AS EKSPRESS GRUPP
CONSOLIDATED ANNUAL REPORT
2019

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GENERAL INFORMATION

Beginning of reporting period	1 January 2019
End of reporting period	31 December 2019
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Parda 6, 10151 Tallinn
Phone	+372 669 8381
Fax	+372 669 8180
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
Management Board	Mari-Liis Rüütsalu Signe Kukin Kaspar Hanni
Supervisory Board	Ahto Pärl Hans H. Luik Indrek Kasela Peeter Saks Aleksandras Česnavičius
Auditor	KPMG Baltics OÜ

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

The document comprises **122** pages.

MANAGEMENT BOARD'S CONFIRMATION OF THE CONSOLIDATED ANNUAL REPORT

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 4 to 61 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 62 to 113 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission and include a description of major risks and uncertainties.

Mari-Liis Rüütsalu	Signe Kukin	Kaspar Hanni
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
signed digitally	signed digitally	signed digitally
23.03.2020	23.03.2020	23.03.2020

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Mari-Liis Rüütsalu, Chairman of the Management Board

The year 2019 as a whole was successful for AS Ekspress Grupp. The Group's revenue and profit growth was attributable to our strategy over the last several years to increase digital revenue and find new digital business areas. A favourable economic environment as well as joint efforts and dedication by our team helped achieve positive results.

In 2019, the Group's consolidated revenue was 75.3 million euros (2018: 69.1 million euros) and net profit was 1.41 million euros (2018: 0.03 million euros). The Group's digital revenue increased by ca 22% and it made up already 60% of segment revenue at the year-end 2019.

In 2019, the Group made significant investments in the development of its existing companies as well as new business areas. Acquisitions included the ticket sales platform operator SIA Biļešu Paradīze in Latvia and we also acquired a minority holding in the comparison and brokerage portal for financial products SIA Altero. The Group has been able to proceed with its investment plan due to its strong cash position which increased from 2.2 million euros to 4.5 million euros year-over-year, and a private placement of long-term bonds in collaboration with LHV Varahaldus that has helped the Group ensure stable long-term financial capability.

In 2019, the digital subscriptions of Ekspress Grupp's periodicals demonstrated strong growth as an increasing number of readers are willing to pay for the web content. Digital subscriptions showed the strongest performance in Estonia and Latvia. Ekspress Grupp started to offer digital content in Lithuania only at the year-end 2019, but its results are also encouraging. Over the next years, the company will continue making efforts to increase digital subscriptions in all Baltic States.

Group strategy

Going forward, Ekspress Grupp will continue focusing on the organic growth of the existing digital business as well as finding opportunities to increase its business volumes through acquisitions. The Group's goal is to increase the company's value by creating a synergy between the new businesses acquired and current media operations. In addition to the development of the digital media segment, printed media as well as the quality and cost-efficiency of printing services are also vital for the Group. The Group plans to strengthen its existing core business and facilitate digital transformation through increasing the share of the Group's digital revenue. In order to support growth, the goal of Ekspress Grupp is to ensure an optimal distribution of investments, repayment of loans and profit allocation both from the point of view of the Group and its investors.

To implement the Group's strategy, our objectives still include production of award-winning content valued both by our readers and media experts while being a leading digital publisher in the Baltic States both in terms of the time spent and the number of actual users. We wish to continue providing high-quality printed media products for those readers who value this format.

Development trends and challenges for 2020

In 2020, we will continue focusing on the existing strategy aimed at primarily growing digital business and revenue. We see several opportunities for synergy between existing businesses that we wish to make better use of. We keep learning how to make data driven decisions in all of our business areas and we also striving to ensure the profitability of media-adjacent business areas.

We plan to continue developing Ekspress Grupp's media products to ensure greater satisfaction of existing subscribers and thereby increase our subscription revenue. We consider it important to further develop our digital products specifically for end users so that our readers will have a more convenient and easier way to use our digital environments.

We will also continue contributing to journalistic content and improving its quality which is also one of the priorities of Ekspress Grupp in 2020. We wish to increase the number of digital subscribers, primarily in Latvia and Lithuania but also in Estonia.

Making use of our strong cash position, we are interested in making further investments in digital business areas as well as focusing on new potential acquisitions.

Thank you kindly for the trust and confidence you have placed in our company.

Yours faithfully, Mari-Liis Rüütsalu

BRIEF OVERVIEW OF THE GROUP ▾

Ekspress Group with its almost 30-year history is the leading media group in the Baltic States that owns five media companies in Estonia, Latvia and Lithuania and one of the largest printing houses in the Baltic States. We have a strong internal capability for provision of digital content and advertising solutions and we arrange impressive and memorable entertainment events.

Our customers are media content consumers (retail and business customers), advertising buyers and other organisation that purchase the services of our companies.

- **Key activity:** creation of journalistic content, editing of news portals, publishing of newspapers, magazines and books all over the Baltics.
- **Digital business development**: The share of digital revenue is constantly rising, made up 60% of media segment revenue and 42% of Group's total turnover.
- **We provide printing services:** to Estonian and foreign customers, as well as to all of our own periodicals.
- **The key activities are supported by:** information technology development, audio-visual production solutions, renting of advertising space, home delivery of paper periodicals.
- The operation of **real estate portal** in Estonia
- Organiser of an increasing number of **entertainment and other events.**
- Since 2019 the **operation of the electronic ticket platform and box offices** in Latvia.

The shares of AS Ekspress Grupp are listed on NASDAQ Tallinn Stock Exchange since 5 April 2007. The key shareholder is Hans H. Luik, whose ownership interest as the final beneficiary through various entities is 54.48%.

Group's key figures 2019:

Over **2.8 million** monthly real users across Delfi portals in Baltics at year end

Almost **50 000** digital subscribers throughout the Baltic States

Digital revenue growth of **22%**

The share of digital revenue **60%** of media segment revenue

36 regularly published miscellaneous periodicals in Estonia

EKSPRESS GRUPP

27 online media platforms all over the Baltic States

24 group companies

Revenue **EUR 75 million**

EBITDA **EUR 7.2 million**

Almost **1700** employees

GROUP'S KEY BUSINESSES

AS Ekspress Meedia / Estonia
Ekspress Meedia publishes the internet portal Delfi with over 600 thousand monthly visitors, newspapers Eesti Ekspress, Eesti Päevaleht and Maaleht, and magazine Maakodu. From 1 June 2018, seven magazines were transferred from Ajakirjade Kirjastus with over 43 000 subscribers.

A/S Delfi / Latvia
Delfi Latvia, an internet portal with over 800 thousand monthly users, was recognised in 2017 as the most trustworthy news channel in Latvia.

Delfi UAB / Lithuania
Delfi Lithuania has almost 1.3 million monthly users and it is recognised as the premier media partner for high profile business and sports events in Lithuania.

SIA Biļešu Paradīze / Latvia
Biļešu Paradīze operates the electronic ticket platform (bilesuparadize.lv) and box offices to organise the sale of tickets to various entertainment events on behalf of event organisers. The company has provided online ticket distribution for more than 15 years and is one of the two leading ticket service providers in Latvia.

AS Õhtuleht Kirjastus / Estonia
Õhtuleht Kirjastus publishes Estonia's largest daily newspaper Õhtuleht, free newspaper Linnaleht and internet portal ohtuleht.ee with over 300 thousand monthly users. On 1 June 2018, it merged with Ajakirjade Kirjastus and more than 10 magazines with 47 000 subscribers were transferred to it.

Adnet Media UAB / Estonia, Latvia, Lithuania
Adnet Media is the largest online advertising network in the Baltic States that offers modern programmatic advertising, audience and campaign optimisation.

SIA Altero / Latvia, Lithuania
Financial comparison and brokerage platform in Latvia and starting from spring 2019 also in Lithuania. More than 90,000 Altero clients have compared financial offers for consumer loans, car loans and other products since the launch in June 2016. The company is a leading financial comparison service provider in Latvia and Lithuania.

Babahh Media OÜ / Estonia
Babahh Media provides a full range of professional video production, real-time and recorded video streaming, automation and video archive solutions.

Kinnisvarakeskkond OÜ / Estonia
Kinnisvarakeskkond develops a modern real estate portal kinnisvara24.ee in co-operation with local real estate agencies and it has over 23 thousand advertisements.

Linna Ekraanid OÜ / Estonia
Linna Ekraanid is a fast-growing outdoor media company that builds and operates well-positioned digital outdoor screens in several cities across Estonia.

D Screens / Latvia
D Screens is a fast-growing outdoor media company that builds and operates well-positioned digital outdoor screens in several locations across Latvia.

OÜ Hea Lugu / Estonia
Hea Lugu is a book publishing company. Hea Lugu publishes fiction, history books, autobiographies and memoires, books for children, reference books and practical handbooks. Hea Lugu operates trademarks Maailm ja Mõnda, 100 Rooga, Õhtuõpik, Eesti Ekspressi Raamat, Eesti Päevaleht, Maalehe Raamat and Raamat24.

AS Printall / Estonia
One of the most modern printing companies in the Baltic States, Printall prints the majority of periodicals and advertising materials in Estonia. It also exports many of its products abroad.

AS Express Post / Estonia
Express Post is currently the only early-morning newspaper delivery company in Estonia that is also engaged in direct mail and home delivery of letters.

A detailed list of the entities that are part of the group structure is disclosed in Note 1 to the consolidated financial statements.

OUR MEDIA BRANDS

Our web media portals:

DELFI

EKSPRESS GRUPP

We are the leading media group in the Baltic States whose activities primarily include web media content production, publishing of magazines and newspapers, publishing of books and provision of printing services.

Always high-quality and reliable.

Our weekly and daily newspapers with a strong digital outlet:

Õhtuleht, Maaleht, Eesti Ekspress, LP, Linnaleht, Eesti Päevaleht

Original and thorough treatment of hot topics.

Magazines with a strong web outlet

Pere ja Kodu, Kalale!, Kodukiri, anne & stiil, Tervis Pluss, Naisteleht, Kroonika, Nipiraamat, Eesti Naine, Käsitöö, Tiiu, Oma Maitse, Eesti Ajalugu

New ideas about hobbies and lifestyle of interest to you.

Our other brands:

Kinnisvara, Biļešu Paradīze, altero, Login

Support that significant information reaches you in a convenient way and at the right time.

Our books:

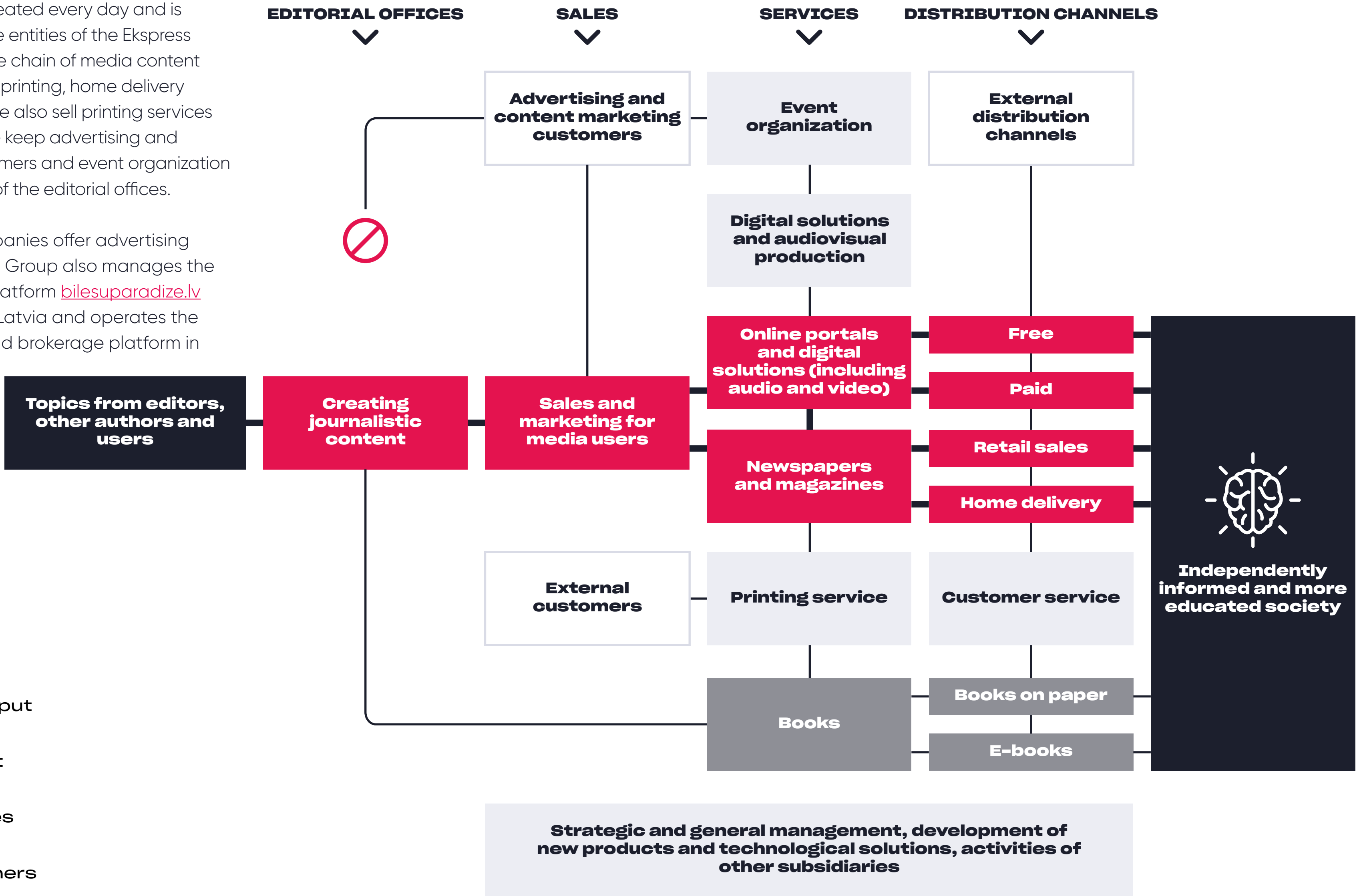
Hea Lugu, Maaleht, Eesti Ekspress, Eesti Päevaleht

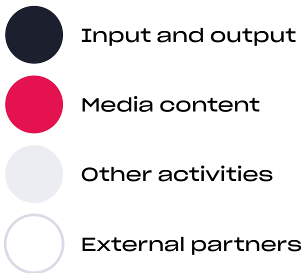
Adventures on your favourite topics.

OUR CHAIN OF ACTIVITY

Journalistic content is created every day and is constantly changing. The entities of the Ekspress Group manage the entire chain of media content from content creation to printing, home delivery and customer service. We also sell printing services to foreign customers. We keep advertising and content marketing customers and event organization separate from the work of the editorial offices.

In addition, Group companies offer advertising on outdoor screens. The Group also manages the electronic ticket sales platform bilesuparadize.lv and ticket sales sites in Latvia and operates the financial comparison and brokerage platform in Latvia and Lithuania.





RESPONSIBILITY OF A MEDIA GROUP IN THE SOCIETY

Ekspress Group is the leading media group in the Baltic States. As a large publicly listed media company, the Group has a major impact in the society; therefore the credibility and integrity of all companies of Ekspress Group need to be safeguarded at all times. As the main creator of the open information space in the Baltic States and a large employer, the group companies need to be managed in a responsible manner, the employees need to be valued and motivated, customer relations well maintained and the journalistic content reliable and independent.

The Group's annual report reflects the management principles, examples and results of all of the above aspects for 2019.

Ekspress Group's responsibility manifests itself primarily in the following aspects:

- impact, role and responsibility of media's daily functioning
- raising important issues from the social perspective
- ensuring customer experience and satisfaction
- being an employer to almost 1 700 people
- additional contribution to the development of the society and the sector
- conscious environmental management

In its daily operations, the company follows the following principles:

- **Group companies are managed in an honest, law-abiding and ethical manner.** The parties related to Ekspress Group and the society at large expects that.
- **We raise the topics of importance to the society, draw attention to them, talk honestly and openly about them.** We draw attention to the initiatives that are important in the society both in the content of media coverage as well as through additional cooperation projects.

PUBLIC IMPACT, ROLE AND REPONSIBILITY OF MEDIA COMPANIES ▾

The main public impact, responsibility and opportunity to make a positive contribution come from the Group's media businesses – creation of a journalistic content, i.e. coverage of the viewpoints of various parties and comprehensive articles help fill the information space with valuable content. The society expects independence, quality and credibility from Ekspress Group media companies.

Similarly to other media companies, Ekspress Group also has a task to take into account current social trends and media sector's developments when creating journalistic content:

- The society is becoming more polarised, there are widespread perceptions that deliberately try to disrupt both media and the society, and that are also vehemently oppose to which in turn increases readability of news in all channels;
- An increasingly greater variety of devices are used for media consumption, there is a trend from the computer screen to the mobile phone screen that sets requirements for technical solutions – the content of all periodicals needs to be consumable in different devices;
- The trend of media companies to enter new areas that support the media business: real estate and ticket sales portal, content marketing, event organisation.

In 2019, Delfi Latvia became the largest online news channel in terms of the total number of readers, the number of views of websites as well as the time of use. The number of visits of Delfi portals in all Baltic States increased more than that of their competitors. This enables us to thoroughly cover various important social topics and reach a significant number of readers.

According to global press freedom indices, the media in the Baltic States is free – in the table of the Reporters Without Borders (RSF) for 2019, Estonia ranked 11th (2018: 12th), Latvia 24th (2018: 24th) and Lithuania 30th (2018: 36th).

Journalistic ethics starts with independence

The work of journalists and periodicals should not be influenced by business interests, political links, personal relations and gains, bribes or other benefits. The Group adheres to the principles of balanced journalism, various parties are allowed to express themselves and counter-arguments are permitted; source information is always verified and if necessary, each journalist needs to ensure source protection and confidentiality. In covering sensitive topics, it is important to recognise a line, the crossing of which is not ethical.

„For years, there has not been as much talk about the freedom of expression or the role of free journalism in Estonia as this year. There are more efforts to restrict journalism and therefore for the first time journalists are beginning to censor themselves, because they are afraid of remaining entirely honest. However, I still do not think that there is any danger to freedom of expression."

— Urmo Soonvald
Editor-in-Chief of Delfi and Eesti Päevaleht

All newspapers, news portals and some magazines are members of the independent self-regulatory bodies of the Estonian, Latvian or Lithuanian journalism – press councils. During the year, more than 365 000 articles are published in twenty publications and portals of Ekspress Group and complaints regarding journalistic content are unavoidable in media business.

In 2019, 29 complaints were filed at the Estonian Press Council against Ekspress Meedia, 13 cases of which were acquitted, 13 received a condemning decision (2018: 7, 2017: 11) and one case was rejected, because the complainant had no power to file a complaint. Two complaints are still pending.

„Why are journalists asking (more?) questions that they know answers to or why should a tabloid in the role of a gatekeeper plough the furrows of high-quality journalism, these are the self-reflection questions of both Estonian and foreign media. For the words to be more than the wind, there must be responsibility. However, both in Estonia and around the world, the issue of a responsible person and taking responsibility is becoming increasingly blurred."

— Martin Šmutov
Õhtulehe peatoimetaja

Nine complaints were filed with the Press Council against Õhtuleht Kirjastus, two of which received a condemning decision and one complaint is pending.
Violation of the Code of Ethics is taken seriously at the Group. Discussions are held at editorial offices and training sessions are provided to journalists on an ongoing basis in order to avoid misconduct in the future. The Group wishes to cause no harm to related parties and avoid formal complaints, court cases and penalties.

