	42
Cash generated from operations	**(804)**	**(754)**
Interest paid	(1 356)	(1 426)
Net cash generated from operating activities	**(2 160)**	**(2 180)**
Cash flows from investing activities		
Investment in joint ventures	0	(868)
Investment in subsidiaries	(415)	0
Acquisition of associate	(74)	(311)
Reduction / increase of share capital of subsidiaries	0	13 920
Purchase and receipts of other investments	(785)	5
Interest received	187	295
Dividends received	56	18 653
Purchase of property, plant and equipment	(15)	(13)
Loans granted	(2 983)	(250)
Loan repayments received	1 942	171
Net cash from investing activities	**(2 085)**	**31 603**
Cash flows from financing activities		
Change in overdraft used	92	0
Change in cash pool account	6 320	(8 312)
Repayments of borrowings	(381)	(18 967)
Dividends paid	(1 787)	(1 456)
Purchase of treasury shares	0	(687)
Net cash generated from financing activities	**4 245**	**(29 422)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**0**	**0**
Cash and cash equivalents at beginning of the period	0	0
Cash and cash equivalents at end of the period	0	0

Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of Ekspress Grupp AS

Report on the Audit of the Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ekspress Grupp AS and its subsidiaries (collectively, the Group) as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

We have audited the consolidated financial statements of the Group, which comprise:

- the consolidated balance sheet as at 31 December 2017,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated cash flow statement for the year then ended, and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of the Auditor's Activities Act of the Republic of Estonia and with the ethical requirements of the ethics standards for professional accountants as set in the same act, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Audit Scope

Because we are solely responsible for our audit opinion, we are also responsible for the direction, supervision and performance of the group audit. In this respect, we have determined the type of work to be performed on the financial information of the entities (components) within the Group based on their financial significance and/or the other risk characteristics.

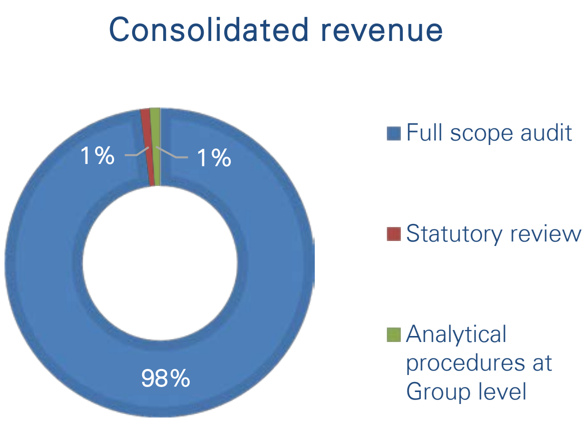
We, as group auditors, determined 5 of the Group’s 23 entities to be significant Group components and we subjected those components to a full scope audit. These components include Ekspress Grupp AS, Ekspress Meedia AS, Printall AS, Delfi A/S and Delfi UAB.

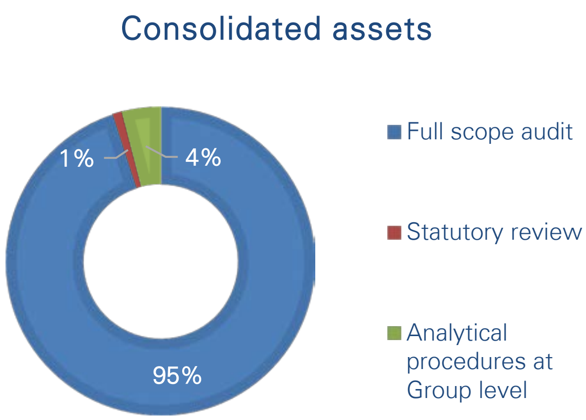
We have used the results of statutory audits of financial statements of SL Õhtuleht AS, Ajakirjade Kirjastus AS, Ekspress Finance OÜ and the results of statutory review of financial statements of Ekspress Digital OÜ to provide audit evidence for the Group audit.

For the remaining 14 non-significant components, we performed analytical procedures at Group level to re-examine our assessment that there were no significant risks of material misstatement within them.

We also performed procedures over the consolidation process at Group level.

