



AS EKSPRESS GRUPP

2016

**CONSOLIDATED INTERIM REPORT
FOR THE FOURTH QUARTER AND
12 MONTHS OF 2016**

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GENERAL INFORMATION

Beginning of reporting period	1 January 2016
End of reporting period	31 December 2016
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Parda 6, Tallinn 10151
Phone	669 8381
Fax	669 8081
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related service
Management Board	Mari-Liis Rüütsalu (chairman from 01.01.2017) Gunnar Kobin (chairman until 31.12.2016) Andre Veskimeister Pirje Raidma
Supervisory Board	Hans H. Luik Harri Helmer Roschier Indrek Kasela Marek Kiisa (from 26.10.2016) Peeter Saks (from 26.10.2016) Aleksandras Česnavičius (from 26.10.2016) Gunnar Kobin (from 01.01.2017) Viktor Mahhov (until 26.10.2016) Kari Sakari Salonen (until 26.10.2016) Jaak Ennuste (until 26.10.2016)
Auditor	AS Deloitte Audit Eesti

Management Board's confirmation of the Group's interim financial statements

The Management Board confirms that the management report and interim consolidated financial statements of AS Ekspress Grupp disclosed on pages 5 to 49 present a true and fair view of the key events which have occurred during the reporting period and their effect on the Group's financial position, results and cash flows, and they include a description of major risks and related party transactions of great significance.

Mari-Liis Rüütsalu	Chairman of the Management Board	<i>signed digitally</i>	23.02.2017
Pirje Raidma	member of the Management Board	<i>signed digitally</i>	23.02.2017
Andre Veskimeister	member of the Management Board	<i>signed digitally</i>	23.02.2017

MANAGEMENT REPORT

The year 2016 was a year of new challenges for the Group, both within and outside the Group. The end of the year was also influenced by the rotation in the management of our parent company, subsidiaries and joint ventures that provided new challenges for several managing directors.

Consolidated revenue for the fourth quarter increased 1% amounting to EUR 17.4 million and EBITDA growth amounted to 10% and reached EUR 3 million. **Consolidated revenue** for the whole year increased 2% as compared to the year before and **EBITDA** increased 8%, amounting to EUR 62.8 million and EUR 8.5 million, respectively. In revenue terms, it was an especially successful year for the online business of our media segment, with online revenue growing 12% in a year, totalling EUR 18.6 million and reaching almost 30% of the Group's total revenues. It was also positive that in spite of predictions, the print media in Estonia is showing continued viability and increased revenue from last year. The latter is attributable to new products in our portfolio and additional products targeted at subscribers and retail consumer such as books or special magazine issues. The growth in the print media is mainly being driven by subscription and single-copy sales although average circulations are decreasing. The printing services segment continues to stagnate, with strong price pressure decreasing revenue by 1% and lowering profitability. We were more optimistic when preparing the budget which is why the yearly consolidated revenue and EBITDA of the Group as compared to the budget were 5% below expectations. The above figures include all our joint ventures (AS SL Õhtuleht, AS Ajakirjade Kirjastus, AS Express Post and OÜ Linna Ekraanid) consolidated 50% line-by-line.

The revenue of the **media segment** reached EUR 11.8 million in the fourth quarter having increased 7% and EBITDA increased up to EUR 1.9 million growing 23% compared to the same period in previous year. Annual sales of media segment reached EUR 42.2 million, having increased 6% in a year, whereas revenue from digital and online channels was up 12%. EBITDA amounted to EUR 4.8 million which was 3% lower than the year before, but exceeded the budget by 7%. The priorities of the media segment continue to be innovation in developing various products and technical platforms. In all three countries, we launched new topical portals, carried out several new multimedia projects, developed e-commerce services and different advertising sales channels and implemented new solutions for target groups. We remain active also in the social media. A major emphasis is on web-based TV production and broadcasting. Since 2016, the apps of our international brand Delfi TV are available for Android TV and Apple TV. In addition, web TV can be watched also traditionally, for instance as a client of Starman or Levira Hybrid TV. One should also mention active development for mobile telephones that have almost become the main channel for consuming news. Delfi and our classical newspaper brands are here clearly market leaders in innovation.

A major surprise was the strong performance of Delfi Latvia which started already in the third quarter and continued with the same pace at the end of the year. In the fourth quarter Delfi Latvia increased its revenue by 8% reaching EUR 1 million. Annual revenue increased even more, 10% and totalled EUR 3.4 million. EBITDA grew by 37% to EUR 413 thousand. This was achieved in spite of the exit of a long-term sales manager and part of the sales team in September and tough competition between online portals. In a year, Delfi Latvia has launched and tested several new products and has been kind of a start-up incubator. In July we acquired www.atverskapi.lv, the leading classified portal in its niche in Latvia. The editorial office continues to focus on publishing more long-read analytical articles and carrying out media projects, as reflected in our readership and recognised by press awards.

Last quarter was also good for Ekspress Meedia, which managed to grow its revenues by 7% reaching over EUR 5 million. EBITDA growth was more modest, staying on the level of 4%. However taking into consideration personnel changes in top management, it was a great result achieved by the team. Annual revenues increased 5% and amounted to more than EUR 19.1 million. This includes 13% growth in Delfi online and newspaper digital revenue, totalling EUR 7.3 million. Print advertising grew 3%. This was achieved mainly as a result of focusing on the efficiency of the sales team, the increasingly versatile portfolio and innovative approach. Press subscriptions and single copy sales revenue increased 1% from the previous

year, and the number of digital subscriptions is up by about 30% thanks to different cooperation projects. We constantly invest in new products and IT solutions. We also invest in our staff to enable them to increase the quality of journalism. This explains why the company's EBITDA was 24% lower than a year earlier. The annual result was also affected by the growth in print and delivery costs, resulting from the increase in advertising sales volumes.

Delfi Lithuania is growing more modestly, but consistently. The company's revenue in the fourth quarter increased 6% totalling EUR 2.6 million while annual terms revenue increased 4% up to EUR 8.6 million. The growth of annual online advertising revenue was 9%. Annual EBITDA increased 9% totalling EUR 1.7 million, while the EBITDA in the fourth quarter increased 20% and thus was a great final to the year. This result can be considered positive in all aspects, especially in the light of the very disappointing first quarter. Thanks to persistent work, Lithuania has become a clear market leader in mobile platforms where we were losing out to competition in earlier years. Online continues to grow, but magazine circulations, print advertising and distribution costs decrease at a stable rate.

The annual revenue and profit growth of Ajakirjade Kirjastus, respectively 10% and 39% and the growth in the fourth quarter in percentage terms even more is mainly attributable to the expansion in our product portfolio in April when we acquired Estonia's largest women's weekly Naisteleht as well as magazines Nipiraamat and Müstiline Ajalugu. As a result of the transaction, we merged the newly acquired weekly Naisteleht with the existing magazine Naised and reached significant synergies, giving a boost to both revenue and profit. In addition, we continue to organise events and courses by using our brands in order to build brands, offer additional value to subscribers and help to increase revenue. The revenue of Ajakirjade Kirjastus for the year totalled EUR 9.5 million and EBITDA was EUR 1.1 million, of which half is recognized in the consolidated figures of the Ekspress Group.

This year SL Õhtuleht has been in the winds of change. There have been changes in the team, organizational and management structure. We have invested in increasing the efficiency of advertising sales, modernization of the company and development of new products. All this has helped to make Õhtuleht the newspaper with the largest circulation in weekdays, keep the level of subscribers and single-copy sales high and increase advertising revenue. The number of digital subscribers has more than tripled as compared to the start of the year. The revenue of SL Õhtuleht increased 4% in a year and amounted to EUR 8.7 million. EBITDA amounted to EUR 0.8 million and was 23% lower than in the previous year. The fourth quarter was slightly better for the revenues, which grew 6% up to EUR 2.3 million, while EBITDA at the same time decreased 42% and remained on the level of EUR 130 thousand. Half of this is reflected in the consolidated figures of the Ekspress Group.

It was another difficult quarter and also year in the **printing services segment**. The revenue of Printall decreased 1% from the year before and amounted to EUR 25.6 million. EBITDA remained 6% below last year's level and amounted to EUR 4.6 million. Despite of expectations and some positive signs in autumn, the fourth quarter showed even more slowdown and revenues dropped 6% down to EUR 7 million, however EBITDA remained only 2% behind the same period in last year. The number of orders and work volume keeps increasing, but price pressure is dampening revenue growth and increased volume is pushing up labour costs. Despite the tough market situation, persistent and aggressive marketing has helped us to attract new products and customers in Scandinavia, improved our price level in the second half of the year and attracted recognition also in printing sectors outside periodicals. This enables to expand the B2B segment that produces for own use product catalogues and other specific products that are suitable for our sheet-fed printing machines. In the last year, Printall has been transforming from a large and elite plant to wide-based tool for promoting communication. The situation on the printing services market in 2017 is not expected to improve.

In July we signed a contract to acquire a 50% holding in OÜ Linna Ekraanid, which is engaged in the sale of **digital outdoor advertising** in Estonia. In September we acquired 49% holding in Babahh Media OÜ which is engaged in the **video production, media solutions and streaming related infrastructure sales** in Estonia. In the second quarter of 2019 we will acquire the remaining 50% of OÜ Linna Ekraanid, and thereby will become the company's sole shareholder. The purpose of the acquisition is to create preconditions for the Group to set off a new business line and thereby expand the Group's portfolio of business areas. The objective of AS Ekspress Grupp is to develop the business line of digital outdoor

advertising in all three Baltic countries and take the leading role in this business segment. With regard to Babahh Media OÜ, the Group has an option to acquire an additional ownership in Babahh Media OÜ in 2021, thereby AS Ekspress Grupp would increase its ownership in Babahh Media OÜ to 70% in total. The purpose of the acquisition is to expand the business of AS Ekspress Grupp in the fast-growing market of online video production and video streaming. The acquisition of Babahh Media OÜ also helps to supplement the video production portfolio of our Delfis in all our markets through wide-based knowledge.

The **financial position of the Group** has strengthened notably during the year. As at the end of the year, the ratio of total debt to EBITDA was below 2.0, which according to the syndicate loan contract means a lower interest margin and enables even more aggressively to invest with the help of loan capital. The debt service coverage ratio is almost 2.8.

Despite the challenging situation in the media landscape, we are looking forward to the **next year** with excitement, especially because of several personnel changes in the Group at the start of the year. On January 1, Mari-Liis Rüütsalu who has earlier management experience from Delfi Estonia and Ekspress Meedia took office as the new Group CEO. New managers, all of whom were promoted from within the Group, started also in Ekspress Meedia, Ajakirjade Kirjastus and SL Õhtuleht.

In financial terms we expect the revenue of the media segment to increase 4-5% and EBITDA to grow, assisted by acquisitions made in 2016. In the printing services segment we will try to maintain this year's revenue level in spite of price pressure. In a more optimistic outlook we hope that the profit growth of the media segment will cover the decrease in EBITDA in the printing services segment. This means that the share of media and online activities in the Group revenue and profit will grow. However, a significantly more negative background of the external environment may lower EBITDA of the printing services segment by 10-15%, which in turn would mean that in consolidated terms, the revenue would grow by about 4%, but EBITDA would decrease by about the same percentage.

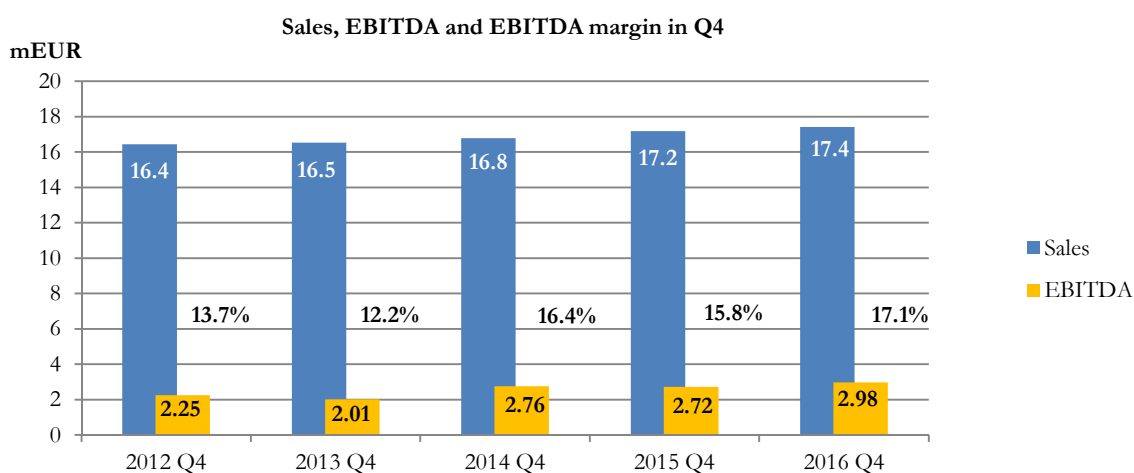
Our mission remains to offer new and interesting experiences both on paper and in digital media, without ever compromising on news quality, choice of topics and journalistic objectivity.