Standing for credibility and freedom of speech

More than ever before there was a need in 2019 to check facts and statements made in media. There was an increased need to rebut the allegations presented in media and made against periodicals. The number of articles that focused on how to provide evidence regarding someone's statements using various documents, increased significantly in the market.

Journalism and the society at large are being impacted by the forceful mental division of the world on the basis of political principle. There are efforts to belittle the role of journalism and promote a view that mainstream journalism is bad. This creates a need for the Group's periodicals to be even more accurate in their activities to provide coverage of important topics to their readers using reliable sources.

Journalism is expected to be balanced, but in a situation where journalism itself is being attacked and needs to provide evidence or rebut somebody else's arguments, the ability to distinguish and show only accurate and verified information is of critical importance. This is a challenge for journalism and an opportunity everywhere in the world that needs to be taken advantage of immediately.

"The number of articles that focused on how to provide evidence regarding someone's statements using various documents, increased significantly in the market."

Removal of hate comments

The Group promotes the use of message boards where registered users log in. For removal of improper comments, human moderation is used, but for example, Ekspress Meedia is currently testing a machine learning based TEXTA moderation solution.

Social media role in the society is changing

Paradoxically, social media based on algorithms promotes creation of closed information space and makes people consume more similar social content that seems personal to the readers. There is a danger that a large part of what is going on in the society will be invisible to people and they will so-to-speak build walls around them that separate them from the information flow. This will lead to higher segregation and polarisation already prevailing in the society. Although a provision of personalised content is important for Ekspress Group, a balance should be kept between machine and human editing. Comprehensive articles created by journalists help Ekspress Group win the trust and attention of people in its competition with social media channels. At the same time, there is a growing trend of where the Group's articles can be reached through various social media channels. The Group's periodicals and platforms consider visibility in social networks and provision of high-quality content to people as an important task.

Simultaneously, the use of social media is changing, the consumption of local journalism that is closer to truth and the popularity of various smaller channels, including those in foreign languages, is growing. For the first time, there is a generation who in addition to Estonian language news values and consumes actively global progressive news channels.

Independence from advertising buyers, content marketing and event organisation

Group-wide events and initiatives help emphasise important topics for readers. However, the Group is still firmly convinced that the interest of advertising customers, content marketing and organisation of the Group's own commercial events should not the impact journalistic content of periodicals. The line between advertising and editing should be clear and comprehensible. The texts related to content marketing and the events organised by the Group are marked on its media pages accordingly and in a familiar manner. The situations where customers are ready to pay for advertising certain topics but do not wish to dictate the content of the article or disclose their name require special attention. For preventing conflicts of interest, all such cases are reviewed by the CEO and editor-in-chief of the media company.

"For the first time, there is a generation who in addition to Estonian language news values and consumes actively global progressive news channels."

Media emphasises important initiatives

On the one hand, it is the responsibility to highlight relevant and problematic topics. On the other hand, it is an opportunity for journalists to draw the public's attention to the processes that are important for the society's development at large and impact them in a positive way.

> "The role of journalism is to draw attention, to generate public debate and to give a voice to various parties in society on important topics."

For group companies, it is important to keep a balance between news stories that are attractive to media consumers and require immediate attention, and treatment of social issues that require analysis and are forward-looking.

In 2019, Ekspress Group journalists raised a number of high-profile issues that sparked public debate or brought about significant changes. Some examples are:

- Due to extensive research by data analyst Priit Pärnapuu and Eesti Päevaleht reporter Joosep Tiks, members with criminal convictions who were also members of political parties were made public.

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  Paavo Pettai, long-term marketing partner of Edgar Savisaar and the Centre Party, told Eesti Ekspress how he successfully worked for Edgar Savisaar for 20 years and participated in shady funding.

- Mikk Salu, a journalist of Eesti Ekspress, reported that Bachelor's thesis of politician Rainer Vakra in the environmental management specialisation at Tallinn University is plagiarism.

- Kirsti Vainküla, a journalist of Eesti Ekspress who has won the Bonnier Prize for Journalism, and ERR journalist Merilin Pärl helped a small boy find a suitable family and home.

- Anette Parksepp, a journalist of Eesti Päevaleht, wrote the story of the poor condition of the Baltic Sea that is not to be blamed on individual factories or oil spills, but all of us are more and more to blame.

- The resignation of Kert Kingo, Minister of Foreign Trade and Information Technology, for lying was largely the outcome of the good work of media.

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  Gunnar Leheste, a sports journalist of the joint editorial office of Eesti Päevaleht and Delfi, and photographer Andres Putting, were on site at the World Ski Championships in Seefeld, when Estonian skiers were among the athletes who had used doping.

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  A revelatory article by journalists of Eesti Ekspress, Eesti Päevaleht and Delfi resulted in making Martti Kuusik, accused of domestic violence, Estonia's shortest-term minister (30 hours) since 1991. If convicted, the court may punish Kuusik by a pecuniary punishment or up to 5 years' in prison. Kuusik will appear in court in May 2020.

- At the beginning of April, newly elected members of the Riigikogu took the oath of office. Some members of EKRE party showed a "good mood" sign after taking the oath. Mikk Salu, a journalist at Eesti Ekspress, researched how the sign is understood in the world. Several media outlets condemned such behaviour, which refers to anti-Semitism.

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  Maaleht revealed the dirty secret of Estonian straw-berries - Estonian farms use forbidden chemicals and the "domestic strawberries" sold in the big city open-air markets come from Latvia.

- Eesti Ekspress published an article by Eero Epner who during the preparation of the article met with about twenty psychologists, lawyers, prosecutors, teachers, therapists, child psychologists and officials within two months to hear extraordinary stories of horrific violence in Estonian homes. All women's magazines of Ekspress Meedia then showed their support for President Kaljulaid with a flash social campaign and their aversion to policies that indirectly tolerate violence. Epner was recognized by the Pärnu Women's Asylum for his work in preventing domestic violence.

- Külli-Riin Tigasson, in an article published in Eesti Ekspress, revealed the enslaving contract terms imposed in the world of reality TV and what is the real price of a "miraculous change".

- In Latvia, the article series published by Delfi Latvia which grew out of a charity campaign in 2018 aimed at raising donations for families who need to care for their loved ones who are sick had the most direct impact on legislation. The campaign revealed a number of gaps in the legislation on caring for relatives. For example, the state does not provide support for acquisition of special food needed by the sick, which is why those caring for their loved ones often suffer from hunger. The articles made a number of proposals for legislative amendments to improve the situation and the Latvian state budget for 2020 has allocated the necessary funds to provide support for buying special food.

- A series of articles in Delfi Latvia about former KGB agents sparked a heated debate in the Latvian society - why did many prominent people become agents of the Soviet intelligence service, should their actions be disclosed and should their victims forgive the actions of KGB operatives?

- About a dozen articles were published about the obscure dealings of the Latvian Football Federation, especially those related to funding.

- The most influential series of articles in Delfi Lithuania reflected on children's rights legislation from different angles, both by children, families and child protectors. Former children who are now grown-ups who had been separated from their families, told their stories, and this provoked an important debate in society.

"The objective of media production is to focus on current issues and offer interesting content to readers."

— Mihkel Ulk
Creative Director of Ekspress Meedia

DIGITAL MEDIA COMPANY

Facts:

The Group's share of digital revenue is constantly increasing and accounts for 60% of the media segment's revenue.

The number of digital subscriptions of Ekspress Meedia increased by 75% in a year .

Usage of Zlick payment solution increased more than twice in 2019 year-on-year.

Õhtuleht decided to provide its readers with more in-depth coverage of topics and higher quality content while reducing the total number of stories published online by about 25%. The result: the readability of one article increased by 50% and the total readability of articles increased by one tenth on average.

The number of podcasts listened exceeded half a million, being 545,000 on average per month.

The media business is becoming increasingly digital. The prerequisite for success are the Group's digital capabilities - creating innovative and customer-centric solutions and adapting to customers' changing information and media consumption habits. Ekspress Group is committed to developing digital businesses primarily in the media segment, but is also expanding rapidly into other related activities (event marketing, management of real estate ad portal and ticketing platform) where it sees opportunities to create synergies with the Group's media portals and leverage business. This creates an opportunity to add even more value to our customers and enhances the Group's capabilities.

The share of digital business in the Group continues to increase. Delfi portals in Latvia and Lithuania are focused on digital media. In addition to producing a digital-only content, most of the content of the newspapers and magazines of Ekspress Meedia that are printed on paper is available in a digital format, and all publications of Õhtuleht Kirjastus can be read also in a digital format. Hea Lugu also sells e-books and operates Raamat24 e-store. Adnet Media, Babahh Media, Kinnisvara24 and Biļešu Paradīze are 100% digital businesses. Linna Ekraanid and D Screens operate digital outdoor advertising screens. The development of mobile-friendly platforms and digital solutions for smart devices is constant work. Today, we have become a leader in digital subscriptions across all home markets.

"Historically, the day-to-day processes of a media company have been structured differently than they are today. In the past, the outcome of media work was a paper edition, but now it must be a digital edition. At the same time, the web offers a lot more options, as it is no longer just text and images. It is now replaced by text, image, interactive graphics, photo gallery, video and audio clips. Overall, it will change the whole work process up to the point when people come to work or where they work. Content production is no longer linked to the working rhythm of paper media."

— Kaspar Hanni
Member of the Management Board
of Ekspress Group

Technological advances present new challenges

Ekspress Group's development unit has consistently brought new innovative solutions to the market that provide added value particularly to readers. The long-term strategy of the Group foresees a strong growth in the share of digital business which presents greater challenges to technological innovation, internal processes, and to the skills and competences of its employees. The Group uses world-class technological equipment. During the last two years, the Group deployed technologies that are only beginning to enter the Estonian market. This has created a situation where there may be a shortage of employees in handling these technologies because the region does not have the necessary skills. Across the Group, this is an opportunity for the specialised training and professional development of highly skilled workers.

Web leveraging for magazines

2019 saw the completion of the restructuring of Ajakirjade Kirjastus, the aim of which was to give paper publications a better outlet on the Internet and to support cooperation with the Group's other strong online platforms. Today, also magazine articles are first published online and only then in print.

> *"It is important that people who visit our site and read the Group's newspapers/magazines find something interesting for them, something they do not want to miss and are willing to pay for, because this reader's support enables us to produce better and - with a special emphasis today - independent journalism."*
>
> — Martin Šmutov
> Editor-in-Chief of Õhtuleht

Podcasts and longread

As for podcasts the Group's Estonian publications are the leaders in this field. Their popularity grew in 2019 at a high speed. For the Group, this is a new world and has proven to be significantly more successful than initially thought. There were millions of podcasts during the year while the average number of podcasts 545,000 a month in 2019.

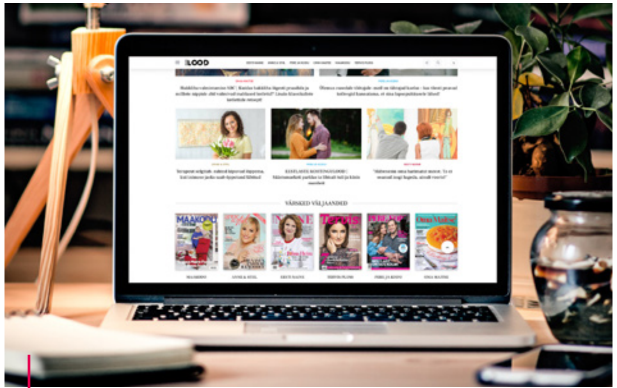
Longread as a versatile technical format created an opportunity in 2019 to present major and important events to readers – general elections, 150 years from the first song festival and the Song and Dance Festival, the 25th anniversary of the M/S Estonia disaster and the completion of the monumental movie "Truth and Justice".

Video and TV shows

Audio-visual journalistic content is becoming increasingly important. In 2019, Delfi in Lithuania took a major step and launched its own linear television channel in cooperation with Telia, which was very well received in the market. According to Telia's ratings, the Delfi TV channel immediately outperformed some of the earlier commercial channels. During the year, Delfi TV L!VE broadcast live concerts, seminars and sports events. For example, live broadcasts were available from the e-sports and lifestyle festival HyperTown TLL, robotics fair Robotex, the international dog show, the 11th Song and Dance Celebration for People with Special Needs, the Duck Rally, among others concerts of Svjata Vatra and Anne Veski, and several other important sports events.

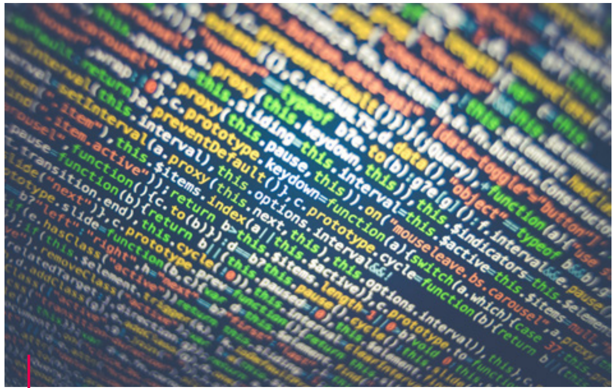
The awareness of Delfi.tv among Lithuanian residents increased from 5-7% in the year before to significant 33% in 2019.

The number of podcasts listened exceeded half a million, being 545,000 on average per month.



Digital and mobile versions

The Group's aim is to regularly update the digital outputs of all products. Several updates were made across the Group: Ekspress Meedia launched the updated site ekspressmeedia.ee, Delfi launched an iOS application, a new Eesti Päevaleht online platform and large-scale magazine platform Delfi Stories. Õhtuleht Kirjastus has launched new mobile applications, updated the vertical content display and updated online platform kalale.ee, Delfi Latvia launched a new mobile version of the portal. Both Delfi Latvia and Delfi Lithuania launched a paid digital subscription service in the market. Media products are increasingly sold as a complete online access package, rather than as separate publications, and in addition, the digital subscriber has access to content for multiple users, sharing access rights, for instance, with family members.



Demo days

In 2019, Ekspress Media organised a quarterly digital technology and ideas demo day, where people working on a new project or implementing technology talked about the content of their specific project, how it will change internal processes and what the new solution will bring to readers. Innovative ideas need to be turned into specific products and assigned commercial targets.

Digitalisation has a direct impact on the quality of content. The online format provides an opportunity to collect information about the number of users of the content, feedback and other results in real time. It gives journalists good feedback, information and inspiration to create more content for consumers. For collecting feedback, Ekspress Meedia introduced in mid-2019 a satisfaction survey for readers of all paid content, both digital subscriptions and single-article purchasers. In the last quarter of the year, the suggestion index for digital subscriptions was 60.03% and among purchasers of single article it was 16.50%.

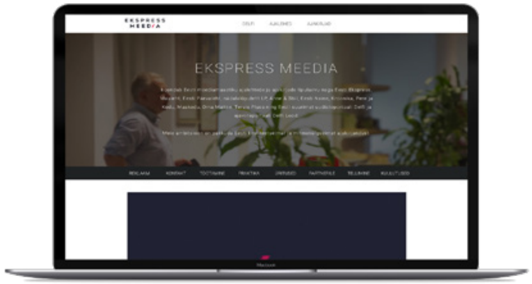
"Podcasts seem to have ushered in a new era. First came the web world, then videos and now it is podcast time. This is pure journalistic victory in 2019!"

— Urmo Soonvald
Editor-in-Chief of Delfi and Eesti Päevaleht

KEY EVENTS AND DEVELOPMENTS IN 2019

JANUARY

- The Extraordinary General Meeting of Shareholders of AS Ekspress Grupp took place on 22 January.



- Ekspress Meedia launched a revamped corporate brand and the website ekspressmeedia.ee. The sale of articles reached a record level.
- Delfi Lithuania organised traditional initiative "Heroes among us" which was this year dedicated to teachers.

FEBRUARY

- AS Ekspress Grupp disclosed the unaudited consolidated interim report for the 4th quarter 2019 and twelve months of 2019.
- Ekspress Meedia made the Home Package for digital subscriptions more customer-friendly –up to four people can share one package.

- Delfi arranged a full-house all-star basketball game in Tartu, attended by the basketball elite of Estonia, Finland and Latvia.

MARCH

- Ekspress Grupp acquired a 100% ownership interest in Linna Ekraanid OÜ that is engaged in the sale of outdoor advertising in order to create prerequisites for the Group to launch a new business line and thereby grow its portfolio of activities.
- In order to enter the market of conference organisation, Ekspress Grupp acquired through its Lithuanian subsidiary UAB Login Conferences that organises the country's largest technology and innovations conference Login.
- Ekspress Group's media outlets received several awards at the competition of the Estonian Newspaper Association, including: best young journalist - Joosep Tiks (Eesti Päevaleht), Silja Lättemäe from Maaleht received the lifetime award, Delfi TV's video "Generation shift: the Estonian first social network 10 years later" was named the best video of the year, Martin Ahven from Õhtuleht took the best sports photo.
- Delfi Latvia launched an updated mobile version of the portal.
- Delfi Lithuania together with several partners organized an event "The best day of lessons" in Kaunas with ca 14 thousand school students participating and active coverage, video conferences and streams.

APRIL

- Eesti Ekspress's conference "The Audacity to Do Things Differently" took place on 18 April that was attended by 600 people. Ten performers shared the stage, including such well-known people as Nassim Nicholas Taleb, Bob Hoffman, Nir Eyal, Kalev Mark Kostabi, etc.

- On 30 April, AS Ekspress Grupp disclosed the unaudited consolidated interim report for the 1st quarter of 2019.
- Ekspress Meedia launched a new Delfi IOS application and a new web platform of Eesti Päevaleht.
- Õhtuleht Kirjastus launched new mobile applications and updated the web platform kalale.ee.

MAY

DELFI PLUS+

- In Latvia, Delfi introduced a paid digital subscription service Delfi Plus to the market.
- On 17 May, the regular meeting of the shareholders of AS Ekspress Grupp took place.
- On 17 May, the jubilee concert celebrating the 95th anniversary of Eesti Naine took place in Alexela concert hall where for only one night the group Swingers performed with singers Birgit Sarrap, Tanja Mihhailova, Mikk Saar, Pearu Paulus and Ott Lepland.
- Kroonika organised a spectacular event - the Estonian Entertainment Awards Gala that was attended by over 600 people and that was broadcast on television by TV3. More than 484,757 votes marked the record result for Entertainment Awards.

JUNE

BIĻEŠU PARĀDĪZE

- In Latvia, AS Ekspress Grupp acquired a ticket sales platform operator SIA Biļešu Paradīze, in order to expand into new business sectors and increase the share of the Group's digital revenue.
- Eesti Päevaleht and the week-end newspaper LP launched a joint Friday edition with a new concept and design.
- Delfi Latvia became Latvia's largest online news channel in terms of the total number of readers, number of views of the webpages as well as the time of use.

- Delfi Latvia organised the conference 'uz:RUNA' on the topic of public speaking.
- Delfi Lithuania became the member of the International Fact-Checking Network (IFCN).

- Delfi Lithuania improved top of mind and spontaneous awareness among its readers. In Lithuania, Delfi is known as the users' key information portal and TV platform.
- During talk festival LAMPA Delfi Latvia participated in 17 different sessions and panel discussions.
- Delfi Latvia served as main media partner for: Muse (band), Lampa talk festival, Dentsu Digital Camp, Sound poets band, Rally Liepāja, EBIT conference, Sound Poets band, Musiqq band.