Coverage of the Group's consolidated revenue and consolidated total assets with procedures performed:





The audit work on the financial information of the significant Group components was performed by the Group audit team in Estonia, except for the audit work of Delfi UAB, which was performed by KPMG component auditor in Lithuania and Delfi A/S, which was performed by non-KPMG component auditor in Latvia. The Group audit team instructed component auditors as to the areas to be covered and determined the information required to be reported to the Group audit team. We had regular communications with component auditors and executed audit file reviews, where necessary.

By performing the procedures mentioned above over the Group entities, together with additional procedures at the Group level, we have been able to obtain sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill	
Refer to note 16 of the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group's consolidated balance sheet as at 31 December 2017 includes goodwill in the amount of EUR 37,969 thousand, further discussed in note 16. The goodwill has been allocated to five cash-generating units (CGUs). Relevant financial reporting standards require that goodwill is tested, at least annually, for impairment. The assessment of the recoverability of goodwill requires significant judgment in determining the future performance of the CGUs to which goodwill was allocated. The recoverable amount of goodwill is determined by calculating the value in use of the relevant CGUs using the discounted cash flow method whose key inputs such as discount rates, expected future revenue and terminal value growth rates depend on management's significant judgment and estimates. The determination of whether the internal and external inputs used by the Group to calculate the recoverable amount of goodwill were based on reasonable and appropriate estimates required our particular attention in the audit. Even small changes in the inputs may have a significant impact on the estimate of the recoverable amount of goodwill and, thus, also on the Group's financial results.	In this area, we conducted, among others, the following audit procedures: • We assessed whether management had appropriately allocated assets to CGUs based on our understanding of the Group's operations; • Assisted by our own valuation specialists, we assessed the model used for calculating the recoverable amount of goodwill against the requirements of the relevant financial reporting standards; • We evaluated and challenged the key assumptions used in respect of discount rates, expected future revenue and terminal value growth rates; • We compared the data used in the model with the budgets and strategy approved by the Group's council and assessed the historical accuracy of the Group's budgeting process by comparing recent years' actual revenue and gross margin to the budgeted amounts; • We assessed the adequacy of the related disclosures in the consolidated financial statements, including those in respect of the sensitivity of the valuation results to changes in the key assumptions. .

Other Information

Management is responsible for the other information. The other information comprises the Management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors´ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were first appointed by those charged with governance on 13 June 2017 to audit the financial statements of Ekspress Grupp AS for the year ended 31 December 2017.

We confirm that our audit opinion is consistent with the additional report presented to the Audit Committee of the Company and we have not provided to the Company the prohibited non-audit services (NASs) referred to in local equivalent of Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Tallinn, 23 March 2018

/digitally signed/

Indrek Alliksaar
Certified Public Accountant, Licence No 446

KPMG Baltics OÜ
Licence No 17

KPMG Baltics OÜ

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PROPOSAL FOR PROFIT ALLOCATION FOR THE YEAR 2017

The Management Board of AS Ekspress Grupp proposes to allocate the consolidated net profit for the financial year ended 31 December 2017 in the amount of EUR 3 140 thousand as follows:

(EUR thousand)	
Consolidated net profit attributable to equity holders of AS Ekspress Grupp	**3 140**
Payment of dividends	2 086
Increase in statutory reserve (1/20 from the profit)	157
Profit for the financial year to be transferred to retained earnings	897
Statutory reserve before increase	892
Statutory reserve after the increase	**1 049**
Retained earnings before profit allocation	20 121
Total consolidated retained earnings after profit distribution	**21 018**

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended on 31 December 2017.

The Supervisory Board of AS Ekspress Grupp has reviewed the annual report, prepared by the Management Board, consisting of the management report, the consolidated financial statements, the proposal for profit allocation and the independent auditor's report. The Supervisory Board has approved the annual report for presentation at the Annual General Meeting of Shareholders.

Management Board

Signed digitally	*Signed digitally*	*Signed digitally*
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
Mari-Liis Rüütsalu	Pirje Raidma	Kaspar Hanni

Supervisory Board

Signed digitally	*Signed digitally*	*Signed digitally*	*Signed digitally*
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Hans H. Luik	Marek Kiisa	Indrek Kasela	Harri Helmer Roschier
Signed digitally	*Signed digitally*	*Signed digitally*	
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	
Aleksandras Česnavičius	Peeter Saks	Andre Veskimeister	