The Group's goal is to be a truly modern media group with a strong foothold in all markets where actively present, with a leading position in online media.

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

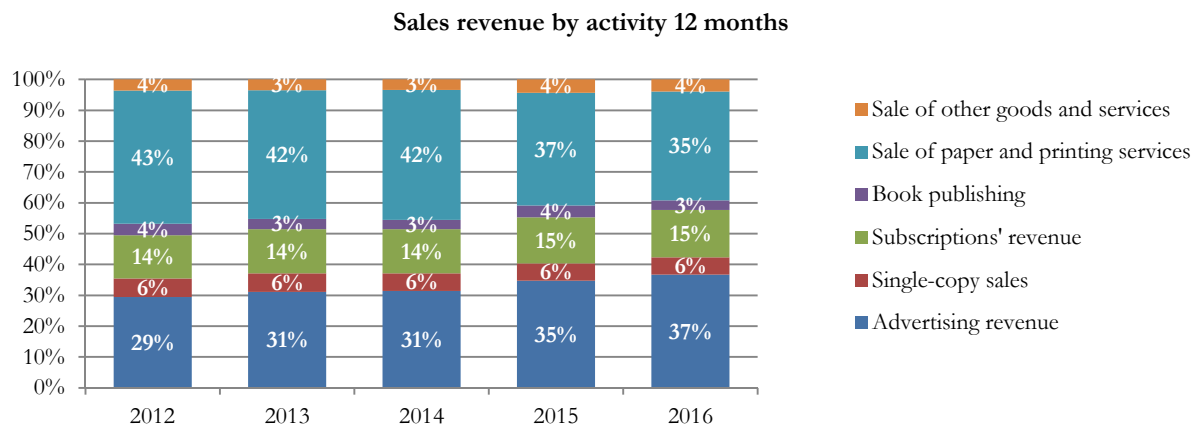
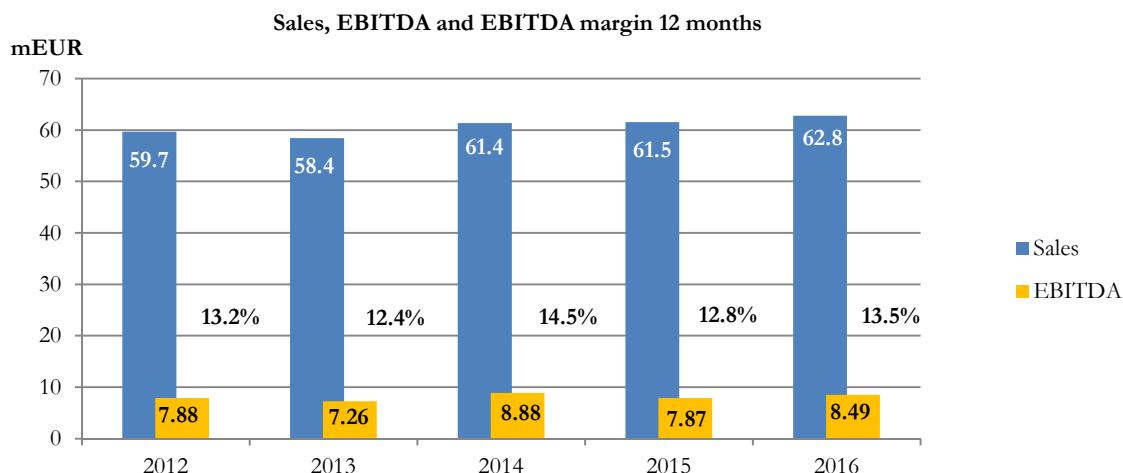
In the consolidated financial reports 50% joint ventures are recognised under the equity method, in compliance with **international financial reporting standards (IFRS)**. In its monthly reports, the management monitors the Group's performance on a basis of proportional consolidation of joint ventures 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.

Performance indicators – joint ventures 50% consolidated (EUR thousand)	Q4 2016	Q4 2015	Change %	Q4 2014	Q4 2013	Q4 2012
For the period						
Sales	17 409	17 181	1%	16 778	16 526	16 447
EBITDA	2 981	2 720	10%	2 757	2 015	2 246
EBITDA margin (%)	17.1%	15.8%		16.4%	12.2%	13.7%
Operating profit*	2 113	1 936	9%	1 895	1 348	1 496
Operating margin* (%)	12.1%	11.3%		11.3%	8.2%	9.1%
Interest expenses	(123)	(141)	13%	(186)	(185)	(206)
Net profit / (loss) for the period*	1 868	1 660	13%	1 614	1 057	1 268
Net margin (%)*	10.7%	9.7%		9.6%	6.4%	7.7%
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	1 868	460	306%	1 149	(1 410)	1 112
Net margin (%)	10.7%	2.7%		6.8%	-8.5%	6.8%
Return on assets ROA (%)	2.4%	0.6%		1.4%	-1.8%	1.4%
Return on equity ROE (%)	3.7%	0.9%		2.4%	-3.2%	2.7%
Earnings per share (EPS)	0.06	0.02		0.04	(0.05)	0.04



Performance indicators – joint ventures consolidated 50% (EUR thousand)	12 months 2016	12 months 2015	Change %	12 months 2014	12 months 2013	12 months 2012
For the period						
Sales	62 793	61 528	2%	61 384	58 427	59 706
EBITDA	8 487	7 869	8%	8 878	7 264	7 882
EBITDA margin (%)	13.5%	12.8%		14.5%	12.4%	13.2%
Operating profit*	5 221	4 866	7%	5 638	4 647	4 596
Operating margin* (%)	8.3%	7.9%		9.2%	8.0%	7.7%
Interest expenses	(518)	(618)	16%	(732)	(763)	(1 549)
Net profit/(loss) for the period*	4 406	3 907	13%	4 620	3 548	2 682
Net margin (%)*	7.0%	6.4%		7.5%	6.1%	4.5%
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	4 406	2 707	63%	5 110	1 081	2 525
Net margin(%)	7.0%	4.4%		8.3%	1.9%	4.2%
Return on assets ROA (%)	5.8%	3.5%		6.6%	1.4%	3.2%
Return on equity ROE (%)	8.9%	5.6%		11.4%	2.5%	6.4%
Earnings per share (EPS)	0.15	0.09		0.17	0.04	0.08

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

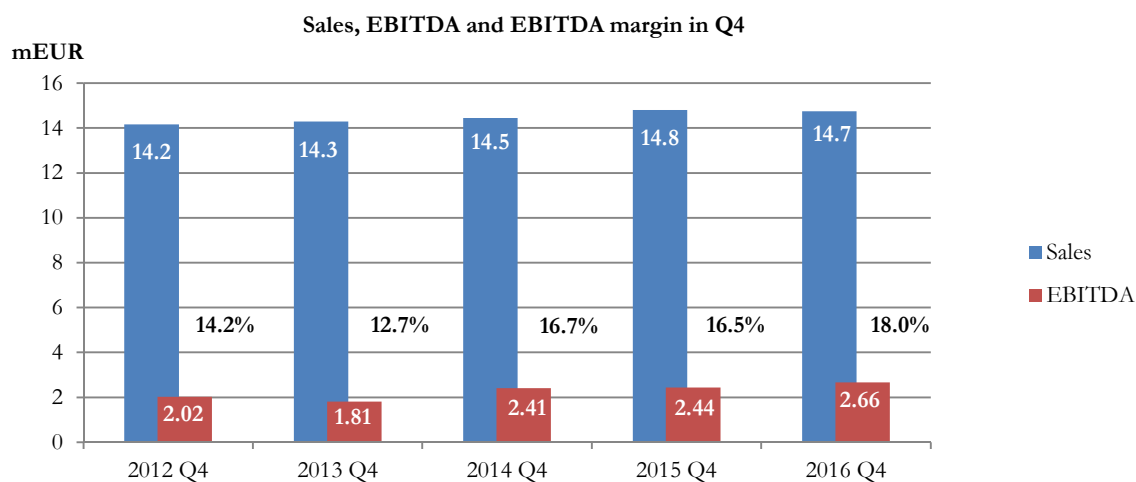


Balance sheet – joint ventures 50% consolidated (EUR thousand)	31.12.2016	31.12.2015	Change %
As of the end of the period			
Current assets	16 251	15 553	4%
Non-current assets	61 506	61 588	0%
Total assets	77 757	77 141	1%
<i>incl. cash and bank</i>	<i>4 572</i>	<i>4 666</i>	<i>-2%</i>
<i>incl. goodwill</i>	<i>38 904</i>	<i>38 232</i>	<i>2%</i>
Current liabilities	12 222	12 539	-3%
Non-current liabilities	14 462	15 928	-9%
Total liabilities	26 684	28 467	-6%
<i>incl. borrowing</i>	<i>16 603</i>	<i>18 787</i>	<i>-12%</i>
Equity	51 073	48 674	5%

Financial ratios (%) – joint ventures consolidated 50%	31.12.2016	31.12.2015
Equity ratio (%)	66%	63%
Debt to equity ratio (%)	33%	39%
Debt to capital ratio (%)	19%	22%
Total debt/EBITDA ratio	1.96	2.39
Debt service coverage ratio	2.75	1.79
Liquidity ratio	1.33	1.24

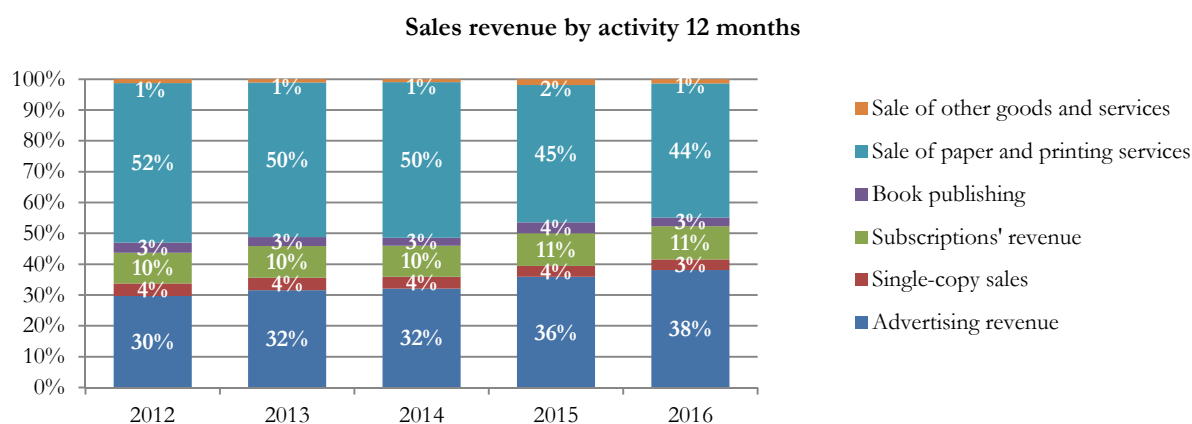
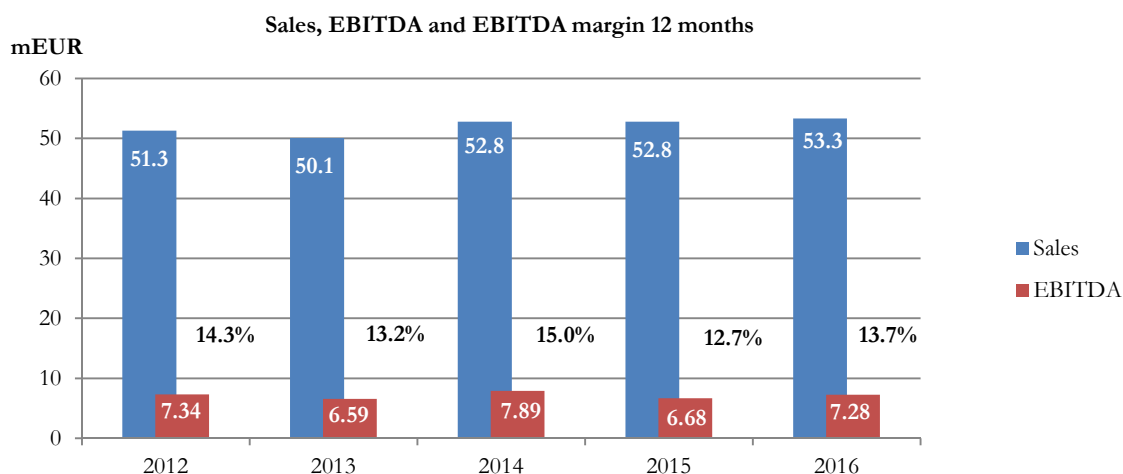
FINANCIAL INDICATORS AND RATIOS – joint ventures recognised under the equity method