- Delfi Lithuania together with partner companies launched a social initiative "do not squint" to draw attention on the issue of mobile phone use while driving.

JULY

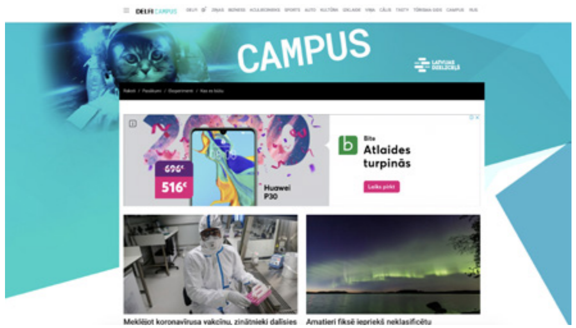
- On 22 July, the general meeting of SIA Biļešu Paradīze that is part of Ekspress Grupp appointed Jānis Ķuzulise as new member of the Management Board and CEO from 1 August 2019. The general meeting also decided to recall the current member of the Management Board Konstantins Kuzikovs from 1 August 2019 and appoint him as member of the Supervisory Board of SIA Biļešu Paradīze.
- Delfi Latvia launched an updated web platform for vertical content portals.
- On 31 July, Ekspress Grupp disclosed the unaudited consolidated interim report for the 2nd quarter and six months of 2019.

AUGUST

- AS Printall will invest up to 1.9 million euros into various pieces of equipment in order to automate the production process of the printing house.
- The Supervisory Board of AS Ekspress Meedia extended the term of authority of its member Urmo Soonvald until 31 January 2022.
- Maaleht in collaboration with Eesti Mündiäri created a unique commemorative medal to commemorate the 30th anniversary of the Baltic Way.i.

SEPTEMBER

- Delfi launched a breaking news block with a revamped design both in the web well as mobile version.
- Ekspress Meedia launched a major magazine content portal Delfi Lood and launched a new DelfiTV video block with a revamped structure and design.
- Õhtuleht Kirjastus launched an option to buy articles using mobile payments and achieved another record in digital products revenue.
- Delfi Lithuania launched Delfi Plius digital subscriptions and an open monetisation platform.
- Delfi Lithuania launched TV linear channel on Telia's platform.



- Delfi Latvia launched multiple significant projects such as "Izlaušanās 94" (the biggest escape in the history of Latvian prisons), "Stay brutal" (youth subcultures in 90'ties), "1989: Back to Freedom", "The Threshold of Pain" (about palliative care), DELFI Campus (new portal about STEM education).
- Delfi Latvia served as main media partner for: Rammstein, Father John Misty, Positivus (music festival), Fono Cēsis (music festival), Prāta Vētra (band), Instrumenti (band), Dagamba (band), Jelgava 94 (Latvian movie).
- Delfi Lithuania launched a donations based initiative „Responsible standpoint".

OCTOBER

- AS Ekspress Grupp announced that is shall issue 5000 bonds via a private placement for the pension funds managed by LHV Varahaldus, each with the nominal value of 1000 euros and interest rate of 6 per cent per year.
- Delfi ranked 2nd in the category of the Estonian most loved media brands in the scoreboard of the most loved Baltic brands..

- Delfi Latvia granted two EUR 5,000 scholarships for the journalism students of the University of Latvia.
- On 16 October, Eesti and Äripäev organised the conference to celebrate the 30th anniversary of Eesti Ekspress "30 Years of Free Journalism in Estonia", where speeches were given by the President of the Republic of Estonia Kersti Kaljulaid, influential and well-known media persons and journalists Drew Sullivan, Inga Springe, Hans H. Luik, Igor Rõtov, Mart Kadastik, Mihkel Kärmas, Erik Moora, etc.
- On 31 October, AS Ekspress Grupp disclosed the unaudited consolidated interim report for the 3rd quarter and nine months of 2019.
- Delfi Latvia acquired a 25.5% ownership interest in SIA Altero that manages comparison and brokerage

portals of financial products in Latvia and Lithuania in order to increase the share of the Group's digital revenue and develop diversified digital business.

NOVEMBER

- Delfi celebrated its 20th anniversary and staged Eero Epner's tragic gospel about life in Estonia – "Anonymous Longing" in Alexela concert hall. Sergo Vares and Anu Lamp read Delfi's comments for last 20 + years with the music specially composed for that evening by Erki Pärnoja and Marti Tärn.

- Delfi Latvia organised 3 national voting projects: "Lielais Kristaps" (National movie award); Austras balva (Latvian Music Recording Award); "Spēlmaņu nakts" (Latvia's annual theatre awards).
- Delfi Latvia launched the first "DELFI author" award.

- 2nd year in a row DELFI launched "Media Lab" stage during "Digital Freedom Festival" with guests lectures from Facebook, Google, Axel Springer and other big international companies.
- Delfi Lithuania together with Maxima launched a traditional Christmas train in Vilnius.

DECEMBER

- The Supervisory Board of AS Ekspress Grupp extended the term of authority of the Chairman of the Management Board Mari-Liis Rüütsalu for the next three years until 31 December 2022.
- Charity project "Stiprini stipros" has been launched the 2nd time by Delfi Latvia and gathered more than 63 thousand euros.
- Delfi Latvia was a main media partner for: Riga business forum, Digital Freedom Festival, Riga Business Conference, Baltic Brand Forum and award ceremony, Lielais Kristaps (Latvian National Film Festival), Spēlmaņu nakts (Latvia's annual theatre awards), Carnival Youth (band), Astronaut (band), Oļegs (Latvian movie), World RX Latvia, Riga fashion week, Vecāku revolūcija (conference for parents).

- Delfi Lithuania launched traditional charity campaign "Mission Lapland". Children from Lithuanian art schools were travelling to Lapland to meet the Santa Claus.

MEDIA DISTINCTIONS AND AWARDS IN 2019

ESTONIA

In March 2019, the **Estonian Newspaper Association** announced the winners of **"Press Awards 2018"** which included several employees and periodicals of Ekspress Group.

- The journalist of the year 2018 was **Tarmo Vahter** (Eesti Ekspress).

- **Joosep Tiks** won the Estonian Young Journalist Award for 2018 (Eesti Päevaleht).
- The winner of the lifetime award was **Silja Lättemäe** (Maaleht).
- The winner in the feature article category was **Tarmo Vahter** with his story "Who the hell is building the Estonian state when nobody is supposed to know anything?" that was published in Eesti Ekspress on 20 June.

- The best feature article was "The death of the writer" written by **Madis Jürgen** and **Tarmo Vahter** that was published in Eesti Ekspress on 10 December and 27 December.
- The best sports photo of the year was taken by **Martin Ahven** from Õhtuleht: "Harsh Measures".

- The best video title was awarded to **Delfi TV**'s "Generation shift: the Estonian first social network 10 years later".
- In the category of layout of nationwide newspapers, the nominee was **Õhtuleht**.
- The winner in the feature stories category of nationwide newspapers was the cover story "There was no need for sexual education during the Soviet time as the fiction helped young people" that was published in **Eesti Ekspress** Areen on 7 March.
- The winner in the visual communication category of nationwide newspapers was the photo story "Morning stretch of the sun wheel above Estonia" that was published in **Õhtuleht** on 2 June.
- The winner of the open group was the special edition of **Õhtuleht** from 31 December "The Year of Fights".
- The winner in the category of article views of digital newspapers was **Eesti Ekspress**.

In February 2019, Estonia's most important investigative press award, the **Bonnier Prize**, for 2018 was jointly awarded to Eesti Ekspress journalist **Kirsti Vainküla** and Estonian Public Broadcasting journalist Merilin Pärl.

Their stories talk about a small boy known as Martin whose adoption caused problems due to the bias of child protection specialists.

In February 2020, journalists from public broadcaster ERR and investigative weekly Eesti Ekspress won the **Bonnier Prize** for Investigative Journalism. The awards went to **Sulev Vedler** from Eesti Ekspress and Anna Pihl of ERR, for their coverage of a Listeria outbreak at a fish-packing firm.

At the beginning of 2020, the **Estonian Association of Press Photographers** announced its awards at the best press photo competition.

The winners of the press photo of the year for 2019 were **Robin Roots** from Õhtuleht and **Rauno Volmar** (Eesti Päevaleht / Delfi) with news stream photos. In the category of feature photos, **Priit Simson** (Eesti Päevaleht), **Krõõt Tarkmeel** (Anne&Stiil) and **Robin Roots** (Õhtuleht) were the nominees.

In 2019, Ekspress Media came in 8th (2018: 7th) among the students of humanitarian studies in the survey of **the most attractive employers by Instar**.

The work of Ekspress Group's journalists was also noticed and recognised outside the media sector. Pärnu Women's Asylum handed out the prize Okas for the first time to recognise the people who help to prevent domestic violence. The prize Okas was awarded to Eesti Ekspress journalist **Eero Epner** who this year wrote the article "Because They Can" dealing with domestic violence that received a lot of media attention.

Out of 37 videos submitted to the competition "**The Press Video of the Year 2019**", two **Delfi TV** videos received an award.

1. Delfi TV video: "Mommies into shape: how plastic surgeons target young mothers" made by **Piia Osula**, **Kadri Nikopensius**, **Joonatan Allandi** and **Georg Madis Puhm**. The audio-visual opinion story deals with a set of beauty procedures "Mommy makeover" that is gaining popularity and that encourage women who have given birth recently to gain their pre-pregnancy shape.

2. Delfi video "Mirkko Moisar's 10 rounds: a story about how to stay on one's feet up in the boxing ring" made by **Jaanus Lensment**. The video shows a competition held at Tondiraba ice-skating hall on 18 February where an eight-man tournament was held in Estonia for the first time. The winner of the tournament had to step into the ring three times during the night, with each boxing match lasting for 3×3 minutes.

LITHUANIA

Delfi Lithuania's journalist **Arūnas Milašius** won the second prize at the competition of environmental journalists "People and the Environment" for a series of articles dealing with the ecological disaster due the fire in the factory of recycled tires. The prizes were handed out by the Minister of the Environment Kęstutis Mažeika and Chairman of the Association of the Lithuanian Journalists (LŽA) Dainius Radzevičius.

Delfi Lithuania's journalists **Edgaras Savickas**, **Arūnas Milašius** and **Lina Mustafinaitė** received three awards for their work covering EU investment projects.

Delfi Lithuania's business journalist **Edgaras Savickas** and environmental journalist **Tomas Janonis** won awards for their entries in the competition on corruption "Trans-parency – it's in our hands 2018".

LATVIA

The Latvian Association of Journalists awarded the following prizes to the journalists of Delfi Latvia: in the category of investigative journalism, Delfi Latvia received two awards 1) for a series of analytical articles "Value of trust" 2) a special prize for the coverage of the parliamentary elections

In the category of the most popular media brands, Delfi Latvia came in second after TV3.

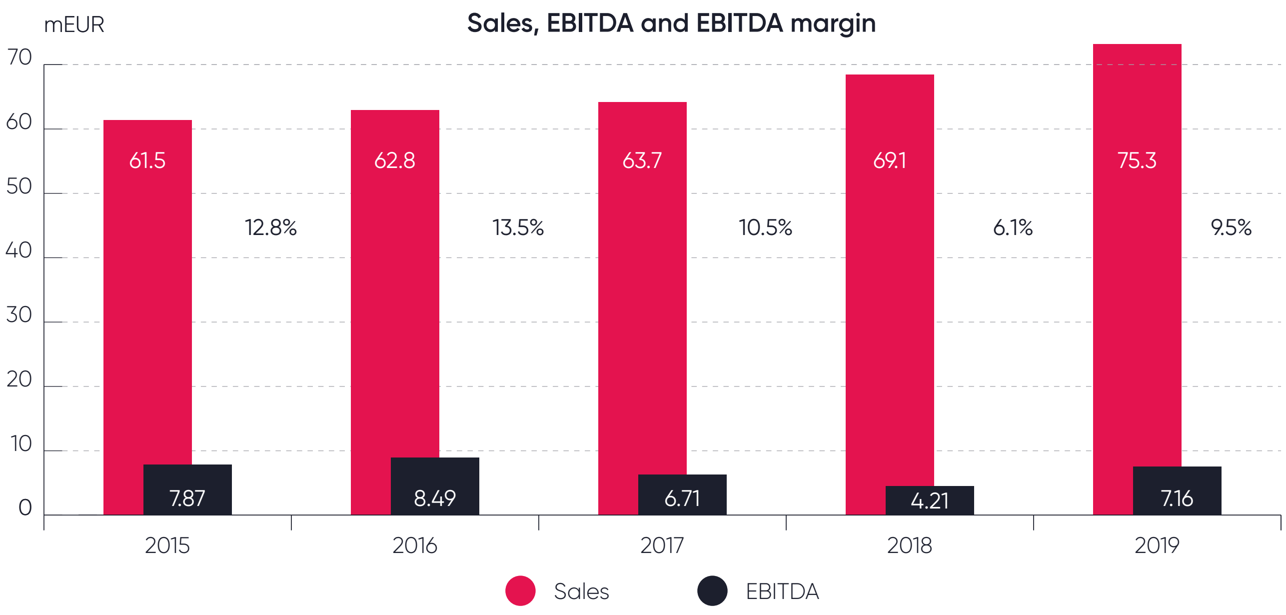
To celebrate the 20th anniversary of Delfi, readers were able to nominate the best journalists of Delfi Latvia. Three journalists received a special award: **Kristina Hudenko**, **Diana Čučkova** and **Filips Lastovskis**.

The critics writing music and literature reviews for Delfi Latvia received Normund Nauman art critic award for their work in 2019. **Lauma Malnace** received the award "The Best New Critic of the Year" and **Artūrs Koroševskis** was named "The Best Critic of the Year".

MANAGEMENT REPORT

SUMMARY OF THE RESULTS

In the Group's reporting, the management monitors the performance on the basis of proportional consolidation of joint ventures. The loan contract and note terms and conditions also determine the calculation of some covenants while taking into account proportional consolidation.



Revenue

In 2019, the consolidated revenue totalled EUR 75.3 million (2018: EUR 69.1 million). Revenue increased by 9% as compared to last year. Revenue growth is primarily attributable to the advertising revenue growth both in Estonia and Lithuania and also to the acquisition of the Latvian ticket sales platform company SIA Biļešu Paradīze in June 2019 which increased the Group's online revenue and its share in total revenue. SIA Biļešu Paradīze manages the electronic ticket sales platform (bilesuparadize.lv) and ticket sales sites, through which tickets to various entertainment events on behalf of event organisers are sold. The share of the Group's digital revenue made up 42% of total revenue and 60% of media segment revenue at the end of the year 2019. The Group's digital revenue for 2019 increased by 22% as compared to the same period last year.

Profitability

In 2019, the consolidated EBITDA totalled EUR 7.16 million (2018: EUR 4.21 million). EBITDA increased by 70% as compared to the previous year, of which EUR +0.84 million was related to the effect of the new accounting standard IFRS 16 Leases entered into force on 1 January 2019 on EBITDA. The EBITDA margin increased to 9.5% (2018: 6.1%). The consolidated net profit for 2019 was EUR 1.41 million (2018: EUR 0.03 million). The growth in profitability was primarily related to the good results in media segment. In the printing services segment there was a decline in profitablity due to the intensifying competition and the increase in input prices.

From 1 January 2019, the Group has adopted the new mandatory accounting standard IFRS 16 Leases. Due to this, the leased assets and lease liabilities are recognised at the present value of lease payments in the balance sheet. Depreciation on leased assets and the estimated interest expense on lease liabilities are recognised in the income statement.

The effect of IFRS 16 on the consolidated balance sheet and income statement as at 31 December 2019 is disclosed on page 33 of the financial statements.

Cash position

At the end of the reporting period, the Group had available cash by proportional consolidation in the amount of EUR 4.5 million and equity in the amount of EUR 51.6 million (53% of total assets, without taking into account the effect of IFRS 16 – 55%). The comparative figures as of 31 December 2018 were EUR 2.2 million and EUR 50.4 million (64% of total assets), respectively. As of 31 December 2019, the Group's net debt totalled EUR 20.1 million. Without taking into account the effect of IFRS 16, the Group's net debt totalled EUR 16.8 million (31 December 2018: EUR 13.3 million).

BUSINESS OPERATIONS

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

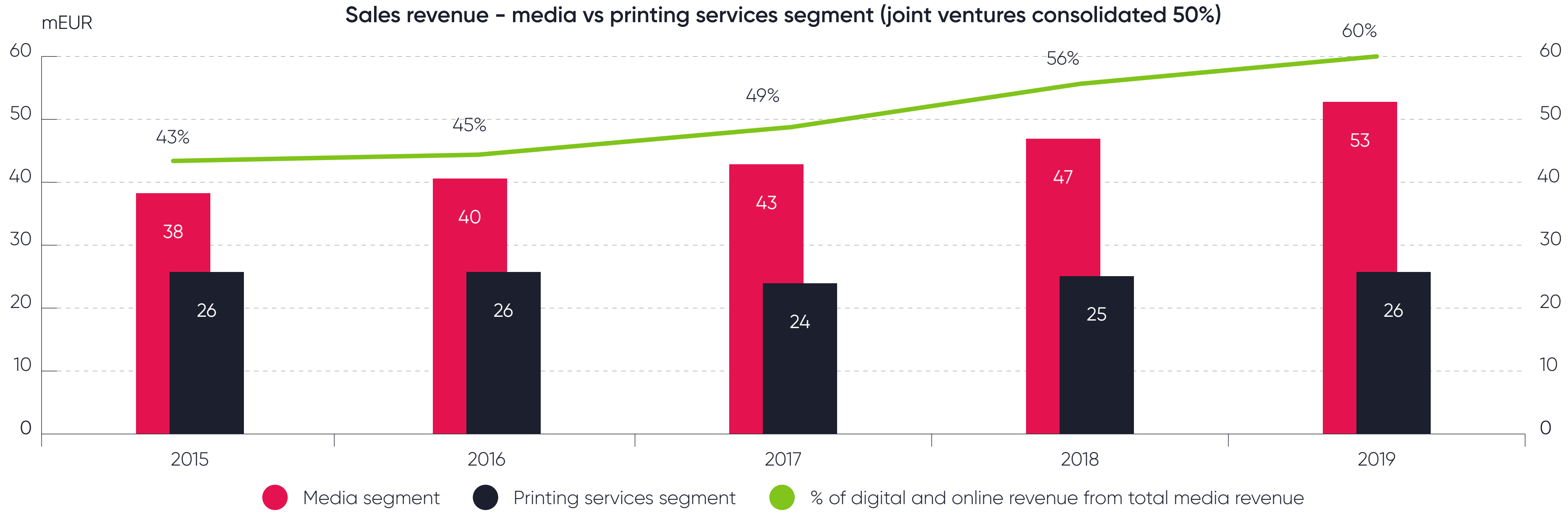
The effect of the new standard IFRS 16 "Leases" that entered into force on 1 January 2019 is described on page 33 and in Note 2 of the financial statements.

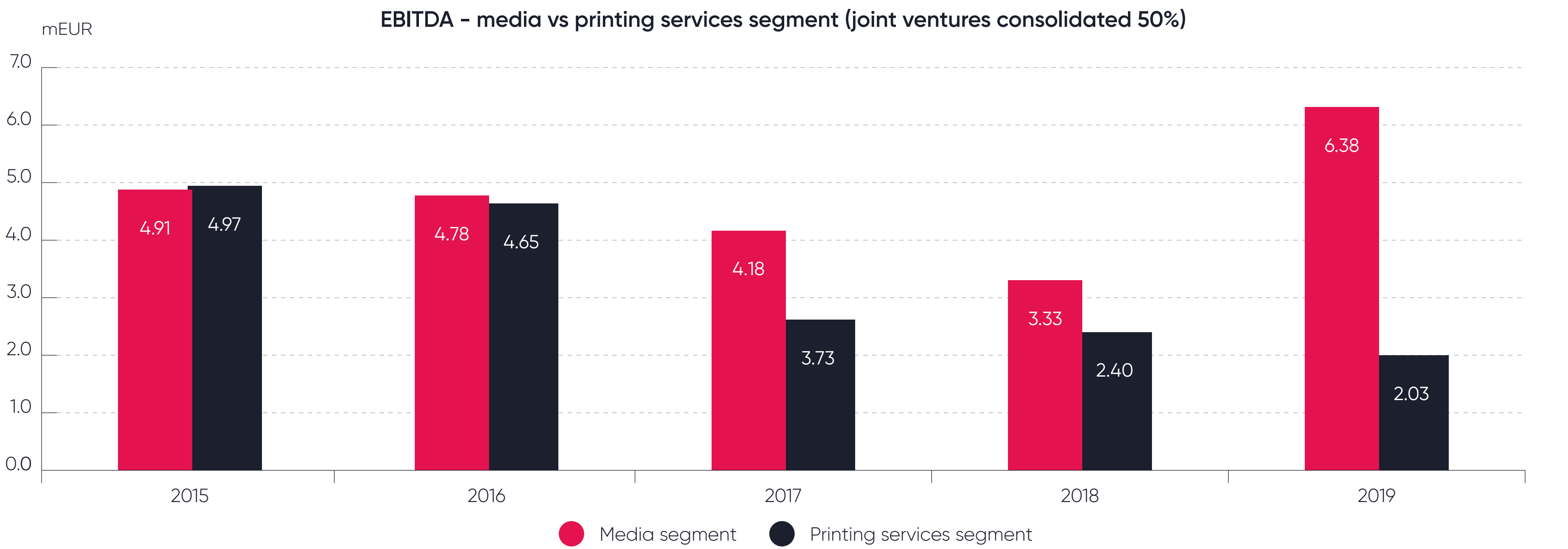
FINANCIAL INDICATORS AND RATIOS – joint ventures consolidated 50% line-by-line

Performance indicators – joint ventures consolidated 50% (EUR thousand)	2019	2018	Change %	2017	2016	2015
Sales revenue	75 297	69 096	9%	63 699	62 793	61 528
EBITDA	**7 164**	**4 206**	**70%**	**6 713**	**8 487**	**7 869**
EBITDA margin (%)	***9.5%***	***6.1%***		***10.5%***	***13.5%***	***12.8%***
Operating profit*	2 691	944	185%	3 526	5 221	4 866
Operating margin* (%)	3.6%	1.4%		5.5%	8.3%	7.9%
Interest expenses	(792)	(458)	-73%	(427)	(518)	(618)
Net profit/(loss)* for the period	**1 407**	**25**	**5640%**	**2 952**	**4 406**	**3 907**
Net margin* (%)	***1.9%***	***0.0%***		***4.6%***	***7.0%***	***6.4%***
Net profit (-loss) for the period in the financial statements (incl. write-downs and gain from change in ownership interest)	1 407	25	5640%	3 146	4 406	2 707
Net margin (%)	1.9%	0.0%		4.9%	7.0%	4.4%
Return on assets ROA (%)	1.6%	0.0%		4.1%	5.8%	3.5%
Return on equity (%)	2.8%	0.0%		6.1%	8.9%	5.6%
Earnings per share (EPS)	**0.05**	**0.00**		**0.11**	**0.15**	**0.09**

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

Financial indicators and ratios under the equity method are disclosed on pages 31-33 of the financial statements


Sales revenue - media vs printing services segment (joint ventures consolidated 50%)
mEUR
60
50
40
30
20
10
0
43%
45%
49%
56%
60%
38
26
40
26
43
24
47
25
53
26
2015
2016
2017
2018
2019
Media segment
Printing services segment
% of digital and online revenue from total media revenue


EBITDA - media vs printing services segment (joint ventures consolidated 50%)
mEUR
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
4.91
4.97
4.78
4.65
4.18
3.73
3.33
2.40
6.38
2.03
2015
2016
2017
2018
2019
Media segment
Printing services segment

SEGMENT OVERVIEW

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

The media segment includes the Group's activities in Estonia, Latvia and Lithuania. It comprises the operations of online portal Delfi, several other news portal providing online advertising network and programmatic sales solutions, digital outdoor advertising in Estonia and Latvia, publishing of the Estonian weekly newspapers Maaleht, Eesti Ekspress and LP, publishing of the daily newspaper Päevaleht and tabloid Õhtuleht, publishing of the freesheet Linnaleht, publishing of books and magazines in Estonia and providing home delivery services. The media segment also includes organisation of the technology and innovation conference Login in Lithuania (since March 2019), operation of the electronic ticket sales platform (bilesuparadize.lv), ticket sales sites in Latvia (since June 2019), through which tickets to various entertainment events on behalf of event organisers are sold and production studio for content creation in Lithuania.

The printing services segment includes AS Printall which is one of the largest is printing companies in Estonia. We are able to print high-quality magazines, newspapers, advertising materials, product and service catalogues, yearbooks, paperback books and other publications in our printing plant.

Segment EBITDA does not include one-off write-downs for goodwill and trademarks. Volume-based and other fees payable to advertising agencies are deducted from the advertising sales of segments.

The effect of the new standard IFRS 16 Leases entered into effect on 1 January 2019 on the income statement is described on page 33and Note 2 to the financial statements.

			Revenue			
(EUR thousand)	2019	2018	Change %	2017	2016	2015
Media segment (under equity method)	44 218	37 248	19%	31 753	29 763	28 475
incl. revenue from all digital and online channels	*30 534*	*24 561*	*24%*	*19 963*	*17 307*	*15 555*
share of digital and online revenue	*69%*	*66%*		*63%*	*58%*	*55%*
Printing services segment	25 695	25 242	2%	23 879	25 585	25 842
Entertainment segment	0	0	-	0	0	517
Corporate functions	2 076	2 341	-11%	2 486	2 233	1 937
Inter-segment eliminations	(4 533)	(4 342)		(4 048)	(4 257)	(3 997)
TOTAL GROUP under equity method	**67 456**	**60 489**	**12%**	**54 070**	**53 324**	**52 773**
Media segment (by proportional consolidation)	52 711	46 716	13%	42 604	40 362	38 241
incl. revenue from all digital and online channels	*31 577*	*25 954*	*22%*	*21 024*	*18 094*	*16 619*
share of digital and online revenue	*60%*	*56%*		*49%*	*45%*	*43%*
Printing services segment	25 695	25 242	2%	23 879	25 585	25 842
Entertainment segment	0	0	-	0	0	517
Corporate functions	2 076	2 341	-11%	2 486	2 233	1 937
Inter-segment eliminations	(5 185)	(5 204)		(5 270)	(5 387)	(5 009)
TOTAL GROUP by proportional consolidation	**75 297**	**69 096**	**9%**	**63 699**	**62 793**	**61 528**

			EBITDA			
(EUR thousand)	2019	2018	Change %	2017	2016	2015
Media segment (under equity method)	5 966	3 355	78%	3 729	3 572	3 724
Media segment (by proportional consolidation)	*6 376*	*3 329*	*92%*	*4 181*	*4 779*	*4 913*
Printing services segment	2 032	2 403	-15%	3 734	4 645	4 966
Entertainment segment	0	0	-	0	(2)	(1 110)
Corporate functions	(1 150)	(1 492)	23%	(1 201)	(936)	(899)
Inter-segment eliminations	(75)	(2)		0	0	0
TOTAL GROUP under equity method	**6 772**	**4 263**	**59%**	**6 261**	**7 280**	**6 680**
TOTAL GROUP by proportional consolidation	**7 164**	**4 206**	**70%**	**6 713**	**8 487**	**7 869**

EBITDA margin	2019	2018	2017	2016	2015
Media segment (under equity method)	13%	9%	12%	12%	13%
Media segment (by proportional consolidation)	*12%*	*7%*	*10%*	*12%*	*13%*
Printing services segment	8%	10%	16%	18%	19%
TOTAL GROUP under equity method	**10%**	**7%**	**12%**	**14%**	**13%**
TOTAL GROUP by proportional consolidation	**10%**	**6%**	**11%**	**14%**	**13%**

MEDIA SEGMENT

ONLINE MEDIA

In our region, the year 2019 witnessed digital media growth and launch of new paid services in the market. It was characterised by the following trends:

- increasing acceptance of paid digital content by consumers,
- activities of online platforms under higher scrutiny in the society,
- growing share of comprehensive solutions in the service portfolios of local media companies.

A year ago we expected strong growth in digital subscriptions and the willingness of consumers to pay for the content. This is exactly what happened: in 2019, Estonia witnessed fast growth in digital subscriptions (75% as compared to last year) while both Delfi Latvia and Delfi Lithuania launched paid digital subscriptions that were well received by readers. An increasing number of consumers in the market regularly pay for various digital products and services, be it video or audio streaming services, games and mobile applications or journalistic content. The packages that employees of companies share with their friends and family have brought the price point per user low enough so that the digital content has become available to a wide range of users. For an increasing number of consumers being left out of socially important topics for a reason that one has to pay for an article, audio stream or video-on-demand is no longer a reasonable option.

For years, the largest competitions for the Baltic media houses in the digital advertising market in terms of earnings have not been other local media companies but international platforms, such as YouTube and Facebook that in addition to having let local companies to advertise in other markets have also increased their market share in the local advertising market year after year.

The year 2019 was remarkable in terms of the stronger interest of the legislators and the wider society in the activities of online platforms operating in the local market. Throughout the year, the market participants learnt more about the economic effect of online platforms and the extent of their earnings outflow from local markets. A common trait of the Internet giants is their capability to use technology in a more intelligent way to grab and hold the attention of users. A better understanding of the financial success of large corporations in our society on the one hand and the realisation that this success has been achieved through smarter management of the behaviour of all of us on the other hand has made those who are in charge of devising legislation think about how to reach a better balance between the value that is exported and the value that stays in Estonia in the online platform business.

Last year we witnessed local media houses providing more comprehensive solutions to advertising customers. The development of the programmatic advertising market in terms of banner advertising on the one hand and the share of international platforms in the advertising of targeted offers on the other hand has led to a situation where local media companies stand out more with their brand advertising and comprehensive solutions of major campaigns across several channels and various formats. In addition to special solutions provided in portals, they include digital outdoor media, programmatic advertising, event and content marketing, etc.

Our expectations of the Baltic digital media market in 2020:

- continued growth in digital subscriptions and fast growth in subscriptions with multi-user access (business customers sharing access with family and friends); growing interest of readers in a high-quality content that attracts greater attention and in independent journalism; continued spending on creative content by consumers;
- accelerated growth of media houses in terms of how to present digital content in a smart and attractive way to consumers;
- continued intense competition with international platforms in the local advertising market; improved understanding of the activities of Internet giants or their better regulation; clearer differentiation of the local media with comprehensive solutions;
- continued growth of digital audio and video content, a tight race between international and local providers of video-streaming to attract the attention of new users;

In 2019, the revenue in the media segment totalled EUR 52.7 million (2018: EUR 46.7 million). Revenue increased by 13% as compared to last year. Revenue growth is primarily attributable to the advertising revenue growth both in Estonia and Lithuania and also to the acquisition of the Latvian ticket sales platform company SIA Biļešu Paradīze in June 2019 which increased the Group's online revenue and its share in total revenue.

Digital media keeps growing and despite tough competition, we have not lost market share and our revenue is increasing. By the end of the year, the Group's digital revenue made up 42% of total revenue and 60% of media segment revenue. The Group's digital revenue for the year of 2019 increased by 22% as compared to the same period last year.

In 2019, the media segment's EBITDA was EUR 6.4 million (2018: EUR 3.3 million). As compared to the previous year, EBITDA increased by 92%, of which EUR +0.76 million was the effect of the new accounting standard IFRS 16 Leases entered into force on 1 January 2019 on EBITDA. The strong growth was mainly driven by the strong advertising market in the last quarter of the year.

REAL ESTATE PORTAL

In a year and half, Kinnisvara24.ee has become the most popular portal among many real estate buyers and advertisers. This is also evidenced by the survey on the recognition of real estate companies conducted in the 2nd quarter of 2019, where Kinnisvara24.ee was the most popular real estate search channel for 39% of the respondents.

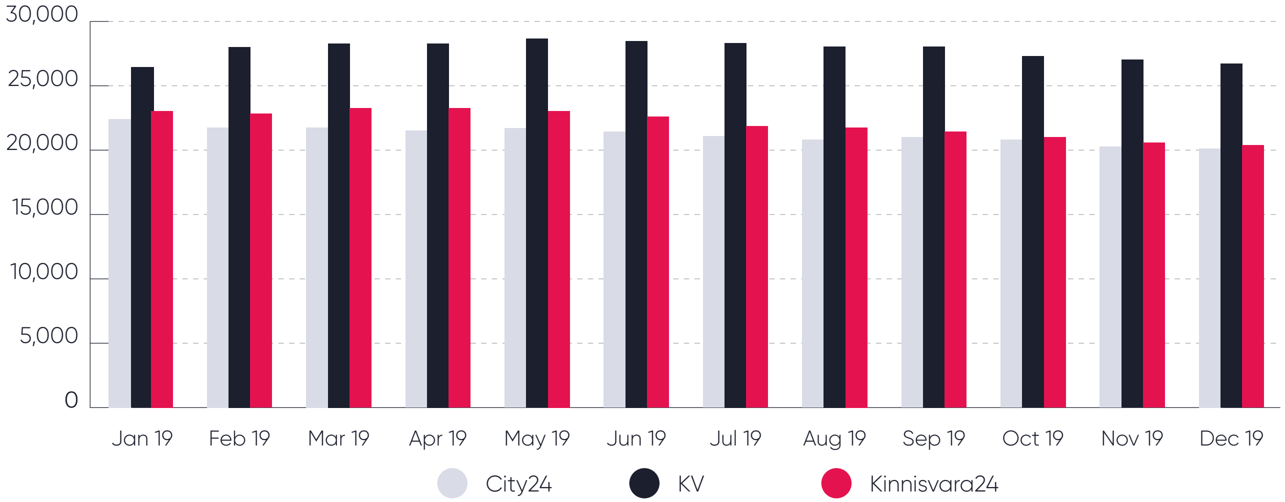
In 2019, the portal of Kinnisvara24.ee laid great emphasis on development activities and branding. Several new functionalities were created both for real estate buyers and advertisers: background checks, advertisement views were renewed, new search filters were launched, an opportunity was created for companies to export their advertisements, statistics functionality was improved for real estate advertisers, etc. New opportunities were also created for presentation and sale of new development projects and prefab houses.

The entering and search of business real estate was significantly improved, taking into account modern solutions and opportunities to buy and rent real estate properties.

The direct traffic of the portal Kinnisvara24.ee increased by almost 50% and the total traffic increased by almost 60% in a year. The portal Kinnisvara24.ee still has more real estate advertisements that the portal City24.
As of 31 December 2019, the portal Kinnisvara24.ee had 505 active real estate companies and 560 regular users with active ads and the number of brokers who had joined the portal was 1700.
The Group continues to actively develop the portal to attain the leadership position in the market. The first-class search engine developed for Kinnisvara24.ee enables to search real estate properties by such criteria as "house with a pool" and "pets allowed" (rental apartments).

At the competition "Real Estate Deal of the Year 2018", the Estonian Real Estate Agents' Association awarded the first prize to the development of the real estate portal Kinnisvara24.ee.

Number of ads, monthly data 2019

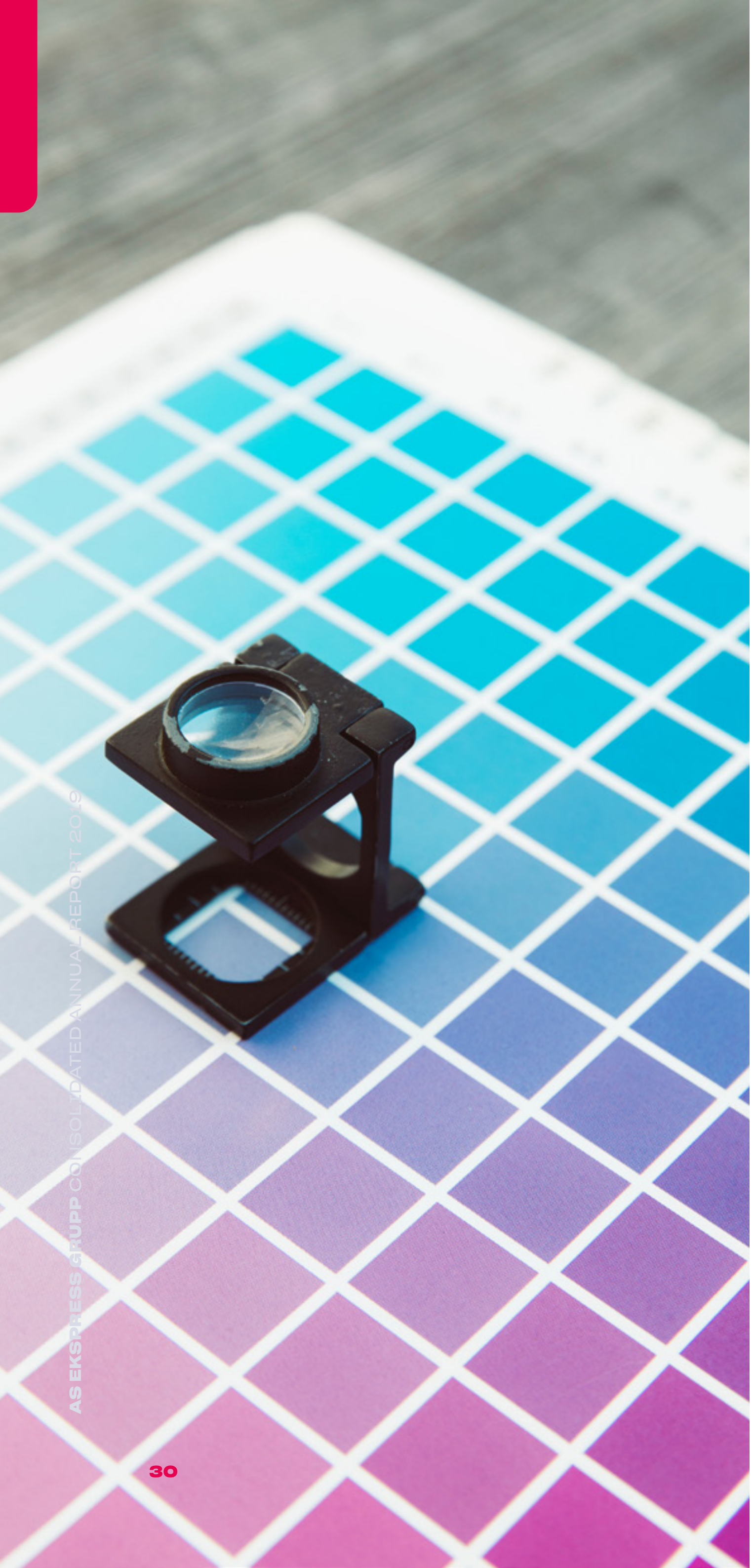


PRINTING SERVICES SEGMENT

MARKET OVERVIEW 2019

In 2019, the revenue of printing services segment totalled EUR 25.7 million (2018: EUR 25.2 million). Revenue increased by 2% as compared to last year that is mainly impacted by a higher paper prices. Printing revenues have decreased in Estonia partially due to decline in printing media and promotional leaflets used by large supermarket chains. In media, the share of print media continues to decline year after year. The trend is downward and there is only a difference in the speed of the decline among various European regions. While the book printing market remains relatively stable, the numbers of edition per subscription are still falling. However, the number of titles to be printed is growing steadily which in turn is leading to higher costs.