Performance indicators – joint ventures under equity method (EUR thousand)	Q4 2016	Q4 2015	Change %	Q4 2014	Q4 2013	Q4 2012
For the period						
Sales (only subsidiaries)	14 743	14 811	0%	14 454	14 291	14 165
EBITDA (only subsidiaries)	2 660	2 440	9%	2 413	1 815	2 017
EBITDA margin (%)	18.0%	16.5%		16.7%	12.7%	14.2%
Operating profit* (only subsidiaries)	1 889	1 718	10%	1 661	1 175	1 293
<i>Operating margin* (%)</i>	<i>12.8%</i>	<i>11.6%</i>		<i>11.5%</i>	<i>8.2%</i>	<i>9.1%</i>
Interest expenses (only subsidiaries)	(114)	(125)	9%	(158)	(185)	(206)
Profit of joint ventures by equity method	210	196	7%	182	174	202
Net profit for the period*	1 868	1 660	13%	1 601	1 057	1 269
Net margin (%)*	12.7%	11.2%		11.1%	7.4%	9.0%
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	1 868	460	306%	1 136	(1 410)	1 112
<i>Net margin (%)</i>	<i>12.7%</i>	<i>3.1%</i>		<i>7.9%</i>	<i>-9.9%</i>	<i>7.8%</i>
Return on assets ROA (%)	2.5%	0.6%		1.5%	-1.8%	1.4%
Return on equity ROE (%)	3.7%	0.9%		2.4%	-3.2%	2.7%
Earnings per share (EPS)	0.06	0.02		0.04	(0.05)	0.04



Performance indicators – joint ventures under equity method (EUR thousand)	12 months 2016	12 months 2015	Change %	12 months 2014	12 months 2013	12 months 2012
For the period						
Sales (only subsidiaries)	53 324	52 773	1%	52 793	50 086	51 290
EBITDA (only subsidiaries)	7 280	6 680	9%	7 894	6 591	7 345
EBITDA margin (%)	13.7%	12.7%		15.0%	13.2%	14.3%
Operating profit* (only subsidiaries)	4 328	3 920	10%	4 973	4 071	4 173
Operating margin* (%)	8.1%	7.4%		9.4%	8.1%	8.1%
Interest expenses (only subsidiaries)	(471)	(550)	14%	(689)	(763)	(1 550)
Profit of joint ventures by equity method	772	785	-2%	557	494	339
Net profit for the period*	4 406	3 907	13%	4 621	3 548	2 682
Net margin (%)*	8.3%	7.4%		8.8%	7.1%	5.2%
Net profit for the period in the financial statements (incl. impairments and gain on change of ownership interest)	4 406	2 707	63%	5 110	1 081	2 525
Net margin (%)	8.3%	5.1%		9.7%	2.2%	4.9%
Return on assets ROA (%)	6.1%	3.7%		6.8%	1.4%	3.2%
Return on equity ROE (%)	8.9%	5.6%		11.4%	2.5%	6.4%
Earnings per share (EPS)	0.15	0.09		0.17	0.04	0.08

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



Balance sheet – joint ventures under equity method (EUR thousand)	31.12.2016	31.12.2015	Change %
As of the end of the period			
Current assets	13 094	12 386	6%
Non-current assets	61 074	60 794	0%
Total assets	74 168	73 180	1%
<i>incl. cash and bank</i>	<i>2 856</i>	<i>2 927</i>	<i>-2%</i>
<i>incl. goodwill</i>	<i>36 953</i>	<i>36 953</i>	<i>0%</i>
Current liabilities	9 591	9 033	6%
Non-current liabilities	13 504	15 473	-13%
Total liabilities	23 095	24 506	-6%
<i>incl. borrowing</i>	<i>15 784</i>	<i>17 687</i>	<i>-11%</i>
Equity	51 073	48 674	5%

Financial ratios (%) – joint ventures under equity method	31.12.2016	31.12.2015
Equity ratio (%)	69%	67%
Debt to equity ratio (%)	31%	36%
Debt to capital ratio (%)	20%	23%
Total debt/EBITDA ratio	2.17	2.65
Debt service coverage ratio	2.67	1.67
Liquidity ratio	1.37	1.37

Cyclical

All operating areas of the Group are characterised by cyclical 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 more quiet 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.

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 (%)	$\text{EBITDA} / \text{sales} \times 100$
Operating margin* (%)	$\text{Operating profit}^* / \text{sales} \times 100$
Net margin (%)	$\text{Net profit} / \text{sales} \times 100$
Net margin (%)	$\text{Net profit} / \text{sales} \times 100$
Earnings per share	$\text{Net profit} / \text{average number of shares}$
Equity ratio (%)	$\text{Equity} / (\text{liabilities} + \text{equity}) \times 100$
Debt to equity ratio (%)	$\text{Interest bearing liabilities} / \text{equity} \times 100$
Debt to capital ratio (%)	$\text{Interest bearing liabilities} - \text{cash and cash equivalents (net debt)} / (\text{net debt} + \text{equity}) \times 100$
Total debt/EBITDA ratio	$\text{Interest bearing borrowings} / \text{EBITDA}$
Debt service coverage ratio	$\text{EBITDA} / \text{loan and interest payments for the period}$
Liquidity ratio	$\text{Current assets} / \text{current liabilities}$
Return on assets ROA (%)	$\text{Net profit} / \text{average assets} \times 100$
Return on equity ROE (%)	$\text{Net profit} / \text{average equity} \times 100$

CORPORATE STRUCTURE as of 31.12.2016



SEGMENT OVERVIEW

The Group's activities are divided into two large segments - **media segment** and **printing services segment**. Last year, there was also an **entertainment 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.

Key financial data of the segments Q4 2012-2016

(EUR thousand)	Sales			Sales		
	Q4 2016	Q4 2015	Change %	Q4 2014	Q4 2013	Q4 2012
media segment (by equity method)	8 861	8 399	6%	7 535	7 617	7 049
<i>incl. revenue from all digital and online channels</i>	<i>4 974</i>	<i>4 544</i>	<i>9%</i>	<i>4 015</i>	<i>3 389</i>	<i>3 029</i>
printing services segment	6 952	7 386	-6%	8 083	7 566	8 046
entertainment segment	0	0	-	0	0	0
corporate functions	566	543	4%	459	393	308
intersegment eliminations	(1 636)	(1 517)	-8%	(1 624)	(1 286)	(1 238)
TOTAL GROUP by equity method	14 743	14 811	0%	14 454	14 291	14 165
media segment (by proportional consolidation)	11 836	11 041	7%	10 141	10 043	9 532
<i>incl. revenue from all digital and online channels</i>	<i>5 381</i>	<i>4 841</i>	<i>11%</i>	<i>4 257</i>	<i>3 584</i>	<i>3 184</i>
printing services segment	6 952	7 386	-6%	8 083	7 566	8 046
entertainment segment	0	0	-	0	0	0
corporate functions	566	543	4%	459	393	308
intersegment eliminations	(1 945)	(1 789)		(1 905)	(1 476)	(1 439)
TOTAL GROUP by proportional consolidation	17 409	17 181	1%	16 778	16 526	16 447

(EUR thousand)	EBITDA			EBITDA		
	Q4 2016	Q4 2015	Change %	Q4 2014	Q4 2013	Q4 2012
media segment by equity method	1 618	1 299	25%	1 103	1 014	611
<i>media segment by proportional consolidation</i>	<i>1 938</i>	<i>1 579</i>	<i>23%</i>	<i>1 448</i>	<i>1 214</i>	<i>839</i>
printing services segment	1 329	1 355	-2%	1 623	1 604	1 650
entertainment segment	(0)	(4)	94%	0	0	0
corporate functions	(287)	(210)	-36%	(313)	(763)	(242)
intersegment eliminations	0	(0)	189%	0	(40)	(1)
TOTAL GROUP by equity method	2 660	2 440	9%	2 413	1 815	2 017
TOTAL GROUP by proportional consolidation	2 981	2 720	10%	2 757	2 015	2 246

EBITDA margin	Q4 2016	Q4 2015	Q4 2014	Q4 2013	Q4 2012
media segment by equity method	18%	15%	15%	13%	9%
<i>media segment by proportional consolidation</i>	<i>16%</i>	<i>14%</i>	<i>14%</i>	<i>12%</i>	<i>9%</i>
printing services segment	19%	18%	20%	21%	21%
TOTAL GROUP by equity method	18%	16%	17%	13%	14%
TOTAL GROUP by proportional consolidation	17%	16%	16%	12%	14%

Key financial data of the segments in 12 months 2012-2016

(EUR thousand)	Sales			Sales		
	12 months 2016	12 months 2015	Change %	12 months 2014	12 months 2013	12 months 2012
media segment (by equity method)	31 579	30 063	5%	27 459	25 842	25 562
<i>incl. revenue from all digital and online channels</i>	<i>17 269</i>	<i>15 555</i>	<i>11%</i>	<i>13 449</i>	<i>11 595</i>	<i>10 561</i>
printing services segment	25 585	25 842	-1%	28 951	27 462	29 167
entertainment segment	0	517	-100%	0	0	0
corporate functions	2 233	1 937	15%	1 731	1 530	996
intersegment eliminations	(6 073)	(5 586)	-9%	(5 347)	(4 748)	(4 435)
TOTAL GROUP by equity method	53 324	52 773	1%	52 793	50 086	51 290
media segment (by proportional consolidation)	42 229	39 943	6%	36 930	34 955	34 773
<i>incl. revenue from all digital and online channels</i>	<i>18 574</i>	<i>16 619</i>	<i>12%</i>	<i>14 306</i>	<i>12 226</i>	<i>11 147</i>
printing services segment	25 585	25 842	-1%	28 951	27 462	29 167
entertainment segment	0	517	-100%	0	0	0
corporate functions	2 233	1 937	15%	1 731	1 530	996
intersegment eliminations	(7 254)	(6 711)		(6 228)	(5 520)	(5 230)
TOTAL GROUP by proportional consolidation	62 793	61 528	2%	61 384	58 427	59 706

(EUR thousand)	EBITDA			EBITDA		
	12 months 2016	12 months 2015	Change %	12 months 2014	12 months 2013	12 months 2012
media segment by equity method	3 572	3 724	-4%	3 025	2 123	2 089
<i>media segment by proportional consolidation</i>	<i>4 779</i>	<i>4 913</i>	<i>-3%</i>	<i>4 013</i>	<i>2 792</i>	<i>2 624</i>
printing services segment	4 645	4 966	-6%	5 944	5 862	6 052
entertainment segment	(2)	(1 110)	100%	0	0	0
corporate functions	(936)	(899)	-4%	(1 076)	(1 356)	(797)
intersegment eliminations	0	0	-65%	0	(38)	1
TOTAL GROUP by equity method	7 280	6 680	9%	7 894	6 591	7 345
TOTAL GROUP by proportional consolidation	8 487	7 869	8%	8 878	7 264	7 882

EBITDA margin	12 months 2016	12 months 2015	12 months 2014	12 months 2013	12 months 2012
media segment by equity method	11%	12%	11%	8%	8%
<i>media segment by proportional consolidation</i>	<i>11%</i>	<i>12%</i>	<i>11%</i>	<i>8%</i>	<i>8%</i>
printing services segment	18%	19%	21%	21%	21%
TOTAL GROUP by equity method	14%	13%	15%	13%	14%
TOTAL GROUP by proportional consolidation	14%	13%	14%	12%	13%

MEDIA SEGMENT

The media segment includes Delfi operations in wholly-owned subsidiaries in Estonia, Latvia and Lithuania, publishing of Estonian newspapers Maaleht, Eesti Ekspress and Eesti Päevaleht, book publishing in Estonia, magazine publishing in Lithuania, activities of the retail offer portal Zave and holding company Delfi Holding. This segment also includes 50% joint ventures AS SL Õhtuleht (publisher of Õhtuleht and Linnaleht), magazine publisher AS Ajakirjade Kirjastus, home delivery company AS Express Post and, since the summer 2016, OÜ Linna Ekraanid, engaged in sale of digital outdoor advertising.