In 2019, EBITDA was EUR 2.0 million (2018: EUR 2.4 million). EBITDA declined by 15% as compared to last year.
This is mainly impacted by increased input prices (paper, labour, electricity and gas etc) and also tightened competition where sales margins are under pressure.
For several consecutive years, the printing services segment has been under pressure due to continued digi-



talisation of regular journalism and increasing popularity of Internet as compared to printed products. Competition concerning sales prices continues to be intense. The sales volumes of print circulations have declined which in turn leads to higher printing costs. In addition, appreciation of input prices of labour, paper and electricity is another major challenge.

In 2019, the revenue of AS Printall outside of Estonia was 63% (2018: 61%).

In 2019, AS Printall concluded contracts to acquire semi-finished product collection systems for magazine web presses and flow-feed systems for binding machines with loading equipment for semi-finished products. The purpose of the investment is to automate the production process of the printing house. After installation of the equipment, the work of 25 people is estimated to be automated. The cost of the equipment, including installation is approximately 1.9 million euros and 80% of the equipment was acquired under a lease. The installation and deployment of the equipment was planned for February 2020.

The printing house continues to be under pressure from excess printing capacity in Europe that in turn leads to significantly tighter competition. Thus, the main goal of the Group's printing entity is continuous operation of its printing machines, growth in export volumes and continued improvement of efficiency through automation of production processes.

FINANCIAL INDICATORS AND RATIOS

Performance indicators - joint ventures under equity method (EUR thousand)	2019	2018	Change %	2017	2016	2015
Sales revenue	67 456	60 489	12%	54 070	53 324	52 773
EBITDA	**6 772**	**4 263**	**59%**	**6 261**	**7 280**	**6 680**
EBITDA margin (%)	***10.0%***	***7.0%***		***11.6%***	***13.7%***	***12.7%***
Operating profit*	2 722	1 211	125%	3 475	4 328	3 920
*Operating margin *(%)*	*4.0%*	*2.0%*		*6.4%*	*8.1%*	*7.4%*
Interest expenses	(784)	(443)	-77%	(400)	(471)	(550)
Profit (loss) of joint ventures under equity method	(38)	(273)	86%	(2)	772	785
Net profit/(loss) for the period*	**1 407**	**25**	**5432%**	**2 952**	**4 406**	**3 907**
Net margin* (%)	***2.1%***	***0.0%***		***5.5%***	***8.3%***	***7.4%***
Net profit /(-loss) in the financial statements (incl. write-downs and gain from a change in ownership interest)	1 407	25	5432%	3 146	4 406	2 707
Net margin (%)	*2.1%*	*0.0%*		*5.8%*	*8.3%*	*5.1%*
Return on assets ROA (%)	*1.6%*	*0.0%*		*4.2%*	*6.1%*	*3.7%*
Return on equity (%)	*2.8%*	*0.0%*		*6.1%*	*8.9%*	*5.6%*
Earnings per share (EPS)	**0.05**	**0.00**		**0.11**	**0.15**	**0.09**

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

Financial indicators and profitability ratios by proportional consolidation are disclosed on page 25 of the financial statements.

The effect of the new standard IFRS 16 "Leases" that entered into effect on 1 January 2019 on the income statement and balance sheet is described on page 33 and Note 2 of the financial statements.

			joint ventures consolidated 50%			
Balance sheet (EUR thousand)	31.12.2019	31.12.2018	Change %	31.12.2017	31.12.2016	31.12.2015
As of the end of the period						
Current assets	20 939	15 631	34%	16 725	16 250	15 553
Non-current assets	76 842	63 286	21%	62 597	61 507	61 588
Total assets	**97 781**	**78 917**	**24%**	**79 322**	**77 757**	**77 141**
incl. cash and bank	*4 528*	*2 228*	*103%*	*2 818*	*4 572*	*4 666*
incl. goodwill	*43 672*	*39 799*	*10%*	*39 920*	*38 904*	*38 232*
Current liabilities	23 827	14 207	68%	11 081	12 223	12 539
Non-current liabilities	22 375	14 276	57%	15 747	14 462	15 928
Total liabilities	**46 202**	**28 483**	**62%**	**26 828**	**26 684**	**28 467**
incl. borrowings	*24 669*	*15 554*	*59%*	*15 791*	*16 603*	*18 787*
Equity	**51 579**	**50 434**	**2%**	**52 494**	**51 073**	**48 674**

			joint ventures under equity method			
Balance sheet (EUR thousand)	31.12.2019	31.12.2018	Change %	31.12.2017	31.12.2016	31.12.2015
As of the end of the period						
Current assets	19 472	13 831	41%	13 827	13 094	12 386
Non-current assets	75 935	62 907	21%	62 130	61 074	60 794
Total assets	**95 407**	**76 738**	**24%**	**75 957**	**74 168**	**73 180**
incl. cash and bank	*3 647*	*1 268*	*188%*	*1 073*	*2 856*	*2 927*
incl. goodwill	*42 628*	*37 969*	*12%*	*37 969*	*36 953*	*36 953*
Current liabilities	21 647	12 186	78%	8 372	9 591	9 033
Non-current liabilities	22 137	14 118	57%	15 091	13 504	15 473
Total liabilities	**43 784**	**26 304**	**66%**	**23 463**	**23 095**	**24 506**
incl. borrowings	*24 342*	*15 474*	*57%*	*15 257*	*15 784*	*17 687*
Equity	**51 622**	**50 434**	**2%**	**52 494**	**51 073**	**48 674**

Financial ratios (%)	31.12.2019	joint ventures consolidated 50% *31.12.2019 without the effect of IFRS 16*	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Equity ratio (%)	53%	*55%*	64%	66%	66%	63%
Debt to equity ratio (%)	48%	*41%*	31%	30%	33%	39%
Debt to capital ratio (%)	28%	*24%*	21%	20%	19%	22%
Total debt/EBITDA ratio	3.44	*3.37*	3.70	2.35	1.96	2.39
Liquidity ratio	0.88	*0.91*	1.10	1.51	1.33	1.24

Financial ratios (%)	31.12.2019	joint ventures under equity method *31.12.2019 without the effect of IFRS 16*	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Equity ratio (%)	54%	*56%*	66%	69%	69%	67%
Debt to equity ratio (%)	47%	*41%*	31%	29%	31%	36%
Debt to capital ratio (%)	29%	*25%*	22%	21%	20%	23%
Total debt/EBITDA ratio	3.59	*3.54*	3.63	2.44	2.17	2.65
Liquidity ratio	0.90	*0.93*	1.13	1.65	1.37	1.37

From 1 January 2019, the Group adopted the new mandatory accounting standard IFRS 16 "Leases" to recognise agreements cointaining a lease. Due to this, the leased assets and lease liabilities are recognised at the present value of lease payments and depredation on leased assets and the estimates interest expenses on lease liabilities is recognised in the income statement.

As of 31.12.2019, the effect of IFRS 16 on the consolidated balance sheet and income statement is as follows:

Balance sheet (EUR thousand)	joint ventures 50% consolidated 31.12.2019	joint ventures under equity method 31.12.2019
Right of use assets	3 151	2 857
Lease liability (short-term)	811	722
Lease liability (long-term)	2 551	2 314
Retained earnings	263	219

Income statement (EUR thousand)	joint ventures 50% consolidated 2019	joint ventures under equity method 2019
Decrease in operating expenses	869	779
Increase in depreciation	775	694
Estimated interest expense on lease liabilities	71	64

Formulas used to calculate the financial ratios	
EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA does not include any impairment losses recognised during the period or result from restructuring.
EBITDA margin (%)	EBITDA/sales x 100
Operating margin* (%)	Operating profit*/sales x100
Net margin (%)	Net profit in financial statements/sales x100
Net margin* (%)	Net profit*/sales x100
Earnings per share	Net profit / average number of shares
Equity ratio (%)	Equity/ (liabilities + equity) x100
Dividend pay-out-ratio (%)	Total amount of dividends paid / Net profit
Debt to equity ratio (%)	Interest bearing liabilities /equity x 100
Debt to capital ratio (%)	Interest bearing liabilities – cash and cash equivalents (net debt) /(net debt +equity) x 100
Total debt/EBITDA ratio	Interest bearing borrowings /EBITDA
Liquidity ratio	Current assets / current liabilities
Return on assets ROA (%)	Net profit /average assets x 100
Return on equity ROE (%)	Net profit /average equity x 100
Debt-Service Coverage Ratio (DSCR)	EBITDA/(interest payments + principal repayments)

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

CUSTOMER EXPERIENCE AND SATISFACTION

The customers of Ekspress Group's media segment are advertising buyers and end consumers of content (incl. both private and business subscribers) – almost half of the people living in the Group's home markets. The content of both paper periodicals as well as online channels is greatly impacted by the satisfaction of consumers, i.e. subscribers and single-copy buyers and indirectly also the satisfaction of advertising customers with the Group. As a media group, the success of Ekspress Group largely depends on the satisfaction of its consumers and thus, this chapter focuses primarily on the consumers of the content of media channels.

"Upgrading of technical platforms and digital products and services is also one of the key priorities for Ekspress Group."

Media consumption expectation and habits in the society continue to undergo fast changes. Ekspress Group makes a contribution to being conveniently available to its customers in those channels where people want it and need it. The importance of digital channels is significantly growing and in 2019, there was a clear change in the attitude of Estonian readers – payment for high-quality digital content is the new normality. This will keep creating more opportunities to develop digital solutions. Upgrading of technical platforms and digital products and services is also one of the key priorities for Ekspress Group.

"If in Latvia-Lithuania the payment for digital content is a new phenomenon and it takes time to get used to it, then for Estonian readers the payment for high-quality digital content was already normality in 2019."

The entire Group is gradually moving in the direction where it can make decisions regarding product development and content creation based actual data. This requires, among other things, that customers are systematically asked to give feedback and express their expectations regarding the content and technical solutions. For this purpose, a customer satisfaction survey was carried out in the Group's media companies in the financial year.

Due to the digitalisation of the media business, Ekspress Group's objective as a media group is to provide increasingly more relevant and high-quality content to our end consumers in a digital form (mobile, web, video, audio).

New channels, developing technology and diverse content delivery forms enable us to offer more useful and integrated solutions to our advertising customers. At a time when most of the advertising revenue in the market flows to global channels (e.g. Google and Facebook), this is an important additional value for the Group.

Development and provision of services

Conscious designing of customer experience and increasing satisfaction are important in the media business primarily for two reasons:

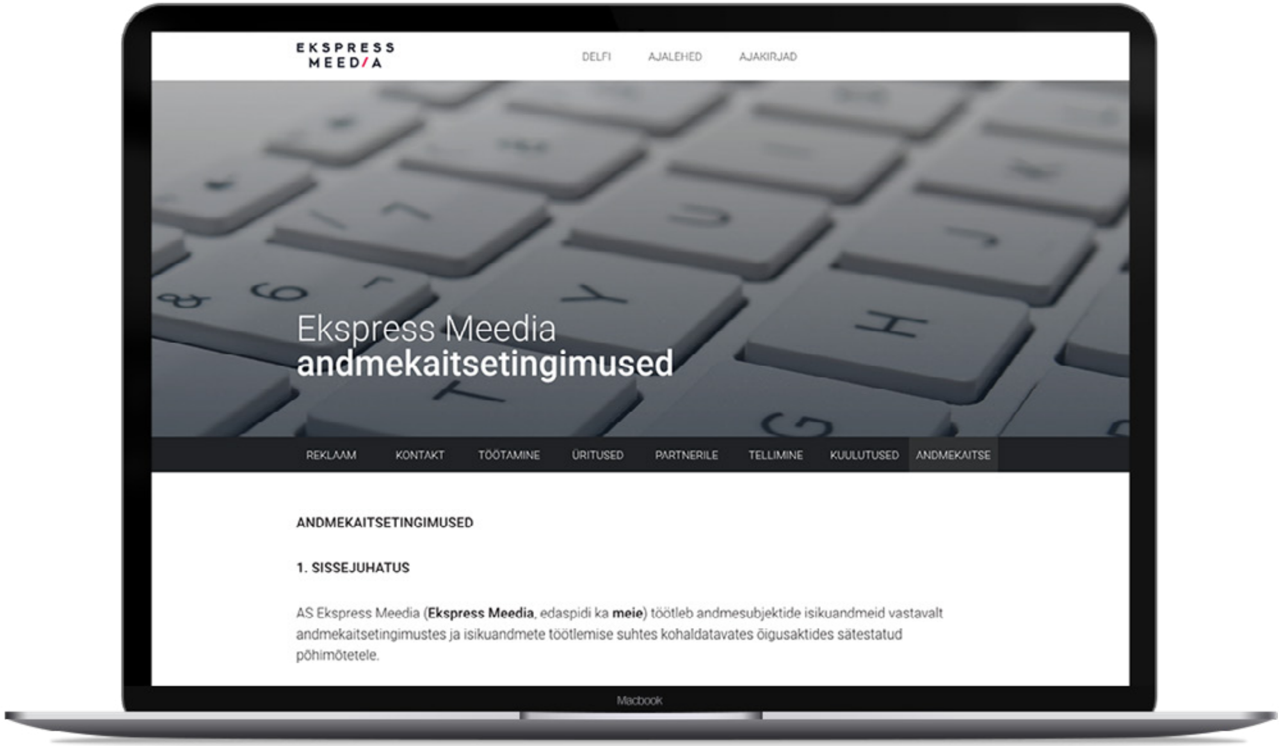
- With the diversification of new information consumption channels, the role of a uniform customer journey is diminishing. Each contact between the Group and its customer may be different. A need to reach new solutions will increase in the changing environment.
- The Estonian media market is small, different media outlets generally cover the same topics, therefore customer communication and creation of convenient solutions for customers is an opportunity to set oneself apart from competitors.

Thus, Ekspress Group media companies are constantly looking for new opportunities to seamlessly provide services to their customers through development of the customer journey, service channels and processes.

The peculiarity of the media business is that the product, i.e. journalistic content, is created every day anew and it is in a constant change. The buyer of a newspaper, magazine, subscription or access does not know before diving into the content what he/she has paid for. **Each subscription is a proof of the customer's trust in the periodical and the content created by it.** In addition to the content, the whole experience also depends on the quality of the ease of use portals, printing, home delivery and customer service that supports it.

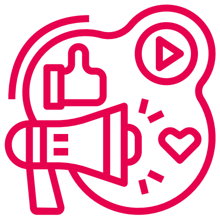
Ekspress Meedia's self-service environment lehed.ee is an important channel in the customer communication of the media companies that are part of the Group. The average number of people visiting the platform was 80,101 per month and the number of unique visitors was 45,541 per month. As compared to 2018, the number of visits increased by 42% and the number of unique users increased by more than 20 per cent.

Personal and real-time communication continues to be valued by customers. For making subscriptions and solving various issues, the customers of Ekspress Meedia contacted customers service representatives in 75,795 instances in 2019 (2018: 59,000), of which 57% were by phone and 43% by e-mail. The significant increase of customer enquiries has primarily been impacted by the increase in digital subscriptions. Another reason is the merger of Ajakirjade Kirjastus with the Group; due to additional service volumes, the number of customer enquiries has also increased.



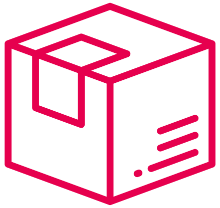
Measurement of customer satisfaction and results

Ekspress Group companies manage almost entirely the channel for creating integrated customer experience from the content creation to print quality, availability and customer service. Each group company that is in direct contract with customers collects feedback from them independently.



Content

In mid-2019, a satisfaction survey was carried out at Ekspress Meedia involving the readers of all paid content and covering both digital subscriptions and single-article purchases. In the last quarter of the year, 42,201 readers provided their feedback and their net promoter score (NPS) was 60.23.



Distribution

The objective of Express Post is to deliver periodicals to customers on time (7.30 a.m.) and to keep the rate of delays or complaints below 1% of the total home delivery circulation of Ekspress Group. In 2019, the ratio was 0.85% (2018: 0.73%; 2017: 1.05%; 2016: 1.83%). Customer service also plays a key role in distribution, therefore Express Post has set separate goals for receiving calls and their quality as a result of which the targets were exceeded in 2019.

Printing

Printall that prints most of the Group's periodicals is an important link for shaping the satisfaction of readers of paper periodicals. For provision of a higher quality service, the company looks for ways to further prevent occurrence of customer complaints.

Provision of services

The Group's largest company Ekspress Meedia in terms of the number of periodicals has contact with its customers at various stages and it collects their feedback about the content of periodicals, subscriptions, service process, and technical side of the digital environment as well as home delivery of paper newspapers. In December 2019, a major collection of feedback on satisfaction was launched in all channels at Ekspress Meedia.

Data protection

For Ekspress Group as a group managing a large customer database and offering more integrated online services data protection is one of the risk areas. The processes for secure collection, maintenance and processing of customer data and their protection against external malicious attacks have been laid down and implemented.

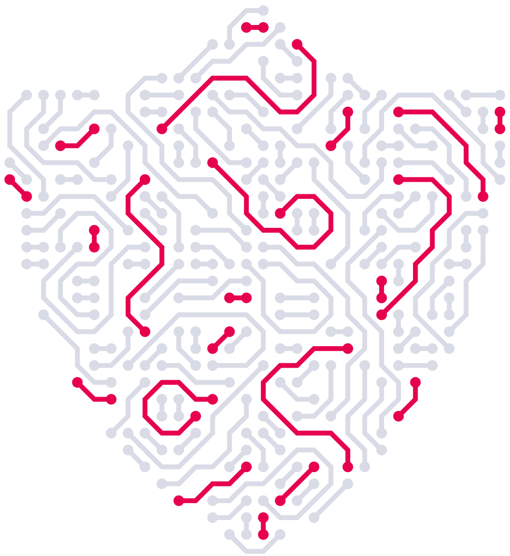
The General Data Protection Regulation entered into force in 2018 brought along additional requirements as compared to the previous version. The Group carried out a compliance audit that covered all Ekspress Group companies and the results of which were used to data protection and were brought into compliance with requirements. For that purpose:

- Large-scale deletion of data was performed in various units, the terms of data protection and access were laid down;
- Internal data protection terms, the procedure for processing personal data and the guidelines for managing personal date breaches were developed and approved;
- The rules for processing and answering applications were renewed and the register for data processing operations was set up.

Throughout the Group, data protection related training, advising and support of employees are considered important.

A separate data protection section for customers and cooperation partners was set up on the website of Ekspress Meedia where it is easy to find the general terms, data protection terms, principles for using cookies and the list of authorised data processors.

In 2019, there were not any personal data breach incidents at Ekspress Group companies that would have led to complaints, precepts or penalties.



EMPLOYEES ▾

Ekspress Grupp employs almost 1700 employees (incl. employees of joint ventures) who implement the Group's mission and objectives and carry out its key values. The Group places value on ensuring professional and qualified staff, creating a motivating work environment, investing in its employees and increasing their satisfaction. It focuses on retaining and developing its current employees as well as training and supporting successors so that there will be plenty of qualified and motivated employees today and in the future.

Overview

The year 2019 was mostly characterised by stabilisation of competition in the labour market, primarily in terms of the mobility of journalists. The turnover continued to be slightly higher in the advertising area.

The focus of the Group's human resources continues to be impacted by digitalisation, creation of synergy with fields of operation (real estate and ticket sales portal, event organisation) and continued enhancement of internal processes. Changes in consumer habits, technological innovations and development of online media have created a need for people with new competencies.

„Personnel work focuses on challenges to create synergies between digitization and the Group's new business lines."

In 2019, group companies employed 1 609 (2018: 1 619; 2017: 1 670) employees on average (incl joint ventures 100%). The gender balance is similar at editorial offices and other units – about 60% women and 40% men. Among the companies' senior management, 55% are men and 45% are women.

In 2019, there were four actual labour disputes at the Group (2018: 4, 2017: 4), all related to Ekspress Meedia.

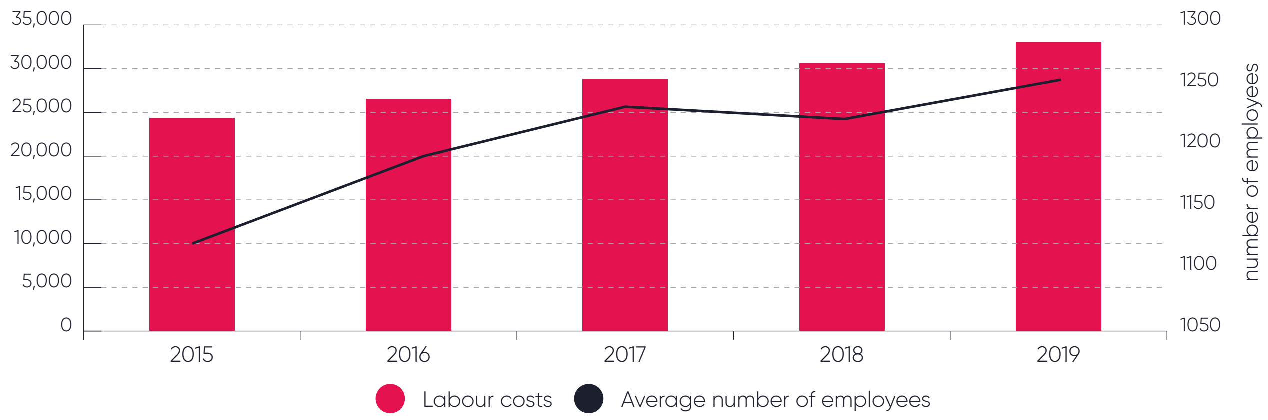
In 2019, the staff turnover of Ekspress Group's media segment and the parent company was 23.6% (2018: 24%; 2017: 32%). Due to the peculiarity of the business, the biggest turnover occurred at Express Post, i.e. 77%.

Ekspress Meedia, Delfi Latvia and Delfi Lithuania actively collaborate with universities and they promote Ekspress Group as an attractive employer (please see financial statements' chapter "Development of the society and the sector" for more details). In 2019, Ekspress Group provided an opportunity to 53 (2018: 47; 2017: 73) trainees to gain work experience in the fields of journalism, marketing and language editing. Most of the trainees worked at Ekspress Meedia – 32 (2018: 27; 2017: 29), Õhtuleht Kirjastus had eight (2018: 9) and Delfi Lithuania seven trainees.

„We are undoubtedly a steady and stable newspaper from the point of view of long-term employees. However, for younger employees all media houses face a major challenge of how to motivate them, maintain and encourage an attitude that they are wanted. We are considering a training session on this topic in order to fully understand how to acknowledge, develop and offer challenges to the younger generation in a cycle that would be faster than the normal three-year challenge."

— **Martin Šmutov**
Editor-in-Chief of Õhtuleht

Labour costs and number of employees (joint ventures 50% consolidated)



Employee development

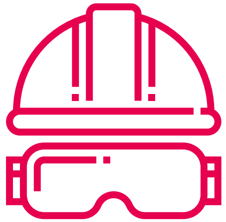
In 2019, the group-wide digitalisation continued, leading to the need for mapping and enhancing certain competencies. For enhancing employee career prospects, both internal and external training sessions are conducted, employees participate in conferences, international training programmes for journalists and study trips to international media groups. The visits have been made to the largest media companies in Scandinavia, Great Britain and elsewhere in Europe.

For enhancing career prospects of Ekspress Group, Hans H. Luik scholarship is becoming more popular. It is targeted at learning new work-related specific skills. In 2019, 55 employees of Ekspress Group applied for the grant and 41 of them received it (2018: 29), twenty-one of whom worked at Ekspress Meedia, nine at Õhtuleht Kirjastus, five at Delfi Lithuania, two at Delfi Latvia, one at Linna Ekraanid, one at Printall and two at Ekspress Grupp. The scholarship was used, for example, to participate in crime novel festival, media and marketing event Social Media Week, portrait training and floral composition master class in Europe and the USA. "I am very satisfied with the event. All participating photographers represented different professional fields and approaches, and each one of them inspired me differently. For me, important issues related to technical nuances as well as to a way of thinking. The conference also had its dramatic moments and extreme emotions, because my professional role model Peter Lindbergh whose presentation I was looking forward to the most passed away the night before, but this event probably brought the participants together even more." Krõõt Tarkmeel, photographer of Anne ja Stiil who used her scholarship to participate in the portrait photography conference Portrait Masters Conference in Arizona, USA.

In 2019, the training sessions focused on:

information technology, data visualisation, social media;

legal area (e.g. data protection, source protection, consumer protection, competition law);



cybersecurity and physical safety (first aid and fire safety);

journalistic ethics.

The career planning and training needs of the Group's employees are determined during performance reviews, the coordination of which lies within each company. About 74% of employees have had their performance reviews throughout the Group, 90% at Delfi Lithuania and there are regular performance appraisals at Delfi Latvia for all employees of the company.

According to the employee survey of Ekspress Meedia, the group company with the largest number of employees, great value is placed on professional skills and satisfaction with career opportunities has increased each year.

On average, 58% of the employees of the group's media companies participated in the training courses on journalistic ethics and media's responsibility (2018: 60%; 2017: 90%) while the percentage was about 90% at Ekspress Meedia and Delfi Lithuania.

Career development opportunities are also provided through new positions at the organisation. The company's own employees are notified of vacant positions before announcement of a public competition.

"Employees attend training, conferences, international programs and study trips."

Employee satisfaction and creation of a motivating environment

Attracting the best people starts with the satisfaction of current employees. This in turn depends on the wages and salaries on the one hand and an open and engaging organisational culture, career development opportunities and convenient work environment which Ekspress Group offers its employees.

The Group monitors wage levels and equal treatment with the help of salary market surveys. Each company can design its own system of remuneration, performance pay and benefits. Benefits include allowances and incentives to promote health and family events, enabling flexible work time. Company outings are held in the summer and other joint events take place, often with families.

A share option programme was launched at Ekspress Group in 2017 targeting the Group's key employees. The goal of the programme is to acknowledge and value employees working in key positions by giving them options to acquire shares of the parent company AS Ekspress Grupp which they can sell in three years' time.

„The Group values equal and fair treatment of employees and there is zero tolerance for discrimination."

Occupational health and safety

A safe and health-promoting environment is constantly ensured at group companies which follow the respective regulations. Attention is paid to the ergonomics of the office equipment and work premises. In 2019, safety training courses were arranged for all employees, incl. those on terrorism and strikes. To ensure the security of employees, free access to the editorial offices is blocked.

Due to the nature of work, greater attention is paid to occupational safety at Printall where the key risk factors include noise, moving parts of printing machines and hoisting machines driving around in the production facility.

The share of sick days for all group companies where people were unable to meet their obligations is slightly over 2% of the combined number of hours worked by all employees. In 2019, the number of work accidents increased, a total of 22 work accidents were registered (2018: 7; 2017: 11), fifteen of which took place with the employees of Express Post and seven with the employees of Printall. For the third consecutive year, there were no work accidents ending in death (2018: 0; 2017: 0). There were no attacks or harassments targeted at journalists.

Diversity and human rights

Ekspress Group pays attention to the equal and fair treatment of its employees. Employees speaking different languages from different cultural backgrounds work at the Group. The topic of human rights and diversity is normally dealt with in the context of hiring where the principles of equal treatment are strictly followed. Discrimination on the basis of gender, race, language, political views or age is not allowed at the Group.

To gain feedback on perception of discrimination, Ekspress Meedia added a respective question to the satisfaction survey. The results did not significantly change over a three-year period– 96% of the respondents did not feel discrimination. (2018: 96%; 2017: 97%). In 2019, no cases of discrimination on the basis of gender, race or other reasons were registered at group companies.

DEVELOPMENT OF THE SOCIETY AND THE SECTOR ▾

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

1. creating professional and reliable journalistic content;
2. contributing to the development of the media sector through public speeches, professional associations and educational institutions;
3. supporting society's long-term development through important community projects and support activities.

Professional and credible journalism

The role and responsibility of media is described in a more detail in the chapter "Responsibility of Ekspress Group in the society".

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

Ekspress Group places great importance on being a spokesperson in the fields of media and printing services. Due to its daily contact with the drawbacks in its field, group companies are in the best position to contribute to the development and sustainable growth of the sectors.

Group companies collaborate with educational institutions in order to increase young people's awareness of their journalism related career choices and opportunities. The Group's Estonian companies actively collaborate with Tartu University and Tallinn University. Delfi Lithuania has collaborative relations with Vilnius University. The key collaboration partners of Delfi Latvia include the University of Latvia, Stockholm School of Economics, Riga Stradins University and Vidzeme University.

In Estonia, Ekspress Group grants Hans H. Luik scholarship two times a year. In 2019, 55 employees applied for the scholarship, and 41 of them received it.

Managing editor of Delfi verticals Risto Veskioja used the scholarship to attend the media and marketing event Social Media Week in New York https://socialmediaweek.org/newyork that had 3000 participants from all over the world.

"For me, the most inspirational story was that of Scott Harrison's. He is a man who used to work as a nightclub's promoter, who partied there and witnessed how bottled water was bought for 10 dollars a bottle and often not even opened. He is now in charge of an organisation that supplies drinking water to people primarily living in Africa. Scott travels the world and tries to find sponsors so as to achieve his goals. He gave an example that if we donate 30 dollars every month, this amount will provide drinkable water to one person in the world. Scott's organisation has supplied drinking water to millions of people in about a decade. "But I still feel that I am not doing enough …," he stated while commenting his efforts. This is amazing."

To promote journalism and educate journalists, Delfi Latvia grants two scholarships in the amount of EUR 5 000 every year to journalism students.

The editors, editors-in-chief and other employees of the companies give talks about the journalist's profession at schools, they give media and communication lectures at universities, excursions are organised at editorial offices to different age groups, they participate in student events and fairs. Dozens of students work as job shadows and working trainees at group companies each year and they often become employees of Ekspress Group.

Martin Šmutov, Editor-in-Chief of Õhtuleht contacted all schools in Tartu and half of those in Harju County and proposed to teach media related classes to school students. During the year, Šmutov visited 12 different schools where he talked about media to ca 300 students.

Group companies also make a wider contribution to designing the media sector's future trends. Delfi Latvia launched a new channel for the youth in 2019. Delfi CAMPUS collects educational and exciting information from the STEM (science, technology, engineering, mathematics) field to enhance links between various scientific fields and the youngsters.

The companies of Ekspress Group or their employees participate in the work of the following local and international organisations:

- Estonian Association of Media Companies (and through this organisation also a member of News Media Europe) (Eesti Päevaleht, Õhtuleht, Eesti Ekspress, Maaleht, Linnaleht, Ekspress Meedia)
- Internet Media Association (Delfi Lithuania)
- The International Fact-Checking Network, IFCN (Delfi Lithuania)
- Latvian Association of Journalists (Latvijas Žurnal asociācija) (Delfi Latvia)
- The International News Media Association - INMA
- Estonian Press Photographers Association
- Estonian Association of Printing and Packaging Industries (Printall)
- The Nordic Offset Printing Association - NOPA (Printall)
- Estonian Personnel Management Association PARE (Ekspress Meedia, Express Post)
- UN Global Compact (Delfi Lithuania)
- Estonian Project Management Association – EPMA (parent company)
- Finance Estonia (parent company)
- Estonian Publishers' Association (Hea Lugu)
- Estonian Chamber of Commerce and Industry (Printall)
- Estonian Business Angels Network - EstBAN (parent company)

Raising major social issues in community projects

Group companies have an important position in Estonia, Latvia and Lithuania; therefore they have also assumed a greater role in raising and addressing key social issues.

The employees of Ekspress Group companies have actively launched and volunteered in covering several important topics crucial for social and community development. In 2019, the following initiatives are worth highlighting:

Estonia

- For the centennial of the Republic of Estonia, Delfi questioned 101 individuals living in Estonia about their dreams. During the course of two weeks, interviewers together with photographers travelled throughout Estonia, visiting bigger and smaller places and asking those whom they met about their dreams. For example, 101-year-old Hilja dreams about retaining her hearing and eyesight but she also wishes all the very best for our country. Andriana dreams about finding her place in our "small and cosy" country. Martin wishes to open a restaurant in Pärnu but also dreams about a small country house in the forest. These are the dreams of the people who live by our side.

- 2019 was year of elections. The elections of the Riigikogu (Parliament) took place in March and those of the European Parliament in May. Ekspress Group companies considered it their duty to bring topics and discussions to people that would help them make their choices. Ekspress Meedia launched Delfi 2019 elections sections and motor as well as the special section of the European Parliament; a novel election programme for prime minister candidates Tööintervjuu (Job Interview) aired on TV; Õhtuleht Kirjastus launched an election compass.
- Ekspress Meedia arranged several large-scale events during the year, such as the management conference of Eesti Ekspress "Audacity to Do It Differently", the 95th jubilee concert of Eesti Naine in Alexela concert hall, Kroonika entertainment award gala at the Russian cultural Centre, 10 performances about the life of the choir director and composer Gustav Ernesaks "Let's, Men, Get Going", the all-star game that brought together the Estonian, Finnish, and Latvia basketball elite in Tartu and Delfi Racing Day.
- On the 22th October, Maaleht in collaboration with the Chamber of Agriculture and Commerce elected the best farmer of the year for the 19th time, and this year it was Lääne-Virumaa's farmer and owner of Voore Farm OÜ Indrek Klammer. Over the years, Klammer has established a successful group of

agricultural companies in Vinni County, where land is harvested, animals are raised and 70 people are employed on almost 4000 hectares.

- Maaleht in collaboration with the Estonian Forest

and Timber Association organised a conference in the Noblessner Foundry called "The Forest" where the topic of forest and timber industry was discussed from the point of view of the climate using facts, specialists, arguments and cooperation to support it.

- On the International Printing Day, i.e. 23 October, AS Printall with about a dozen other Estonian printing and packaging companies opened its doors to give production process material leftovers, such as paper, cardboard, corrugated board, sticker and other materials to kindergartens, and children's art and hobby groups.

- Each year, the magazine Maakodu organises the competition "The Most Beautiful Country House in Estonia", in order to recognise and award Estonia's homes, country homes and gardens. The best in six different categories were awarded the title of Estonia's most beautiful.

Latvia

- Delfi Latvia's largest charity campaign was "Strengths and Strong People". The focus of the campaign that was organised for the second consecutive year was smaller this year, donations were collected for the parents who need to care for their sick children. In 2019, a total of 63,000 euros was raised within the framework of the campaign to support caregivers taking care of their family members.

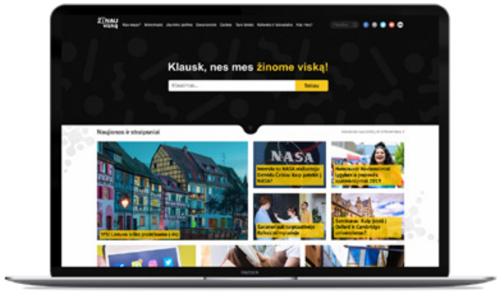
- Delfi Latvia was the media partner in several large-scale local events: Dentsu Digital Camp conference, Liepāja car racing event, EBIT confe-rence. Discussion festival Lampa is worth separate

mentioning. In 2019, a record of more than 20,000 people visited the festival that took place for the fifth consecutive time. Discussions were held on 38 stages for 720 hours and ca 1500 speakers partici-pated. Delfi Latvia arranged several discussions and participated in 17 different discussions. At the Digital Freedom Festival, several famous local and foreign presenters provided inspiration on Delfi Media Lab's stage on the topics of media in the future and accountable behaviour. Delfi Latvia also arranges the public speech conference 'uz:RUNA'.

- Delfi Latvia launched several important projects, incl. "Izlaušanās 94" (the biggest escape from a prison in the history of Latvia), "Be Tough" (youth subculture in the 90s), "Pain Threshold" about palliative care.

Lithuania

- As a sequel to the largest national social project of 2018 “Idea for Lithuania”, Delfi Lithuania has launched a project “Responsible Standpoint”, the purpose of which is to highlight and recognise those companies that daily make their contribution to creation of new jobs as well as development of towns and communities. Lithuanian Junior Achievement is a project partner that teaches economics and entrepreneurship classes to up to 20,000 students in more than 350 schools. Eurodesk and the youth portal I Know Everything (Žinau viską) share information about financial literacy, study and traineeship opportunities, volunteer work opportunities and job vacancies in information points located in various Lithuanian towns.



- In 2019, Delfi Lithuania continued with Google DNI funded project Debunk.eu, to fight dissemination of fake news. The project achieved greater international acclaim and recognition; for example, The Independent, Financial Times and Economist wrote about it. The European Council shared a video clip about Debunk initiative in its social media accounts of Facebook, Instagram, Twitter and LinkedIn, explaining how the Lithuanian application encourages journalists to fight fake information.

- in 2019, similarly to the initiative “Don’t Read While Driving” launched in Estonia in 2018, Delfi Lithuania launched in collaboration with the insurance company ERGO a social campaign “Don’t Squint Your Eyes” (“NežVAIRUOK!”), to draw attention to the use of mobile phones while driving. The partners in this initiative include also the outdoor advertising company JCDecaux and one radio station.

- One of the most heart-warming charity projects of Delfi Lithuania was “Mission Lapland” that has taken place for many years already and in the course of which Delfi sent 100 children from low-income families to meet Santa Clause in Lapland. The children also went to the reindeer and husky-safari. This year, the representatives from the Lithuanian TV channels also participated in the trip and broadcast the charity trip.

- On the basis of the multi-media project “Pravieniskes mafia”, Delfi Lithuania published a book which reached the TOP3 in terms of revenue. After publishing the book, the team of Delfi TV made a unique 45-minute documentary under the same name that aired on the stations of LNK Group.

- Traditionally, Delfi runs a project in Lithuania called “Heroes among Us” that highlights the lives of ordinary people in Lithuania. Each year, the patron of the initiative -the President of Lithuania Dalia Grybauskaitė recognises 10 people. The year 2019 was dedicated to the Lithuanian teachers.

- In collaboration with its partners, Delfi Lithuania arranged the conference “The Best Day of Classes at School” for 9-12 year old schoolchildren where interactive classes in biology, robotics, etc. were taught. Almost 14,000 students from all over the country participated in the conference and it received active media coverage via several video broadcasts.

- In 2019, a key challenge for Delfi Lithuania was coverage of the elections of the President as well as local governments.