In July 2015 AS Delfi and newspaper publisher AS Eesti Ajalehed were merged in Estonia. New company continued to operate under name of AS Ekspress Meedia. A year earlier Delfi UAB and magazine publisher Ekspress Leidyba UAB were merged in Lithuania. In Lithuania merged entity continued under name of Delfi.

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	SL Õhtuleht	www.oh tuleht.ee
	ru.delfi.lt		www.vecherka.ee

(EUR thousand)	Sales			EBITDA		
	Q4 2016	Q4 2015	Change %	Q4 2016	Q4 2015	Change %
Ekspress Meedia AS (Delfi Estonia + Eesti Ajalehed)	5 085	4 756	7%	443	425	4%
<i>incl. Delfi Estonia online revenue</i>	1 772	1 592	11%			
Delfi Latvia	997	927	8%	262	157	67%
Delfi Lithuania (incl. Ekspress Leidyba)	2 558	2 414	6%	865	723	20%
<i>incl. Delfi Lithuania online revenue</i>	2 043	1 887	8%			
OÜ Hea Lugu	230	304	-24%	50	85	-41%
OÜ Zave Media	0	2	-100%	(0)	(87)	99%
Other companies (Delfi Holding)	-	-	-	(2)	(4)	50%
Intersegment eliminations	(9)	(4)	-128%	(0)	(1)	-
TOTAL subsidiaries	8 861	8 399	5%	1 618	1 299	25%
AS SL Õhtuleht*	1 134	1 066	6%	65	113	-42%
AS Ajakirjade Kirjastus*	1 368	1 218	12%	160	86	87%
AS Express Post*	677	648	4%	75	82	-9%
Linna Ekraanid OÜ*	115	-	-	20	-	-
Intersegment eliminations	(318)	(289)	-10%	0	(0)	217%
TOTAL joint ventures	2 975	2 643	13%	321	281	14%
TOTAL segment by proportional consolidation	11 836	11 041	7%	1 938	1 579	23%

* Proportional share of joint ventures

(EUR thousand)	Sales			EBITDA		
	12 months 2016	12 months 2015	Change %	12 months 2016	12 months 2015	Change %
Ekspress Meedia AS (Delfi Estonia + Eesti Ajalehed)	19 116	18 248	5%	1 448	1 899	-24%
<i>incl. Delfi Estonia online revenue</i>	<i>6 728</i>	<i>5 931</i>	<i>13%</i>			
Delfi Latvia	3 375	3 066	10%	413	301	37%
Delfi Lithuania (incl. Ekspress Leidyba)	8 563	8 230	4%	1 741	1 590	9%
<i>incl. Delfi Lithuania online revenue</i>	<i>6 602</i>	<i>6 051</i>	<i>9%</i>			
OÜ Hea Lugu	538	651	-17%	33	91	-64%
OÜ Zave Media	1	5	-77%	(61)	(147)	59%
Other companies (Delfi Holding)	-	-	-	(2)	(9)	78%
Intersegment eliminations	(14)	(136)	89%	(0)	(1)	-
TOTAL subsidiaries	31 579	30 063	5%	3 572	3 724	-4%
AS SL Õhtuleht*	4 329	4 154	4%	394	508	-23%
AS Ajakirjade Kirjastus*	4 765	4 347	10%	544	392	39%
AS Express Post*	2 609	2 477	5%	247	289	-14%
Linna Ekraanid OÜ*	166	-	-	22	-	-
Intersegment eliminations	(1 219)	(1 099)	-11%	0	(0)	118%
TOTAL joint ventures	10 651	9 879	8%	1 207	1 189	2%
TOTAL segment by proportional consolidation	42 229	39 943	6%	4 779	4 913	-3%

* Proportional share of joint ventures

ONLINE MEDIA and DELFI

As a market leader Delfi continues to invest into new technologies and IT solutions to improve user experience of its readers and advertisers. This year Delfi mobile application for IOS and Android devices and m.delfi environment were renewed together with more functionality. New feature zlick was introduced enabling to purchase paid content with 0-click. Ad-free Delfi solution for mobile phones where users can remove all ads from the Delfi environment for a monthly fee was introduced. Since 2016 Delfi app is available for Apple TV and Sony Android TV users. The clients of Levira and Starman in Estonia are able to watch Delfi TV broadcasts and programmes traditionally on trtelevision screens.

In Lithuania, Delfi was the first publisher that introduced Facebook messenger bots. Delfi was also the first in Lithuania to use Facebook Live streaming. Of pan-Baltic developments, the solution to use Facebook Instant Article was completed.

Starting from 2016, our advertising sales departments offer in addition to online advertising in our own portals also the possibility to buy advertising in other local or international channels. We also offer to our customers a full advertising service from the idea to execution including booking media space and provide programmatic advertising solutions.

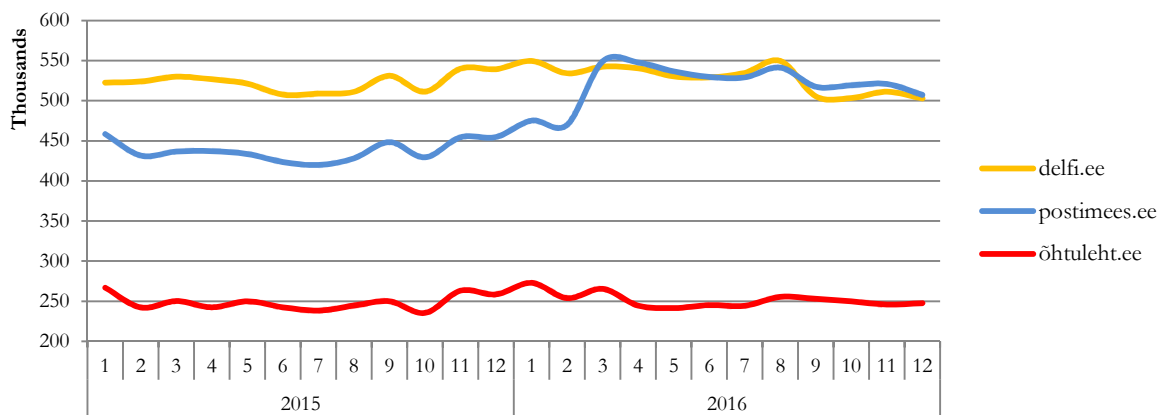
The range of vertical products continues to expand. This year, Delfi Estonia launched www.kinoveeb.ee dedicated to the film art and www.homme.ee that is targeted at men and refers to a supplement of newspaper Eesti Ekpress. Delfi Latvia launched an esoterics portal www.orakuls.lv and two video sub-verticals www.retvplay.lv and www.360play.lv. In Lithuania, in cooperation with the Lithuanian Marketing Association (LiMA), a new unique website for marketing professionals was launched that aims to promote communication between them. Delfi FIT, a Delfi subsite that is promoting healthy lifestyle, was launched in cooperation with the Lithuanian Basketball Federation. Also portal www.busiumama.lt, a portal targeted at expecting mothers, and a new Delfi subsite Delfi *Stylė*, were launched. The National Basketball Association (NBA) and DELFI Lithuania announced a new multiyear partnership that includes plans to launch www.nba.com/Lithuania, the NBA's new official online destination in Lithuania.

Delfi Lithuania continues developing the classified portal www.alio.lt. In July, Delfi Latvia acquired a specialized classified portal www.atverskapi.lv. As a new e-commerce service, www.tobook.lv was launched in Latvia that gathers different beauty saloons and possibility of making reservations on-line.

In all three Baltic countries the focus is on writing more long-read analytical articles in order to increase the value of Delfi to users. In Estonia this is being provided in co-operation with editorial teams of our daily and weekly newspapers Eesti Päevaleht, Eesti Ekspress and Maaleht.

A lot of attention is being paid on socially responsible behaviour and to supporting various charity projects, cultural, sport, social and business events in all Baltic countries.

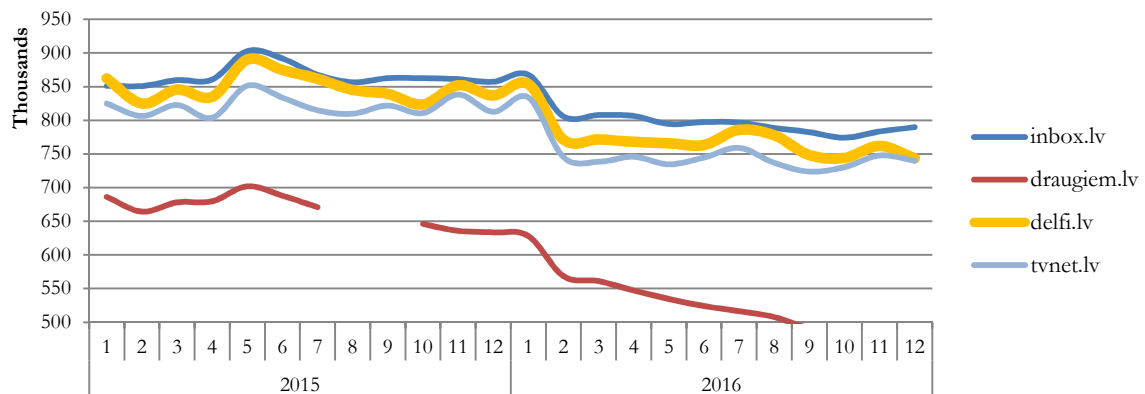
Estonian online readership 2015-2016



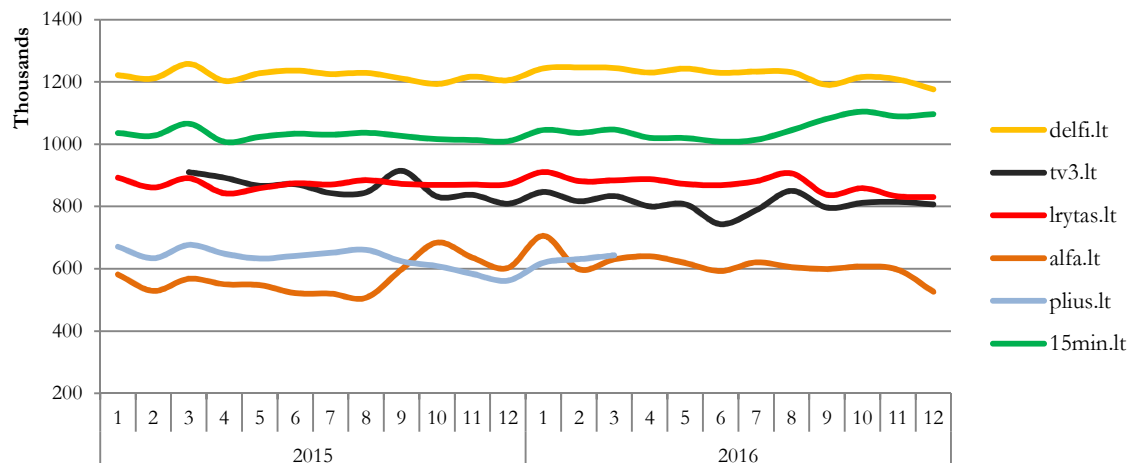
Gemius Audience monthly audience survey

In the first quarter of 2016, Postimees merged two classified portals www.kv.ee and www.osta.ee owned by Eesti Meedia into its postimees.ee domain. This increased the number of users of Postimees.ee by 17%.