Although the main focus of Ekspress Group is to achieve social changes through its core business, in addition to the initiatives mentioned above group companies support various non-governmental organisations and organisations, including provision of advertising space at a discounted price or for free, and free distribution of magazines, newspapers and books. One project that received funding was making studio premises available to broadcast the World Cleanup Day in 2019.

Headquarters of the World Cleanup Day moved to the editorial office of Delfi

In 2019, Ekspress Meedia was the official media partner of the World Cleanup Day that has been initiated by the Estonians and that has become a global event. Delfi is the portal that Estonians visit each day, thus it seemed logical that the front page of the news portal was devoted to the environmental topic for one day.

The steering group pf the World Cleanup Day moved its studio to Delfi's editorial office. The journalists of Ekspress Meedia provided their professional know-how, podcasts were made for three hours where the entire environmental theme and drawbacks of the area were discussed. Simultaneously, the live blog of the World Cleanup Day was run.

„The entire front page of Delfi breathed in the rhythm of the World Cleanup Day on 21 September. We consider it important to show its readers that we are able to see beyond the end of one's nose. The mere fact that we prioritise something else than the regular news stream for one day is really important. The World Cleanup Day is the initiative launched by us, the Estonians, but strangely, nobody wants to cover it. Whenever there is talk about our future, then we should use this one day a year and push everyday news a little bit below!"

— **Mihkel Ulk**
Creative Director of Ekspress Meedia

ENVIRONMENTAL MANAGEMENT

The environmental impact of the Ekspress Group mainly concerns printing. Therefore, the Group's environmental management focuses on keeping track of the environmental indicators arising from the activities of Printall (selection of paper, recycling of waste, etc.). The cost-effective organisation of the inevitable environmental impact arising from printing is an important prerequisite for operation in export markets while environmentally-conscious production is becoming part of customer requests in the Group's home countries.

In 2019/2020, AS Printall is making investments in automatization of the printing house's production process. The cost of equipment including installation and construction works will be in the range of 1.5–1.9 million euros. The funds were used to acquire semi-products gathering systems for magazine roll machines and flow feed systems for binding machines including semi-product loading equipment. Equipment will be installed and taken into use in the first quarter of the year and they will automate the work of ca 25 people.

This is how printed materials of the companies that are part of Ekspress Group and those of other customers are printed at Printall:

1. Orders. Almost all of the periodicals of Ekspress Group are printed at Printall. In sales forecasts, group companies are trying to optimise the circulation of periodicals in order to avoid overprinting of retail issues. A significant part of Printall's production goes to external customers of the Group, and about 65.5% is exported. Green printing is especially highly valued by foreign customers.

2. Green choice. For customers, compliance with the eco-friendly principles is confirmed by Printall's environmental policy, ISO 14001 environmental management standard, the use of paper produced from sustainably managed forests is certified by the FSC® and PEFC™ Chain of Custody Chain of Custody certificates, and the production process is compliant by the Nordic EcoLabel and Green Choice certificates.

3. Materials. According to Printall's main suppliers, their paper is produced from wood waste that is not suitable to be used as construction timber, but generates more added value as paper products rather than for heating – up to 40% of harvested logs are used for producing paper, contributing to the most efficient use of timber.

4. Supplies. In the financial year, the share of certified newspaper paper increased significantly due to the end of the transition period related to changes in the terms of Nordic Ecolabel. Of the paper purchased mainly from the Nordic countries or Russia, 95% was certified or otherwise environmentally-friendly (all magazine paper is FSC® and PEFC™ certified (2018: 89%).

5. Production. Printing machines use a lot of energy, which is why high-quality technology and constant innovation ensure a more efficient use of resources in the work processes. Residual heat from machines is also used to heat buildings.

6. Waste. In production, about 2/10 of paper is inevitably cutting edges; the company is looking for possibilities to cut costs in other areas. In 2019, 98% (2018: 98%, 2017: 97%) of all printing waste was recycled (including about 300 tonnes of paper waste a month that is reprocessed as paper). The afterburners of drying residue installed on printing machines help reduce air pollution.

7. Recycling. Printall's publications delivered to the Group media companies reach retailers and subscribers. On average 25-50% of the circulation of the Group's periodicals is returned from the points of sale (returns of less than 20% means that there is a deficit at some points of sale). It is recycled in full.

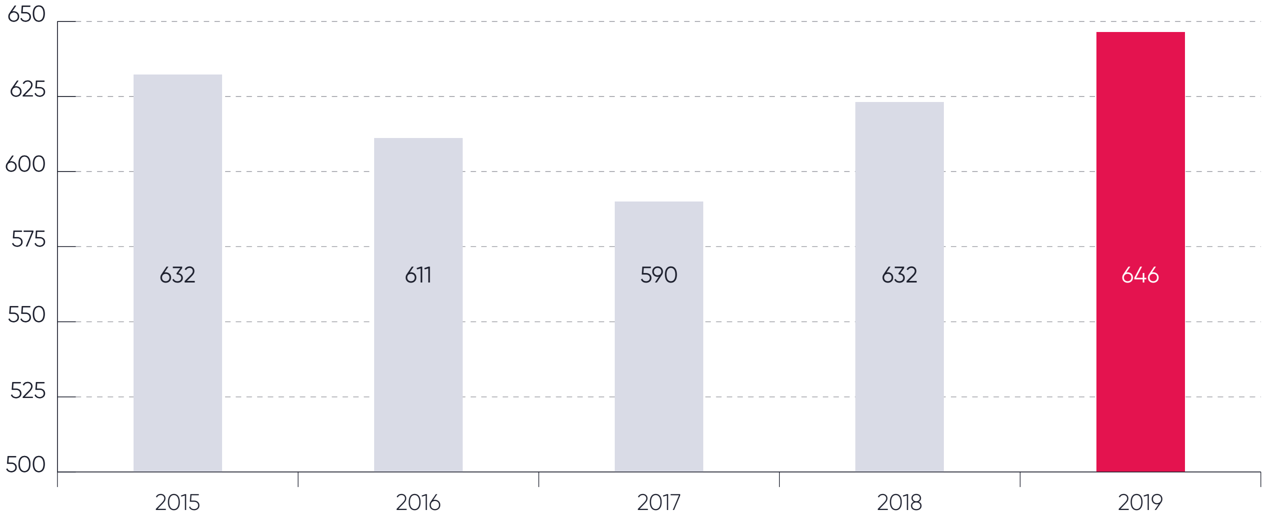


Figure: Printall's gas consumption (in thousands of cubic meters)

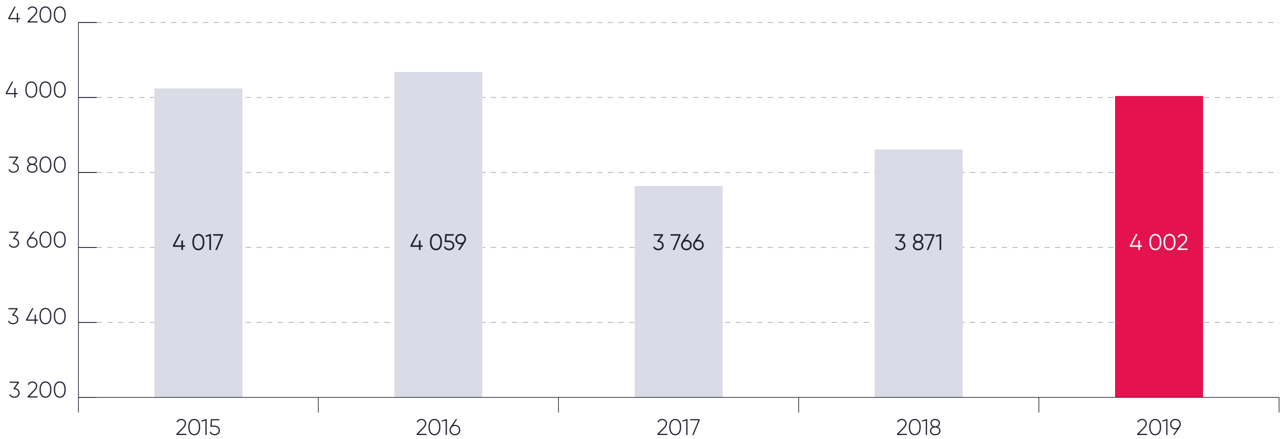


Figure: Non-hazardous waste generated in Printall including paper (in thousands of tonnes)

In 2019, Printall consumed 6.42 million kWh of electricity (2018: 6.2). Gas consumption rose to 646 million cubic metres (2018: 623). In 2019, Printall generated 4,001 tonnes (mainly paper) and 44.3 tonnes of hazardous waste (2018: 48). The increase in the total consumption of resources is primarily attributable to the continued decrease in the circulation of paper periodicals, the increase in the technological complexity of products and the printer's equipment

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2019, 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 31.12.2019 according to the Estonian Central Register of Securities

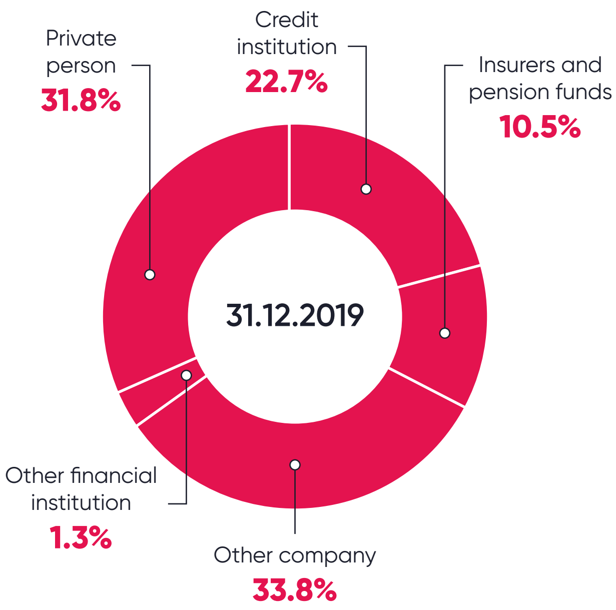
Name	Number of shares	%
Hans H. Luik	17 360 597	58.26%
Hans H. Luik	*7 963 307*	*26.73%*
Hans H. Luik. OÜ HHL Rühm	*9 397 290*	*31.54%*
ING Luxembourg S.A.	4 002 052	13.43%
LHV Bank and funds managed by LHV Varahaldus	2 561 212	8.60%
SEB S.A. CLIENT ASSETS UCITS	1 273 394	4.27%
Other minority shareholders	4 582 059	15.38%
Treasury shares	17 527	0.06%
TOTAL	**29 796 841**	**100.0%**

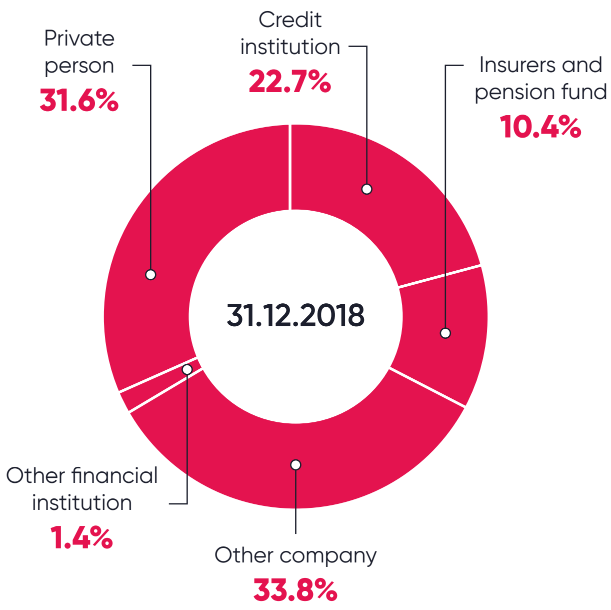
East Capital Asset Management AB has an ownership interest through the nominee account of SEB S.A. CLIENT ASSETS UCITS. KJK Fund SICAV-SIF has an ownership interest through the account of ING Luxembourg S.A.

As of 31.12.2019, the ownership interest of Hans H. Luik as the ultimate beneficiary of AS Ekspress Grupp is 54.48% (16 232 922 shares).

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

	31.12.2019		31.12.2018	
Category	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	2 613	9 473 567	2 635	9 423 926
Other companies	190	10 057 842	197	10 070 708
Other financial institutions	40	390 590	47	428 677
Credit institutions	11	6 756 249	12	6 767 009
Insurance and retirement funds	8	3 118 174	8	3 106 102
Non-profit organisations	2	419	2	419
TOTAL	**2 864**	**29 796 841**	**2 901**	**29 796 841**





AS Ekspress Grupp share information and dividends

Share information

ISIN	EE3100016965
Ticker symbol	EEG1T
List/segment	BALTIC MAIN LIST
Issuer	Ekspress Grupp (EEG)
Nominal value	0,60 EUR
Issued shares	29 796 841
Listed shares	29 796 841
Date of listing	05.04.2007

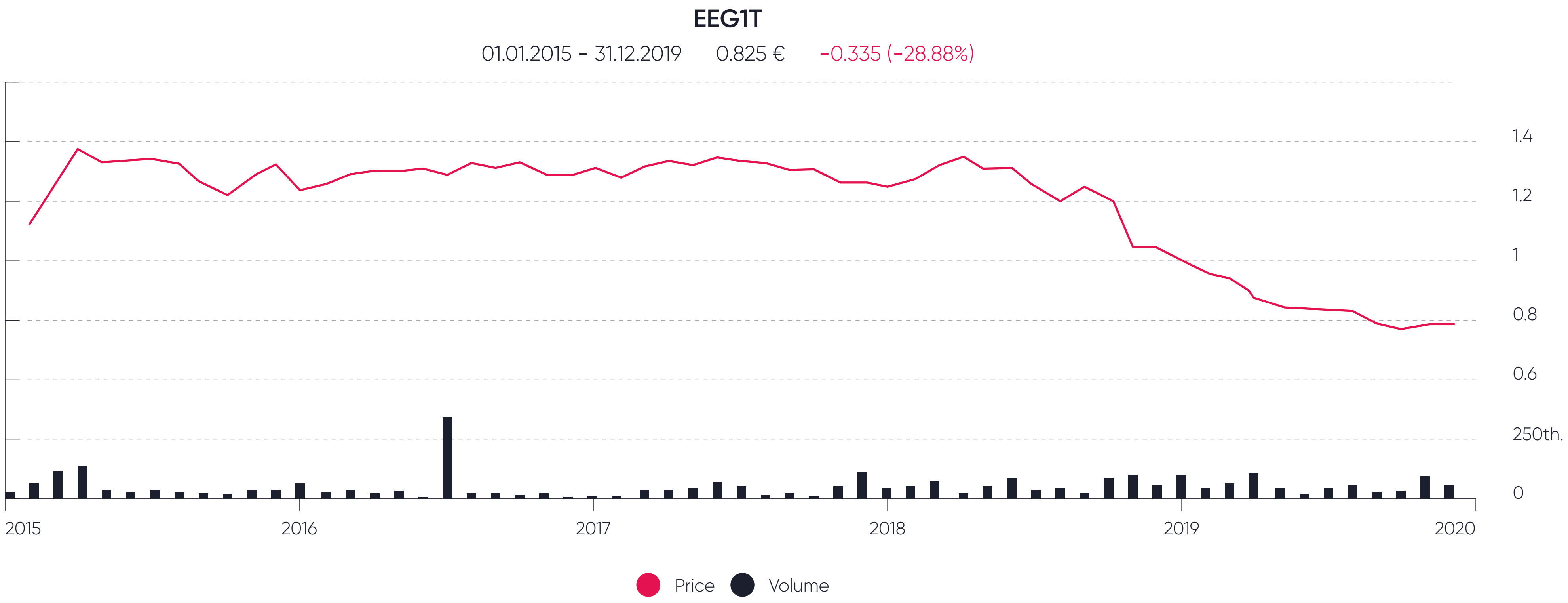
Payment of **dividends** is decided annually and it depends on the Group's results of operations, fulfilment of conditions laid down in the loan contract and potential investment needs. In May 2019, due to the company's liquidity position, the Annual General Meeting of Shareholders decided not to pay dividends in 2019.

Date of the General Meeting	20.06.2014	27.05.2015	13.06.2016	13.06.2017	06.06.2018
Period for which dividends are paid	2013	2014	2015	2016	2017
Dividend payment per share (EUR)	1 cent	4 cents	5 cents	6 cents	7 cents
Total payment of dividends (EUR thousand)	298	1 187	1 456	1 787	2 085
Dividend pay-out ratio (%)	28%	23%	54%	41%	66%
Date of fixing the list of dividend recipients	09.07.2014	10.06.2015	29.06.2016	29.06.2017	20.06.2018
Date of dividend payment	02.10.2014	02.10.2015	06.07.2016	06.07.2017	03.07.2018

Securities trading history 2015–2019

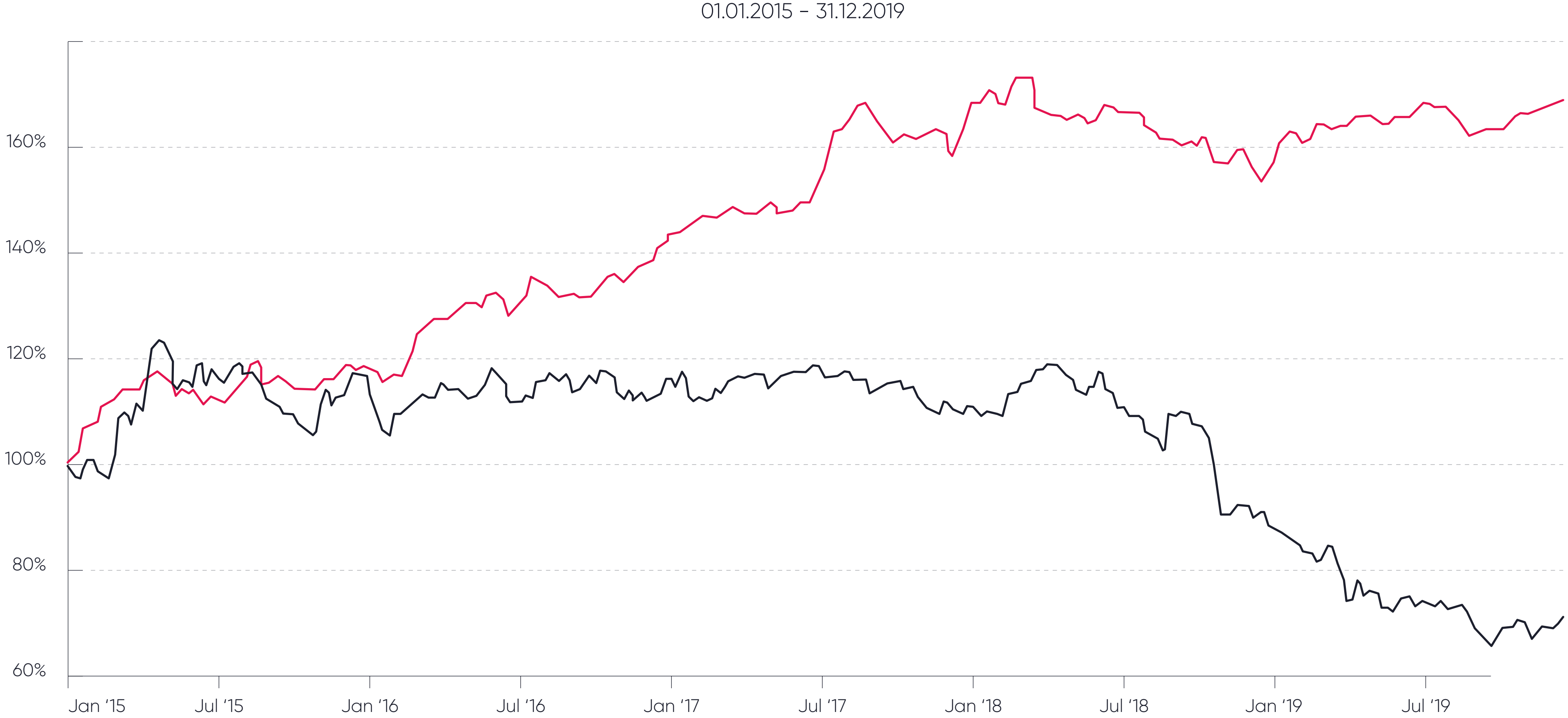
Price (EUR)	2019	2018	2017	2016	2015
Opening price	1.03	1.26	1.32	1.35	1.15
Closing price	0.83	1.04	1.25	1.32	1.35
High	1.03	1.38	1.37	1.37	1.47
Low	0.72	0.99	1.21	1.18	1.07
Average	0.86	1.20	1.30	1.27	1.28
Traded shares. pieces	762 202	751 026	538 175	696 292	657 508
Sales. EUR million	0.66	0.90	0.70	0.88	0.84
Capitalisation at balance sheet date. EUR million	24.58	30.99	37.25	39.33	40.23
P/E ratio (price earnings ratio)	17.64	4 701.36	11.84	8.93	14.94

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on Nasdaq Tallinn Stock Exchange from 1 January 2015 until 31 December 2019.