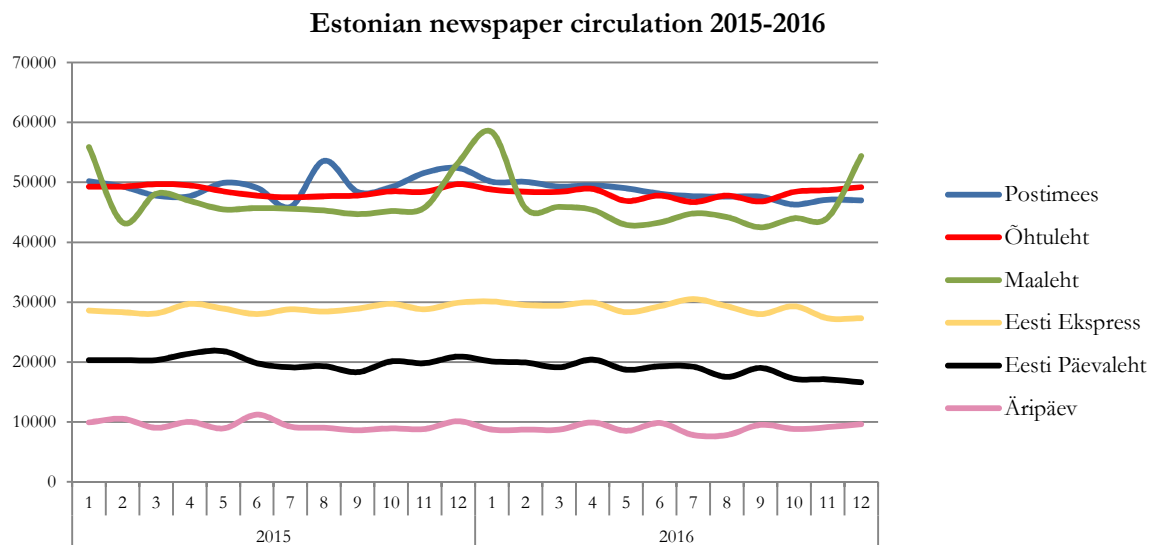
In the third quarter of 2016, Gemius changed the methodology of the online readership survey in Estonia, Latvia and Lithuania, as a result of which the readership of mobile devices and tablet PCs was added to the above readership of computer users. As a result of the change of methodology that was made in September, the total number of computer users in Estonia fell by 11%. The number of computer users of Postimees.ee decreased less than that of computers users of Delfi. Competition between Delfi and Postimees remains active. In spite of changes in methodology, the readership of Õhtuleht has been very stable. Starting from the summer of 2016, the Gemius survey also shows separate readership in mobile devices and tablet PCs.

Latvian online readership 2015-2016*Gemius.Audience monthly audience survey*

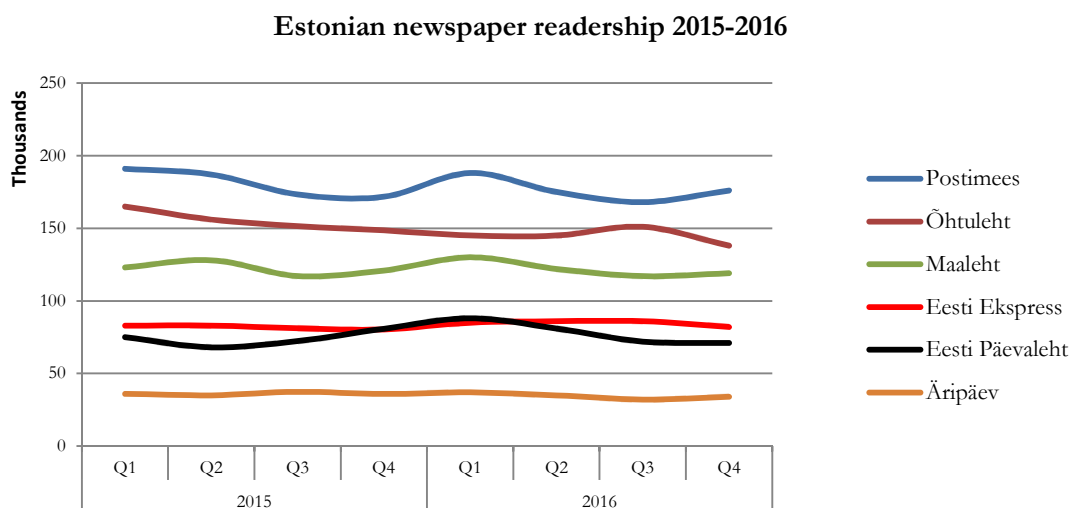
At the beginning of 2016, the research company Gemius changed its method of online surveys, and, as a result, the online readership figure decreased in February. This figure shows only the online readership of PC users. Inbox.lv remains Latvia's largest portal among PC users. Contrary to expectations, Inbox increased its readership at the end of the year, especially in mobile devices. The readership of Delfi.lv as compared to tvnet.lv is practically unchanged. The number of mobile users continues to grow. The local social network draugiem.lv steadily continues to lose users to Facebook. As in other Baltic countries, the main competition in Latvia is for attracting new mobile users.

Lithuanian online readership 2015-2016*Gemius.Audience monthly audience survey*

Delfi.lt remains Lithuania's largest online portal. In the third quarter 2016, 15min.lt added several portals that do not belong to this media group, which is why the readership of the 15min.lt domain increased in the fourth quarter of 2016. This growth does not mean growth in readership of media services and therefore does not mean that the market situation of 15min.lt has improved. TV3 and Lrytas.lt are competing for the third place. As in other markets, development and marketing activities in Lithuania are focused on increasing the number of mobile users. In this segment, Delfi has notably increased its readership.

PRINT MEDIA IN ESTONIA*Estonian Newspaper Association data*

Circulations of newspapers in Estonia have been falling moderately in the long run. In the fourth quarter 2016 there was a significant change in the circulations of paper versions of newspapers in Estonia. For three months, Õhtuleht has been the newspaper with the largest circulation in Estonia and Postimees has fallen to the second place. In December, Postimees fell to the third place because, traditionally, Maaleht gained considerably in December. The circulation of Päevaleht has somewhat decreased in 2016, but the growth in the number of digital subscribers of Päevaleht has been much quicker than the decrease in the circulation of the paper version of the newspaper.

*Turu-uuringute AS*

Similarly to the circulation of newspapers, the readership of publications also remained relatively stable in 2016. As compared to the fourth quarter 2015, the readership of Eesti Ekspress and Eesti Päevaleht increased, while that of Postimees and Õhtuleht decreased. As this survey does not cover the readership of digital newspapers, it does not represent the total readership. The number of digital subscriptions of periodicals of Ekspress Group amounts to ca 50 thousand. Increasing the readership of digital newspapers remains the main task for the Group's publications.

PRINTING SERVICES SEGMENT

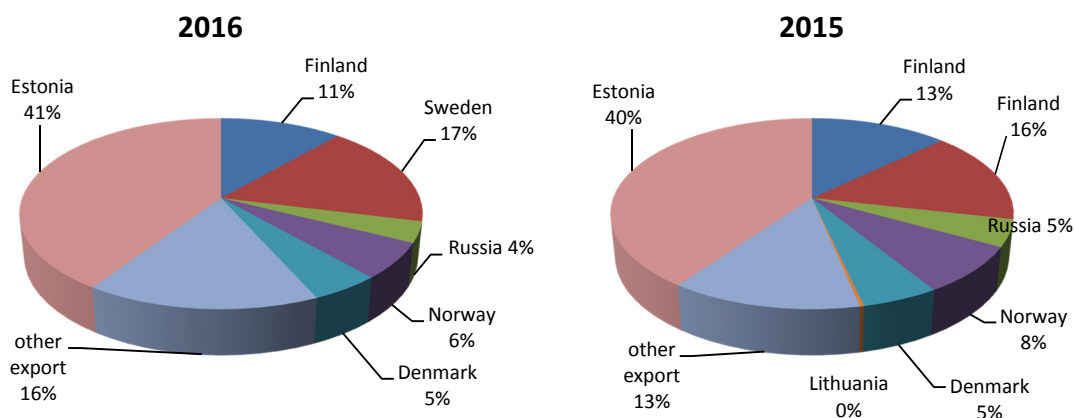
All printing services of the Group are provided by AS Printall which is one of the largest printing companies in Estonia. We are able to print high-quality magazines, newspapers, advertising materials, product and service catalogues, paperback books and other publications in our printing plant. The new printing machine installed in 2015 has enabled us to further expand the range of printed products.

(thousand EUR)	Sales			EBITDA		
	Q4 2016	Q4 2015	Change %	Q4 2016	Q4 2015	Change %
AS Printall	6 952	7 386	-6%	1 329	1 355	-2%

(thousand EUR)	Sales			EBITDA		
	12 months 2016	12 months 2015	Change %	12 months 2016	12 months 2015	Change %
AS Printall	25 585	25 842	-1%	4 645	4 966	-6%

The printing services segment continues to be impacted by the economic sanctions imposed towards Russia, the negative impact of which on the Scandinavian printing industry also impacts us. The production volume of Printall continues to increase, but the price pressure is still strong due to the production capacity which has become available in Scandinavia. The sales keep increasing, however the profit margin continues to fall due to lower prices.

Geographical break-down of printing services by year



Printing services and the environment

The Nordic Council of Ministers has awarded Printall with the environmental label “The Nordic Ecolabel”, used to acknowledge the companies in the Nordic countries that use environmentally efficient production. Printall consumes green energy. GREEN CHOICE certificate confirms that 100% of energy consumed by printing plant has been produced from renewable energy sources. The Minister of the Environment of the Republic of Estonia and the waste managing company AS Ragn-Sells awarded Printall with the title of the Top Recycler of the Year, because the company recycles 95% of its waste.

Printall also has FSC and PEFC Chain of Custody (COC) certificates, which the company uses to promote a green way of thinking in the printing industry. Both of those certificates indicate compliance with monitoring and product production process requirements which are issued to businesses that comply with the requirements established by the FSC (Forest Stewardship Council) and the PEFC (Programme for the Endorsement of Forest Certification). A business that is received these certificates helps to support the environmentally friendly, socially fair and economically viable management of the world’s forests.

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2016, 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 entered into 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.

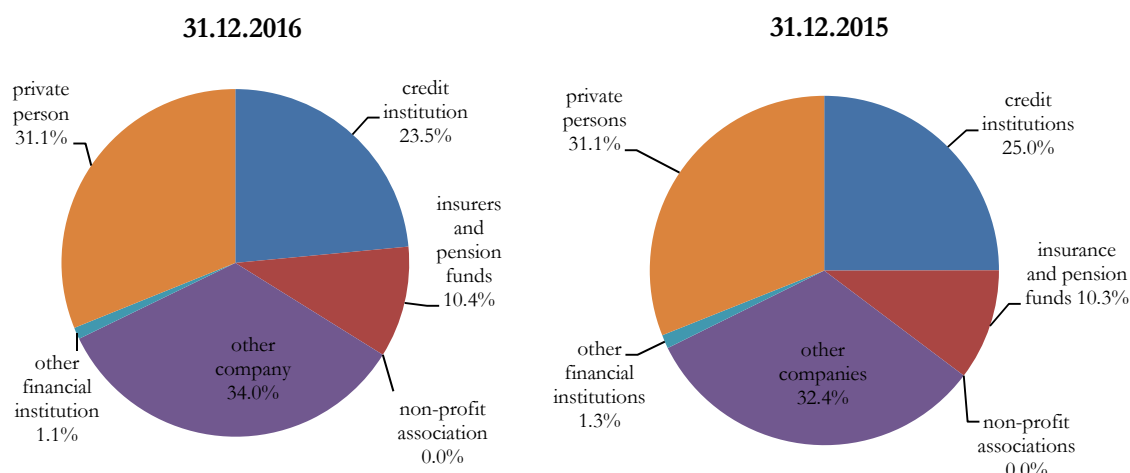
Structure of shareholders as of 31.12.2016 according to the Estonian Central Register of Securities

Name	Number of shares	%
Hans Luik	16 597 532	55.70%
Hans Luik	7 963 307	26.73%
Hans Luik, OÜ HHL Rühm	8 627 325	28.95%
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	4 692 128	15.75%
Treasury shares	677 927	2.28%
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	31.12.2016		31.12.2015	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	2 731	9 268 573	2 862	9 253 538
Other companies	231	10 119 455	247	9 652 351
Other financial institutions	44	318 078	51	378 925
Credit institutions	14	7 005 889	13	7 448 318
Insurance and retirement funds	10	3 084 427	11	3 063 290
Non-profit organisations	2	419	2	419
TOTAL	3 032	29 796 841	3 186	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 of operations, 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 the year before.

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

The table below shows the stock trading history 2012-2016

Price (EUR)	12 months 2016	12 months 2015	12 months 2014	12 months 2013	12 months 2012
Opening price	1.35	1.15	1.12	1.06	1.03
Closing price	1.32	1.35	1.14	1.14	1.06
High	1.37	1.47	1.14	1.22	1.18
Low	1.18	1.07	0.79	1.03	0.96
Average	1.27	1.28	1.03	1.13	1.04
Traded shares, pieces	696 292	657 508	1 389 244	1 395 363	1 247 945
Sales, millions	0.88	0.84	1.43	1.57	1.30
Capitalisation at balance sheet date in millions	39.33	40.23	33.97	33.97	31.58
P/E ratio (price earnings ratio)	8.93	14.94	6.56	31.45	12.51

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2012 until 31 December 2016.



The share price comparison (%) with OMX Tallinn Stock Exchange index from 1 January 2014 – 31 December 2016.



SUPERVISORY AND MANAGEMENT BOARDS OF AS EKSPRESS GRUPP

The Supervisory Board of the company consist 6 members until the end of 2016 and from January 1, 2017 it has 7 members.

Hans H. Luik (appointed until 20.05.2019)

- 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 (appointed until 20.05.2019) – 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 (appointed until 20.05.2019) - 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 (appointed until 26.10.2021) – 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 masters degree in engineering in 1995 and Estonian Business School with a degree in Business Administration in 2004.

Peeter Saks (appointed until 26.10.2021) – 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 (appointed until 26.10.2021)

- 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

Gunnar Kobin (appointed from 01.01.2017 until 01.01.2022)

- Board member since 2017
- Has been the chairman of the management board of AS Ekspress Grupp since 2009 until 31 December 2016
- The board member of the companies Griffen Management OÜ, Griffen Invest OÜ, Jolanthe OÜ, Griffen Holding OÜ and Feedback wizards

Viktor Mahhov (recalled on 26.10.2016)

- Chairman of the Supervisory Board since 2006
- AS Scandagra Estonia Finance Director
- Completed graduate studies in economics at St. Petersburg University in 1992

Kari Sakari Salonen (recalled on 26.10.2016)

- Member of the Supervisory Board since 2012
- Member of the Board of (Directors) KJK Management SA
- Chairman of the Board of (Directors) KJK Capital Oy
- Chairman of the Board of (Directors) KJK Invest Oy
- KJK Fund Sicav-SIF Member of the Management Board
- Member of the Board of (Directors) KJK Fund II Sicav-SIF
- Member of the Supervisory Board of UAB "D Investuciju Valdymas"
- Graduated from Espoo School of Economics in 1983

Jaak Ennuste (recalled on 26.10.2016) - independent supervisory board member

- Member of the Supervisory Board since 2014
- Member of the Supervisory Board and partner of e-marketing agency ADM Interactive
- Member of the Supervisory Board and partner of Mediabrands Digital
- Graduated *cum laude* from Tallinn University of Technology in 1989 with a degree in engineering and finished Accelerated Development programme at London Business School in 2001.

Management Board

The Management Board of AS Ekspress Grupp has three members: Chairman of the Management Board until 31.12.2016 Gunnar Kobin and from 01.01.2017 Mari-Liis Rüütsalu, and members of the Management Board Pirje Raidma and Andre Veskimeister.

Mari-Liis Rüütsalu (term of contract from 01.01.2017 until 01.01.2022)

- 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



Gunnar Kobin (term of contract until 31.12.2016)

- Chairman of the Management Board since 2009 until 31.12.2016
- CEO of the Group
- Chairman of the Management Board of AS Ülemiste City in 2005-2008
- Graduated from Tallinn University of Technology in 1993, specialising in production planning and management



Andre Veskimeister (term of contract until 16.12.2017)

- Member of the Management Board since 2009
- Development Manager of the Group
- Head of development of AS Ülemiste City in 2006-2009
- Director of Finance and Support Services of Enterprise Estonia in 2003-2006
- Graduated from Estonian Business School in 2004, specialising in business management



Pirje Raidma (term of contract until 16.12.2017)

- Member of the Management Board since 2010
- Chief Financial Officer of the Group
- Auditor at auditing company PwC (worked in Estonia and the Channel Islands) in 1997 - 2005
- Finance and Administrative Director of LHV Group in 2005 - 2006
- Finance and Administrative Director of the investment bank GILD Bankers in 2006 - 2010
- 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



INTERIM CONSOLIDATED FINANCIAL STATEMENT**Consolidated balance sheet (unaudited)**

(thousand EUR)	31.12.2016	31.12.2015
ASSETS		
Current assets		
Cash and cash equivalents	2 805	2 927
Term deposits	51	0
Trade and other receivables	7 468	6 741
Inventories	2 770	2 718
Total current assets	13 094	12 386
Non-current assets		
Trade and other receivables	982	1 149
Deferred tax asset	34	42
Investments in joint ventures	2 435	1 007
Investments in associates	591	215
Property, plant and equipment (Note 5)	12 722	13 791
Intangible assets (Note 5)	44 310	44 590
Total non-current assets	61 074	60 794
TOTAL ASSETS	74 168	73 180
LIABILITIES		
Current liabilities		
Borrowings (Note 7)	2 313	2 240
Trade and other payables	7 170	6 679
Corporate income tax payable	108	114
Total current liabilities	9 591	9 033
Non-current liabilities		
Long-term borrowings (Note 7)	13 471	15 447
Deferred tax liability	33	26
Total non-current liabilities	13 504	15 473
TOTAL LIABILITIES	23 095	24 506
EQUITY		
Share capital (Note 11)	17 878	17 878
Share premium	14 277	14 277
Treasury shares (Note 11)	(863)	(176)
Reserves (Note 11)	2 058	1 787
Retained earnings	17 723	14 908
TOTAL EQUITY	51 073	48 674
TOTAL LIABILITIES AND EQUITY	74 168	73 180

The Notes presented on pages 34-49 form an integral part of the consolidated interim report.

Consolidated statement of comprehensive income (unaudited)

(thousand EUR)	Q4 2016	Q4 2015	12 months 2016	12 months 2015
Sales revenue	14 743	14 811	53 324	52 773
Cost of sales	(11 163)	(11 121)	(42 122)	(41 781)
Gross profit	3 580	3 690	11 202	10 992
Other income	579	281	1 085	659
Marketing expenses	(770)	(743)	(2 488)	(2 377)
Administrative expenses	(1 446)	(1 472)	(5 357)	(5 236)
Other expenses	(54)	(38)	(114)	(118)
Impairment of goodwill	0	(1 200)	0	(1 200)
Operating profit	1 889	518	4 328	2 720
Interest income	7	10	32	42
Interest expense	(114)	(125)	(471)	(550)
Foreign exchange gains (losses)	(6)	(1)	(10)	(6)
Other finance costs	(10)	(15)	(56)	(71)
Net finance cost	(123)	(131)	(505)	(585)
Profit on shares of joint ventures	210	196	772	785
Profit from shares of associates	72	72	113	86
Profit before income tax	2 048	655	4 708	3 006
Income tax expense	(180)	(195)	(302)	(299)
Net profit for the reporting period	1 868	460	4 406	2 707
Net profit for the reporting period attributable to:				
Equity holders of the parent company	1 868	460	4 406	2 707
Other comprehensive income	0	0	0	0
Total comprehensive income	1 868	460	4 406	2 707
Attributable to equity holders of the parent company	1 868	460	4 406	2 707
Basic and diluted earnings per share (Note 9)	0.06	0.02	0.15	0.09

The Notes presented on pages 34-49 form an integral part of the consolidated interim report.

Consolidated statement of changes in equity (unaudited)

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total equity
Balance on 31.12.2014	17 878	14 277	(64)	1 440	13 644	47 175
Increase of statutory reserve capital	0	0	0	256	(256)	0
Dividend paid	0	0	0	0	(1 187)	(1 187)
Purchase of treasury shares	0	0	(112)	0	0	(112)
Share option	0	0	0	91	0	91
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>(112)</i>	<i>347</i>	<i>(1 443)</i>	<i>(1 208)</i>
Net profit for the reporting period	0	0	0	0	2 707	2 707
Other comprehensive income	0	0	0	0	0	0
<i>Total comprehensive income for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2 707</i>	<i>2 707</i>
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
Dividend paid	0	0	0	0	(1 456)	(1 456)
Purchase of treasury shares	0	0	(687)	0	0	(687)
Share option	0	0	0	136	0	136
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>(687)</i>	<i>271</i>	<i>(1 591)</i>	<i>(2 007)</i>
Net profit for the reporting period	0	0	0	0	4 406	4 406
Other comprehensive income	0	0	0	0	0	0
<i>Total comprehensive income for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>4 406</i>	<i>4 406</i>
Balance on 31.12.2016	17 878	14 277	(863)	2 058	17 723	51 073

The Notes presented on pages 34-49 form an integral part of the consolidated interim report.

Consolidated cash flow statement (unaudited)

(EUR thousand)	12 months 2016	12 months 2015
Cash flows from operating activities		
Operating profit for the reporting year	4 328	2 720
<u>Adjustments for:</u>		
Depreciation, amortisation and impairment (Note 5)	2 953	2 760
Loss on trademark and goodwill impairment	0	1 200
(Gain)/loss on sale and write-down of property, plant and equipment	37	(4)
Change in value of share option (Note 10)	136	91
Cash flows from operating activities:		
Trade and other receivables	(709)	(191)
Inventories	(53)	(645)
Trade and other payables	484	361
Cash generated from operations	7 175	6 292
Income tax paid	(293)	(118)
Interest paid	(519)	(525)
Net cash generated from operating activities	6 363	5 649
Cash flows from investing activities		
Term deposit (placement)/release	0	1 600
Acquisition of joint ventures (Note 4)	(868)	0
Acquisition of associate (Note 4)	(311)	0
Purchase and receipts of other investments	5	(50)
Interest received	32	33
Purchase of property, plant and equipment (Note 5)	(1 335)	(1 575)
Proceeds from sale of property, plant and equipment	39	33
Loans granted	(25)	0
Loan repayments received	175	74
Net cash used in investing activities	(2 289)	115
Cash flows from financing activities		
Dividends paid	(1 456)	(1 187)
Dividend received from joint ventures	246	278
Finance lease repayments	(72)	(89)
Change in use of overdraft	0	(1 117)
Loan received (Note 7)	11	687
Repayments of bank loans (Note 7)	(2 186)	(4 952)
Purchase of treasury shares (Note 11)	(687)	(112)
Net cash used in financing activities	(4 144)	(6 492)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(71)	(729)
Cash and cash equivalents at the beginning of the year	2 927	3 656
Cash and cash equivalents at the end of the year	2 856	2 927

The Notes presented on pages 34-49 form an integral part of the consolidated interim report.

SELECTED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries include online media, publishing of newspapers, magazines and books, 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. The Group consists of the subsidiaries, joint ventures and associates listed below.

These interim financial statements were approved and signed by the Management Board on 23 February 2017. The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) reflect the results of operations of the following group companies.

Company name	Status	Ownership interest 31.12.2016	Ownership interest 31.12.2015	Main field of activity	Domicile
Operating segment: corporate functions					
Ekspress Grupp AS	Parent company			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 (from 1 July 2015 merged with AS Eesti Ajalehed)	Estonia
Delfi A/S	Subsidiary	100%	100%	Online media	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media and magazine publishing	Lithuania
Sport Media UAB	Subsidiary	51%	51%	Currently dormant	Lithuania
Medipreza UAB	Associate	40%	40%	Wholesale of magazines and books	Lithuania
Delfi Holding SIA	Subsidiary	100%	100%	Holding company (previously parent company to Delfi companies in different countries)	Latvia
Zave Media OÜ	Subsidiary	100%	100%	Developer of portal incorporating retailers' sales offers throughout Baltics (operations moved to Delfi local companies)	Estonia
Hea Lugu OÜ	Subsidiary	100%	100%	Book publishing	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%	.	Sale of digital outdoor advertising (acquired in July 2016)	Estonia
Babahh Media OÜ	Associate	49%	.	Sale of video production, media and infrastructure solutions (acquired in September 2016)	Estonia
Babahh Productions OÜ	Associate	49%	-	Video production (in the merger process with a parent company Babahh Media OÜ))	Estonia
Adnet Media UAB	Associate	49%	49%	Online advertising solutions and network	Lithuania
Adnet Media OÜ	Associate	49%	49%	Online advertising solutions and network	Estonia
Adnet Media SIA	Associate	49%	49%	Online advertising solutions and network	Latvia
Operating segment: printing services					
Printall AS	Subsidiary	100%	100%	Printing services	Estonia
Operating segment: meelelahutus					
Delfi Entertainment SIA	Subsidiary	100%	100%	Arrangement of exhibitions (currently dormant)	Latvia

Note 2. Bases of preparation

The consolidated interim financial statements of AS Ekspress Grupp for the twelve months of 2016 ended 31.12.2016 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The condensed interim consolidated financial statements should be read together to the annual report for the financial year ended 31 December 2015.

The Management Board estimates that the interim consolidated financial statements for the twelve months of 2016 present a true and fair view of the Group’s operating results, and all group companies are going concerns. These interim financial statements have neither been audited nor reviewed in any other way by auditors. These consolidated interim financial statements are presented in thousands of euros, unless otherwise indicated.

Starting from 1 January 2016, several new standards, amendments to standards and interpretations were entered into force which became mandatory for the Group but none of which have an impact on the Group’s interim financial statements.

Note 3. 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.

Bank account balances (incl. term deposits) by credit ratings of the banks

Bank name	Moody’s	Standard & Poor’s	31.12.2016	31.12.2015
SEB	Aa3	A+	2 153	2 266
Swedbank	Aa3	AA-	330	285
Nordea/Danske	Aa3/A2	AA-/A	359	364
Total			2 842	2 915

The banks’ latest long-term credit rating, which was 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 of 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 especially in Lithuania is to pay invoices 1-3 months past their due date and not to consider it as a violation of the credit discipline. Major subsidiaries 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. 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.

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 need 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 liquidity risk, the Group uses different financing sources which include bank loans, overdraft, factoring, 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. The Group has quite high leverage, thus liquidity risk management is one of the priorities of the Group.

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 taken by the Group are all tied to Euribor.

The Group's interest rate risk is related to short-term and long-term borrowings which have been assumed with 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	31.12.2016 (thousand EUR)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	3-month Euribor + 2.5%	Syndicated loan (<i>Parent Company</i>)	1 546	7 902	9 448
	3-month Euribor + 2.5%	Syndicated loan (<i>Printall</i>)	697	5 301	5 998
	1-month Euribor + 2.3%	Finance lease (<i>Printall</i>)	70	268	338
	1-month Euribor + 1.9%	Overdraft	0	0	0

Type of interest	Interest rate	31.12.2015 (thousand EUR)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	3-month Euribor + 2.5%	Syndicated loan (<i>Parent Company</i>)	1 507	9 449	10 955
	3-month Euribor + 2.5%	Syndicated loan (<i>Printall</i>)	678	5 988	6 666
	1-month Euribor + 2.3%	Finance lease (<i>Printall</i>)	56	9	65
	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 2016 such foreign exchange risk was on a level of ca 4% of Group's revenue (in 2015: ca 6%). 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 31.12.2016, 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. As of 31.12.2015, the Group had foreign currency risk related to the Swedish krona in the amount of EUR 465 thousand and other currencies (GBP, NOK, USD) in the amount of EUR 21 thousand.

Price risk

The price of paper affects the activities of the Group the most. In a situation where the majority of paper used in the production is purchased directly from producers at the base price without any commissions and the price is fixed for half a year in advance, and given that the volume of paper in the international scale is insignificant, the Group does not use derivative instruments to hedge the paper price 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 during negotiations related to purchase and sales as well as other transactions. Drafts of important agreements prepared by law offices are reviewed by the management and in-house lawyers. 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 higher than average 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. The ratio of equity to total assets (one of criteria measured quarterly according to the syndicated loan contract) is also monitored. As of the balance sheet date, the equity ratio of the Group has been in compliance with conditions set in the syndicate loan contract.

Equity ratios of the Group

(thousand EUR)	31.12.2016	31.12.2015
Interest-bearing debt	15 784	17 687
Cash and bank accounts	2 856	2 927
Net debt	12 928	14 760
Equity	51 073	48 674
Total capital	64 001	63 434
Debt to capital ratio	20%	23%
Total assets	74 168	73 180
Equity ratio	69%	67%

Note 4. Business combinations

On 22 July 2016, AS Ekspress Grupp acquired a 50% ownership interest in **Linna Ekraanid OÜ** engaged in digital outdoor advertising in Estonia. 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.

The purpose of the acquisition is to create preconditions for launching a new line of business at AS Ekspress Grupp and thereby to expand the portfolio of the Group's fields of activity. The objective of AS Ekspress Grupp is to develop a line of business of digital outdoor advertising in all Baltic States and assume a market leadership position in this business.

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 sheet of Linna Ekraanid OÜ as of 31.07.2016 and Babahh Media OÜ as of 30.09.2016.

(thousand EUR)	Linna Ekraanid OÜ (50%)		Babahh Media OÜ (49%)	
	Fair value	Carrying amount	Fair value	Carrying amount
Net assets	66	66	26	26
Intangible assets	131	0	0	0
Total identifiable assets	197	66	26	26
Goodwill	671		285	
Cost of ownership interest	868		311	
Paid for ownership interest in cash	868		311	
Cash and cash equivalents in acquired entity	6		19	
Total cash effect on the Group	(862)		(292)	

Note 5. Property, plant and equipment, and intangible assets

(thousand EUR)	Property, plant and equipment		Intangible assets	
	12 months 2016	12 months 2015	12 months 2016	12 months 2015
Balance at beginning of the period				
Cost	32 543	31 832	63 834	63 889
Accumulated depreciation and amortisation	(18 752)	(17 326)	(19 244)	(17 602)
Carrying amount	13 791	14 506	44 590	46 287
Acquisitions and improvements	1 068	1 250	612	330
Impairment loss	0	0	0	(1 200)
Disposals (at carrying amount)	(9)	(22)	0	0
Write-offs and write-downs of PPE	(42)	(8)	(25)	(4)
Reclassification	0	(1)	0	1
Depreciation and amortisation	(2 087)	(1 934)	(866)	(826)
Balance at end of the period				
Cost	33 166	32 542	64 329	63 834
Accumulated depreciation and amortisation	(20 446)	(18 752)	(20 018)	(19 244)
Carrying amount	12 722	13 791	44 310	44 590

Information about the items of non-current assets pledged as loan collateral is disclosed in Note 7.

Note 6. Intangible assets**Intangible assets by type**

(in thousands)	EUR	
	31.12.2016	31.12.2015
Goodwill	36 953	36 953
Trademarks	6 505	6 911
Other intangible assets	852	726
Total intangible assets	44 310	44 590

Goodwill by cash-generating units and segments

(in thousands)	EUR	
	31.12.2016	31.12.2015
Delfi Estonia	15 281	15 281
Delfi Latvia	7 007	7 007
Delfi Lithuania	12 848	12 848
Maaleht	1 816	1 816
Total goodwill	36 953	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 adjusted for any internal management fees. The impairment test of Delfi Lithuania includes the cash flows of Lithuanian entity UAB Delfi, which comprise Delfi related products and magazine publishing business which was merged with UAB Delfi in July 2014. The results are also adjusted for any internal management fee. 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. All cash flows 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Delfi Estonia	9.3%	9.0%	3.5%	3.5%
Delfi Latvia	9.5%	11.1%	3.5%	3.5%
Delfi Lithuania	6.5%	6.7%	3.5%	3.5%
Maaleht	0.9%	-1.1%	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 12.4%-12.8% (2015: 12.5%-13.3%) and the return on debt is 2.8%-3.6% (2015: 3.6%-4%). 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 2016 there has been a decline in publishing industry average unleveraged beta back to level of two years ago though industry average debt to equity ratio has increased more compared to the level in prior years. As a result there has been some decrease in applied discount rates used in valuation tests.

The applied discount rates are as follows:

Cash-generating unit	31.12.2016	31.12.2015
Delfi Estonia	9.46%	10.16%
Delfi Latvia	9.37%	9.56%
Delfi Lithuania	8.90%	9.82%
Maaleht	9.46%	10.16%

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.

(EUR thousand)	31.12.2016			31.12.2015		
	Recoverable Amount	Carrying amount (prior to impairment)	Difference	Recoverable amount	Carrying amount (prior to impairment)	Difference
Delfi Estonia	23 448	17 673	5 775	21 263	17 819	3 444
Delfi Latvia	9 957	9 711	246	9 530	10 730	(1 200)
Delfi Lithuania	35 466	16 720	18 746	28 961	16 123	12 838
Maaleht	9 340	1 565	7 774	4 927	1 537	3 390

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 recognized.

Due to continued uncertainty in Eurozone countries, unclear economic impact of sanctions on Russia and the results of president's elections in US and in major European countries, weak outlook in print media sector and thus more conservative assumptions, the sensitivity of impairment tests remains high.

In Latvia the competition in online has increased after consolidation in 2014, which has forced also us to strengthen our editorial office and invest more in different online products.

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 of Delfi Estonia increased on average less than 2.8% in 2017-2021, the residual value growth was more than 2.5 pp lower or the applied discount rate was higher more than 1.85 pp. Regarding Delfi Latvia if in the forecasts for the period 2017-2021 each year revenue growth only reaches 6.6% instead of estimated 9.5%, an impairment loss of EUR 1 million should be recognized. Decrease of terminal value growth by 1.0 pp or the increase in the discount rate by 0.8 pp would cause also an impairment loss in amount of EUR 1.0 million.

Note 7. Bank loans and borrowings

(thousand EUR)	Total amount	Repayment term	
		Up to 1 year	During 1-5 years
Balance as of 31.12.2016			
Long-term bank loans	15 446	2 243	13 203
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	9 448	1 546	7 902
<i>incl. syndicated and mortgage loan (AS Printall)</i>	5 998	697	5 301
Finance lease	338	70	268
Total	15 784	2 313	13 471
Balance as of 31.12.2015			
Long-term bank loans	17 621	2 184	15 437
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	10 955	1 507	9 449
<i>incl. syndicated and mortgage loan (AS Printall)</i>	6 666	678	5 988
Finance lease	65	56	9
Total	17 686	2 240	15 447

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 the interest rate is floating and related to Euribor and the margin has been negotiated based on market terms. The loan liabilities are within level 3 of the fair value hierarchy.

Long term bank loan

In September 2015, the joint syndicated loan of AS Ekspress Grupp and AS Printall was refinanced. As a result of the transaction, the new maturity date of the loan is October 2020. The main changes relate to the annual principal loan repayment and the applied interest rate. The annual loan repayment is approximately EUR 2 million and from 25 September 2015, the interest rate is 3-month EURIBOR (capped to zero percent if in minus) plus margin. Upon the expiration of the loan contract, the total loan balance will be ca EUR 7 million. In June 2016, SEB assumed the full ownership in the syndicate, remaining the only creditor.

The syndicated loan is still guaranteed by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 37 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. As of 31.12.2016, the carrying amount of the building was EUR 3.2 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 must comply with certain loan covenants, such as the equity ratio (equity/total assets), total debt/EBITDA ratio and the debt-service coverage ratio. As of the end of each quarter in 2016, all financial ratios were in compliance with the loan covenants set in the loan contract.

Overdraft facilities

As of 31.12.2016, 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, which had not been used as of the balance sheet date and 31.12.2015.

Note 8. Segment reporting

The management has determined the operating segments based on the reports reviewed by the Management Board of the Parent Company AS Ekspress Grupp. The Management Board considers the business from the company's 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) and OÜ Zave Media (Estonia).

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.

Entertainment segment: organisation of exhibitions and other events. At present this segment includes Latvian company SIA Delfi Entertainment. Income and expenses related to the entertainment segment but recognised at the parent company for which no separate subsidiary has been established yet, are also allocated to this segment. The segment revenue comes from ticket sales and from sale of other services related to the organized events.

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.

Q4 2016 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
Sales to external customers (subsidiaries)	8 852	6 394	0	62	(565)	14 743
Effect of joint ventures	2 975	(266)	0	(29)	(14)	2 666
Inter-segment sales	9	824	0	533	(1 366)	0
<i>Total segment sales, incl. joint ventures</i>	<i>11 836</i>	<i>6 952</i>	<i>0</i>	<i>566</i>	<i>(1 945)</i>	<i>17 409</i>
EBITDA (subsidiaries)	1 618	1 329	0	(287)	0	2 660
EBITDA margin (subsidiaries)	18%	19%	-			18%
<i>EBITDA incl. joint ventures</i>	<i>1 938</i>	<i>1 329</i>	<i>0</i>	<i>(287)</i>	<i>0</i>	<i>2 981</i>
<i>EBITDA margin incl. joint ventures</i>	<i>16%</i>	<i>19%</i>	<i>-</i>			<i>17%</i>
Depreciation (subsidiaries) (Note 5)						773
Operating profit (subsidiaries)						1 889
Investments (subsidiaries) (Note 5)						467

12 months 2016 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
Sales to external customers (subsidiaries)	31 568	23 409	0	162	(1 816)	53 324
Effect of joint ventures	10 651	(1 054)	0	(75)	(53)	9 469
Inter-segment sales	11	3 230	0	2 146	(5 387)	0
<i>Total segment sales, incl. joint ventures</i>	<i>42 229</i>	<i>25 585</i>	<i>0</i>	<i>2 233</i>	<i>(7 256)</i>	<i>62 793</i>
EBITDA (subsidiaries)	3 572	4 645	(2)	(936)	0	7 280
EBITDA margin (subsidiaries)	11%	18%	-			14%
<i>EBITDA incl. joint ventures</i>	<i>4 779</i>	<i>4 645</i>	<i>(2)</i>	<i>(936)</i>	<i>0</i>	<i>8 487</i>
<i>EBITDA margin incl. joint ventures</i>	<i>11%</i>	<i>18%</i>	<i>-</i>			<i>14%</i>
Depreciation (subsidiaries) (Note 5)						2 953
Operating profit (subsidiaries)						4 328
Investments (subsidiaries) (Note 5)						1 680

Q4 2015 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
Sales to external customers (subsidiaries)	8 398	6 815	0	20	(421)	14 811
Effect of joint ventures	2 643	(255)	0	(9)	(9)	2 370
Inter-segment sales	1	826	0	532	(1 359)	0
<i>Total segment sales, incl. joint ventures</i>	<i>11 041</i>	<i>7 386</i>	<i>0</i>	<i>543</i>	<i>(1 789)</i>	<i>17 181</i>
EBITDA (subsidiaries)	1 299	1 355	(4)	(210)	0	2 440
EBITDA margin (subsidiaries)	15%	18%	-			16%
<i>EBITDA incl. joint ventures</i>	<i>1 579</i>	<i>1 355</i>	<i>(4)</i>	<i>(210)</i>	<i>0</i>	<i>2 720</i>
<i>EBITDA margin incl. joint ventures</i>	<i>14%</i>	<i>18%</i>	<i>-</i>			<i>16%</i>
Depreciation (subsidiaries) (Note 5)						722
Trademarks and goodwill impairment						(1 200)
Operating profit (subsidiaries)						518
Investments (subsidiaries) (Note 5)						273

12 months 2015 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
Sales to external customers (subsidiaries)	30 053	23 728	517	65	(1 590)	52 773
Effect of joint ventures	9 879	(996)	0	(16)	(113)	8 755
Inter-segment sales	10	3 110	0	1 888	(5 008)	0
<i>Total segment sales, incl. joint ventures</i>	<i>39 943</i>	<i>25 842</i>	<i>517</i>	<i>1 937</i>	<i>(6 711)</i>	<i>61 528</i>
EBITDA (subsidiaries)	3 724	4 966	(1 110)	(899)	0	6 680
EBITDA margin (subsidiaries)	12%	19%	-215%			13%
<i>EBITDA incl. joint ventures</i>	<i>4 913</i>	<i>4 966</i>	<i>(1 110)</i>	<i>(899)</i>	<i>0</i>	<i>7 869</i>
<i>EBITDA margin incl. joint ventures</i>	<i>12%</i>	<i>19%</i>	<i>-215%</i>			<i>13%</i>
Depreciation (subsidiaries) (Note 5)						2 760
Trademarks and goodwill impairment						(1 200)
Operating profit (subsidiaries)						2 720
Investments (subsidiaries) (Note 5)						1 580

Note 9. Earnings per share

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	Q4 2016	Q4 2015	12 months 2016	12 months 2015
Profit attributable to equity holders	1 867 722	459 686	4 405 875	2 707 166
Average number of ordinary shares	29 118 914	29 650 939	29 301 553	29 680 551
Basic and diluted earnings per share	0.06	0.02	0.15	0.09

As the Group had no instruments diluting earnings per share as of 31.12.2016 and 31.12.2015, **diluted net profit per share** was equal to regular net profit per share.

Note 10. Management Board's share option plan

In November 2013, the General Meeting of Shareholders approved a share option plan for the Management Board. Under the plan, in the first quarter 2017 the Chairman of the Management Board Gunnar Kobin who served until 31.12.2016 will be entitled to acquire up to 700 000 shares of AS Ekspress Grupp that the company will buy from the securities market at the market price. Of this amount, 300 000 free of charge shares have already been earned at the time when the option was issued. The remaining amount is to be earned during the contractual period between September 2013 and December 2016 in equal quantities for every month of employment. Part of the shares is fixed and part depends on the fulfilment of set goals that is assessed once a year after the end of the financial year. The company is neither under the obligation to buy back shares nor pay cash compensation for them.

Upon approving the share option, the option was recognised at its fair value and recognised as a staff cost in the income statement and, on the side, as a share option reserve in equity. As of 31.12.2016 this reserve totalled EUR 747 thousand and the number of earned shares was 660 400 shares. As of 31.12.2015, this reserve totalled EUR 611 thousand and the number of earned shares was 540 400. See also Note 11.

For finding the fair value of the share option upon the issuing of the option (i.e. when it was approved by the General Meeting of Shareholders), the Black-Scholes-Merton model was used. The assumptions used in the model were as follows: share price at the time of issuing the option: 1.16 euros, dividend rate: 0.01 euros per share, risk-free rate 2.96%, option term: slightly over 3 years. For subsequent exercising the option, see note 14.

Note 11. Equity and dividends

Share capital and share premium

As of 31 December 2016 and 31 December 2015, 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 .

Treasury shares

Within the framework of the Management Board's share option plan, the company has purchased treasury shares through SEB Bank between April 2014 and May 2016 and in a 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. As of 31.12.2015, AS Ekspress Grupp had purchased 149 thousand at the average price of EUR 1.18 per share for the total of EUR 178 thousand.

Dividends

At the Ordinary General Meeting of Shareholders held on 13 June 2016, it was decided to pay dividends to shareholders in the amount of five euro cents per share in the total amount of EUR 1 456 thousand. Dividends were paid out on 6 July 2016. There will be no accompanying income tax liability because the Company paid 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.

Reserves

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 issued to the management (see Note 10).

(thousand EUR)	EUR	
	31.12.2016	31.12.2015
Statutory reserve capital	672	537
Additional cash contribution from shareholder	639	639
Share option reserve	747	611
Total reserves	2 058	1 787

Note 12. 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 to (lease of non-current assets, management services, other services) to the following related parties.

SALES (EUR thousand)	12 months 2016	12 months 2015
Sales of goods		
Associates	491	512
Total sale of goods	491	512
Sale of services		
Members of Management Board and companies related to them	1	0
Members of Supervisory Board and companies related to them	13	8
Associates	17	0
Joint ventures	2 330	2 069
Total sale of services	2 361	2 077
Total sales	2 852	2 589

PURCHASES (EUR thousand)	12 months 2016	12 months 2015
Purchase of services		
Members of Management Board and companies related to them	40	37
Members of Supervisory Board and companies related to them	308	232
Associates	12	1
Joint ventures	1 019	848
Total purchases of services	1 379	1 118

RECEIVABLES (EUR thousand)	31.12.2016	31.12.2015
Short-term receivables		
Members of Management Board and companies related to them	1	0
Members of Supervisory Board and companies related to them	2	6
Associates	338	245
Joint ventures	391	247
Total short-term receivables	732	498
Long-term receivables		
Members of Supervisory Board and companies related to them	0	160
Joint ventures	898	907
Total long-term receivables	898	1 067
Total receivables	1 630	1 565

LIABILITIES (EUR thousand)	31.12.2016	31.12.2015
Current liabilities		
Members of Management Board and companies related to them	2	3
Members of Supervisory Board and companies related to them	13	14
Associates	6	0
Joint ventures	96	87
Total liabilities	117	104

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik will be paid a guarantee fee of 1.5% per annum on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. In 12 months of 2016, a payment of EUR 60 thousand (2015: EUR 60 thousand) was made and there are no outstanding liabilities as of 31 December 2016 and 31 December 2015.

The management estimates that the transactions with related parties have been carried out at arms' length conditions. As of 31 December 2015 the allowance for a receivable from the associate Medipresa UAB has been made in amount of EUR 13 thousand in accordance with the ownership interest in the negative equity of Medipresa UAB. As of 31 December 2016 no such allowance was necessary.

Remuneration of members of the Management Boards of the consolidation group

(thousand EUR)	12 months 2016	12 months 2015
Salaries and other benefits (without social tax)	1 376	1 334
Termination benefits (without social tax)	0	52
Share option	136	95
Total (without social tax)	1 512	1 481

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 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 December 2016, the maximum gross amount of potential Key Management termination benefits was EUR 463 thousand (31 December 2015: EUR 508 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.

Chairman of the Management Board of the Group Gunnar Kobin (who authorities ceased on 31.12.2016) also participates in share option plan described in Note 10.

Note 13. Contingent assets and liabilities

Contingent income tax liability

As of 31.12.2016, the consolidated retained earnings of the Group amounted to EUR 17 723 thousand (31.12.2015: EUR 14 908 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 31.12.2016, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 23 214 thousand (as of 31.12.2015: EUR 6 016 thousand). Upon the payment of all possible retained earnings as at 31.12.2016, 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 2014-2016. The management of the Group's Parent Company believes that there are not 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.

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

Contingent assets and liabilities arising from guarantees given

The Parent Company has given a guarantee in amount of EUR 1.6 million on 50% bank borrowings received by its joint ventures AS Ajakirjade Kirjastus and AS SL Õhtuleht. The other 50% of the loan is guaranteed by other co-owner of these joint ventures.

Note 14. Subsequent events

In November 2013, the General Meeting of Shareholders approved a share option plan for the Management Board. Under the plan, in the first quarter of 2017, Gunnar Kobin as the Chairman of the Management Board until 31.12.2016, is entitled to acquire 660 400 shares of AS Ekspress Grupp. The company has purchased aforementioned treasury shares from Tallinn Stock Exchange through SEB Bank between April 2014 and May 2016 and in a OTC buyback transaction in May 2016. Average purchase price has been 1.27 euros per share. Gunnar Kobin has exercised the option on 3 January 2017.

The cost of the share option has been recognised as employee cost in the income statement over the period from the date of granting the share option in 2013. No additional cost will occur in 2017 when the share option is exercised.