AS EKSPRESS GRUPP CONSOLIDATED ANNUAL REPORT 2019

The share price comparison (%) with Nasdaq Tallinn Stock Exchange index from 1 January 2015 – 31 December 2019.



INDEX / EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX Tallinn	775.05	1 279.7	+69.49
EEG1T - Ekspress Grupp	1.14	0.82	-27.63

REPORT OF THE CORPORATE GOVERNANCE CODE

Corporate governance and STRUCTURE

Ethics, transparency and anti-corruption activities

As a media group favouring independent and transparent journalism, keeping its trustworthy reputation is of great importance to Ekspress Group. This requires impeccable adherence to journalism ethics as well as general rules of conduct and as legislation.

In its business activities, Ekspress Groups proceeds from current national regulations in all of its markets (Estonia, Latvia and Lithuania), the Company's articles of association, as a publicly listed company from the requirements of Nasdaq Tallinn Stock Exchange, the guidelines of the Corporate Governance Code (CGC) and principle of equal treatment of its shareholders and investors. There is zero tolerance at the Group regarding conflict of interest, corruptive behaviour or unfair competition.

In March, the resolution of Tallinn Circuit Court became effective requiring the former member of the Management Board of Ekspress Meedia, Rivo Põldoja to pay compensation to the company for accepting a position at the competitor. Põldoja who worked as Advertising Director at Ekspress Meedia quit his job in December 2016 and immediately started to work as Sales Director at the competitor Postimees Group (at the time called Eesti Meedia). By accepting a job at the competitor, Põldoja violated the previously agreed competition restriction and the court requested him to pay a fine in the amount of EUR 32 thousand to Ekspress Meedia.

Estonian media companies follow the code of ethics of the Estonian Media Companies Association; company-based ethics and behaviour codes are available at Delfi Latvia and Delfi Lithuania. In addition to ethical norms. In media work, Ekspress Group companies follow local markets' data protection, public information and other relevant laws. In unregulated situations, companies proceed from the public interest and the integrity principle when making decisions. This is described in a more detail in the financial statements' chapter "Responsibility of a media group in the society".

Corruption, ethics and various compliance risks are generally managed at the subsidiary level. To ensure uniform conduct, new employees of group companies are familiarised with the company's business philosophy, journalism ethics, source protection, sales and marketing issues, human resources principles and other necessary topics.

As honest conduct starts from the communication in one's organisation, several group companies have recently started to pay more conscious attention to making team cooperation, employee dialogue, information movement and assumption of personal responsibility more efficient.

At the Group level, a regular exchange of information takes place between the Management Board of the parent company of Ekspress Group and the senior management of subsidiaries. This ensures involvement of a larger circle of decision-makers and transparency in the case of large-scale transactions, changes and decisions.

In 2019, neither Ekspress Group companies nor any of the Group's key employees supported any political parties and nor did they receive hidden funding from political parties or government agencies besides advertising space purchased at market conditions or project-based funding publicly available to everyone.

In 2019, no monetary fines or penalties related to the breach of legislation or other regulations were registered at Ekspress Group (other than the decisions of the Press Council disclosed in the financial statements' chapter "Media group's responsibility in the society").

The Group's management structure is the same as its legal structure.

GROUP's legal structure

As of 31 December 2019, the Group consists of 24 companies (31.12.2018: 19). A detailed list of the group companies is disclosed in Note 1 to the financial statements.

Changes in the Group's legal structure

On **19 December 2018**, AS Ekspress Grupp and its wholly-owned subsidiaries OÜ Ekspress Finance and OÜ Ekspress Digital concluded a merger agreement agreeing that AS Ekspress Grupp as the acquiring company will acquire all assets and liabilities of OÜ Ekspress Finance and OÜ Ekspress Digital. The balance sheet date of the merger, i.e. when the transactions of the companies being acquired will be considered as those being done by the acquiring company is 1 October 2018. The merger agreement was concluded for the purpose of simplifying the Group's management and legal structure. As of 22 January 2019, the extraordinary meeting of shareholders approved of the merger. The entry in the Commercial Registry was made on 11 March 2019.

On **7 March 2019**, UAB Delfi concluded a contract with UAB Small Talk Ideas and Arnoldas Rogoznyj for the acquisition of a 100% ownership interest in the Lithuanian company UAB Login Conferences that is engaged in organisation of technology and innovation conferences.

The key activity of UAB Login Conferences is organisation of the technology and innovation conference "Login".

The purpose of the acquisition of the ownership interest is to enter the conference organisation market and make this innovation and technology conference into one of the most well-known innovation events in the Baltic States.

On **8 March 2019**, AS Ekspress Grupp acquired a 100% ownership interest in Linna Ekraanid OÜ that is engaged in sales of digital outdoor advertising in Estonia. Until then, AS Ekspress Grupp owned 50% of the company.

In July 2016, a 50% ownership interest was acquired in OÜ Linna Ekraanid. The purpose of the acquisition was to lay a foundation for launch of a new business line at AS Ekspress Grupp and thereby grow the portfolio of the Group's operating areas. The Group's long-term objective is to continue developing the digital outdoor advertising and assume a leadership position in the market in this business. According to the contract concluded in 2016, Ekspress Group had an obligation to acquire the remaining 50% of the company in 2019.

On **4 June 2019**, the wholly-owned subsidiary of AS Ekspress Grupp, A/S Delfi through its subsidiaries SIA Delfi Tickets and SIA Delfi Tickets Service entered into a contract to acquire all the shares of the Latvian ticket sales platform company SIA Biļešu Paradīze.

SIA Biļešu Paradīze manages the electronic ticket sales platform (bilesuparadize.lv) and ticket sales sites, through which tickets to various entertainment events on behalf of event organisers are sold.

The purpose of the acquisition is:

- Expand into new business sectors, by focusing on increasing the share of the Group's digital revenue;
- Increase the Group's return on capital as well as use the synergy between the new business acquired and the media activities;
- Enhance key activities and support the implementation of the Group's digital transformation;
- Develop the diverse digital footprint of the Group's business.

The wholly-owned subsidiary of AS Ekspress Grupp, SIA Delfi Tickets Service, has decided to merge its subsidiaries SIA Biļešu Paradīze and SIA Delfi Tickets. The merger agreement was concluded for the purpose of simplifying the Group's management and legal structure. The entry in the Commercial Registry was made on 14 February 2020.

On **10 July 2019**, the wholly-owned subsidiary of AS Ekspress Grupp, UAB Adnet Media, adopted a decision to liquidate its wholly-owned subsidiary OÜ Adnet Media. The entry in the Commercial Registry was made on 27 February 2020.

On **24 July 2019**, the wholly-owned subsidiary of AS Ekspress Grupp, SIA Delfi Holding, was liquidated.

On **6 August 2019** UAB Adnet Media acquired a 100% ownership interest in Videotinklas UAB that has a production studio for content creation. Until then UAB Adnet Media owned 45% of the company.

On **18 October 2019**, the wholly-owned subsidiary of AS Ekspress Grupp, A/S Delfi, concluded a contract to acquire 25.48% of the shares of comparison and brokerage portal for financial products SIA Altero.

SIA Altero operates the financial comparison and brokerage platform in Latvia (Altero.lv) and since spring 2019, also in Lithuania (Altero.lt). More than 90,000 Altero clients have compared financial offers of consumer loans, car loans and other products since the launch in June 2016. The company is a leading financial comparison service provider in Latvia and Lithuania.

The aim of the acquisition is to increase the share of the Group's digital revenue and develop its diversified digital business.

On **2 January 2020** has decided to carry out several changes in the group structure in order to increase management efficiency and transparency, simplify the group structure and streamline the provision of corporate financial services.

The Supervisory Board of AS Ekspress Grupp decided to merge UAB Login Conferences with UAB Delfi and dissolve UAB Sport Media in Lithuania. In Latvia, SIA Delfi Entertainment will be dissolved (the entry in the Commercial Registry was made on 28 February 2020). The companies to be dissolved are currently dormant. In Estonia, new wholly-owned subsidiary OÜ Ekspress Finants will be set up through a spin-off from AS Printall and the group's financial unit will be combined with it. The new company will provide corporate financial and accounting services to the group's subsidiaries in Estonia.

GENERAL MEETING OF SHAREHOLDERS

The general meeting is the highest governing body of AS Ekspress Grupp. Regular general meetings are held once a year not later than six months after the end of the financial year at the seat of the company. Extraordinary general meetings are allowed to be convened in cases prescribed by law.

The extraordinary meeting of shareholders of AS Ekspress Grupp was held on 22 January 2019 in the seat of the public limited company. All members of the Management Board participated in the meeting. The general meeting:

- approved the merger agreement entered into between AS Ekspress Grupp, OÜ Ekspress Finance and OÜ Ekspress Digital on 19 December 2018.

The regular meeting of shareholders of AS Ekspress Grupp was held on 17 May 2019 in the seat of the public limited company. All members of the Management Board participated in the meeting. The general meeting:

- approved the consolidated annual report and profit allocation proposal of AS Ekspress Grupp for 2018. Of the net profit for 2018 in the amount of EUR 6 491 thousand, the statutory capital reserve was increased by EUR 325 thousand and the remaining amount of EUR 6 166 thousand was taken to retained earnings.
- The authority of member of the Supervisory Board of AS Ekspress Grupp Hans Luik as member of the Supervisory Board was extended from 21 May 2019 until 20 May 2024.
- The authority of member of the Supervisory Board of AS Ekspress Grupp Indrek Kasela as member of the Supervisory Board was extended from 21 May 2019 until 20 May 2024.
- The authority of member of the Supervisory Board of AS Ekspress Grupp Harri Helmer Roschier as member of the Supervisory Board was not extended.

SUPERVISORY BOARD

The Supervisory Board of the Company approves the activities of the company, organises its management and supervises the activities of the Management Board. The Supervisory Board shall plan the activities of the company, organise the management of the company and supervise the activities of the Management Board. The Supervisory Board shall notify the general meeting of shareholders of the results of a review. The Chairman of the Supervisory Board organises the work of the Supervisory Board. The main duties of the Supervisory Board are to approve the group's material strategic and tactical decisions and to supervise the activities of the group's Management Board. The Supervisory Board's actions are guided by the company's articles of association, guidelines of the general meeting and law.

The meetings of the Supervisory Board generally take place once a quarter, in other cases, meetings shall be held according to the needs of the Group and decisions can also be made by e-mail. According to the articles of association, the number of members of the Supervisory Board is between three and seven. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. Since 20 May 2019, the Supervisory Board of Ekspress Group has five members instead of the former six members. The members of the Supervisory Board are not separately remunerated.

Ahto Pärl
(appointed until 21.11.2023)

- Chairman of the Supervisory Board and member of the Audit Committee, in the Supervisory Board since 22.11.2018
- AS Nordic Aviation Group, CFO in 2015–2018
- Supervisory Board member of AS Baltic Workboats
- Management Board member of OÜ NA Advisory and OÜ OREA
- Graduated from University of Tartu in 2003, Faculty of Economics, bachelor's degree, and from New York University in 2007, Master of Business Administration
- Number of shares of AS Ekspress Grupp: -..

Peeter Saks
(appointed until 26.10.2021)
independent Supervisory Board member

- Member of the Supervisory Board since 26.10.2016
- 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, 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
- Number of shares of AS Ekspress Grupp: -.

Aleksandras Česnavičius
(appointed until 26.10.2021)
independent Supervisory Board member

- Member of the Supervisory Board since 26.10.2016
- 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
- Number of shares of AS Ekspress Grupp: -

Hans H. Luik
(appointed until 20.05.2024)

- Member of the Supervisory Board since 1.06.2004
- 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
- Number of shares of AS Ekspress Grupp: 16 232 922 (54.48%)

Indrek Kasela
(appointed until 20.05.2024)
independent Supervisory Board member

- Member of the Supervisory Board since 20.06.2014
- 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.
- Number of shares of AS Ekspress Grupp: -.

Harri Helmer Roschier, an independent Supervisory Board member from 20.06.2014 until 20.05.2019, was recalled from the Supervisory Board with the resolution of the General Meeting of Shareholders held at 17.05.2019.

MANAGEMENT BOARD

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board has to act in the most economically purposeful manner, taking into consideration the best interests of all shareholders and ensures the company's sustainable development in accordance with set objectives and strategy. To ensure that the company's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. The members of the Management Board are elected for a period of up to 5 years. In order to elect and remove the members of the Management Board, a simple majority of the votes of the Supervisory Board is required. In order to resign from the position of a member of the Management Board, the member shall give one month's notice to the Supervisory Board. There are no agreements between Ekspress Group and the members of the Management Board which would deal with the benefits regarding a takeover of a public limited company provided for in Chapter 19 of the Securities Market Act. According to the articles of association, the Management Board of Ekspress Group has between three and five members. The Management Board of Ekspress Group has three members.

Mari-Liis Rüütsalu

- Chairman of the Management Board and Chief Executive Officer of the Group since 01.01.2017 with the term of office of up to 5 years
- 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
- Number of shares of AS Ekspress Grupp: -.

Kaspar Hanni

- Member of the Management Board since 18.12.2017, with the term of office of up to 3 years, Development Director of the Group
- Member of the board of the Estonian Business Angles Association since 2017
- Software Asset Management and Compliance Lead of Microsoft in Baltics 2015-2016
- Enterprise and Partner Group Lead of Microsoft in Baltics 2011-2015
- Graduated from Estonian Business School in 2002 with a degree in Business Administration and studied Information Technology at Tallinn University of Technology
- Number of shares of AS Ekspress Grupp: -.

Signe Kukin

- Member of the Management Board since 01.08.2018, the term of office of up to 3 years, Chief Financial Officer of the Group
- Chief Financial Officer of AS Merko Ehitus 2012 - 2017
- In various positions of United Utilities International Ltd in Estonia, Great Britain and the Arab United Emirates 2001-2011
- Auditor at Deloitte 1997-2001
- Graduated from Tallinn University of Technology 1999 (diploma studies)
- Association of Chartered Certified Accountants – ACCA, Fellow Member - FCCA 2004
- Number of shares of AS Ekspress Grupp: -.

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

The authorities and responsibilities of the supervisory boards of the subsidiaries of AS Ekspress Grupp arise from their articles of association and group rules. Amendments to the articles of association shall be made in accordance with the requirements of the Commercial Code. The supervisory boards are usually made up of the members of the management and supervisory boards of the company that is the key shareholder of the respective subsidiary.

The meetings of the supervisory boards of the key subsidiaries normally take place once a quarter, in other cases they occur on the basis of the Group's needs, the articles of association of the subsidiary and legal act. The members of the supervisory boards of subsidiaries do not normally receive separate remuneration.

The supervisory board of the subsidiary appoints the chairman or member of the management board of the subsidiary. The supervisory and management boards of the key wholly-owned subsidiaries of AS Ekspress Grupp as of 31 December 2019 are shown below:

COMPANY*	SUPERVISORY BOARD	MANAGEMENT BOARD
Printall AS		
(28 679 685)	Hans Luik (chairman), Kaspar Hanni, Signe Kukin, Mari-Liis Rüütsalu, Ahto Pärl	Andrus Takkin (chairman), Evali Mülts, Tõnis Peebo
Ekspress Meedia AS		
(14 005 569)	Hans Luik (chairman), Mari-Liis Rüütsalu, Kaspar Hanni, Signe Kukin	Argo Virkebau (chairman) Urmo Soonvald, Tarvo Ulejev, Erle Laak-Sepp, Karin Vene
Delfi UAB		
(4 268 275)	Mari-Liis Rüütsalu (chairman), Kaspar Hanni, Signe Kukin	Vytautas Benokraitis
SIA Biļešu Paradīze		
(1 264 354)	Mari-Liis Rüütsalu (chairman), Signe Kukin, Ēriks Naļivaiko, Konstantins Kuzikovs	Jānis Daube, Jānis Ķuzulis
Delfi A/S (Latvia)		
(2 883 238)	Mari-Liis Rüütsalu, Kaspar Hanni, Signe Kukin	Konstantins Kuzikovs, Ingus Bērziņš, Anatolijs Golubovs

* The amount of share capital of the key subsidiary that is held by the owners of the parent company as of 31 December 2019 is shown in parentheses.

Changes in the management of the Group's subsidiaries

On 28 May 2019, Konstantins Kuzikovs, Signe Kukin and Mari-Liis Rüütsalu were elected as members of the Management Board of SIA Delfi Tickets.

On 28 May 2019, Konstantins Kuzikovs, Signe Kukin and Mari-Liis Rüütsalu were elected as members of the Management Board of SIA Delfi Tickets Service.

On 1 July 2019, Kirstjan Saar was elected as member of the Management Board of OÜ Linna Ekraanid. The company's Management Board still has two members: Peeter Merivälja and Kristjan Saar.

From 1 August 2019, Jānis Ķuzulis was elected as new member of the Management Board and CEO of SIA Biļešu Paradīze. On 1 August 2019, former member of the Management Board Konstantins Kuzikovs was recalled from the Management Board and from the same date, he was appointed as member of the Supervisory Board of SIA Biļešu Paradīze. The company's Management Board has two members: Jānis Daube and Jānis Ķuzulis and the Supervisory Board has four members: Mari-Liis Rüütsalu (Chairman), Signe Kukin, Ēriks Naļivaiko and Konstantins Kuzikovs.

On 22 August 2019 The Supervisory Board of AS Ekspress Meedia decided to extend the mandate of Urmo Soonvald as a Member of the Management Board until 31 January 2022. The Management Board of AS Ekspress Meedia will continue with five members as before:

Argo Virkebau (Chairman), Erle Laak-Sepp, Tarvo Ulejev, Karin Vene and Urmo Soonvald.

On 2 December 2019 The Supervisory Board of AS Ekspress Grupp extended the mandate of Mari-Liis Rüütsalu as a Chairman of the Management Board from 1 January 2020 for the next three years until 31 December 2022. The Management Board of AS Ekspress Grupp will continue with three members as before: Mari-Liis Rüütsalu (Chairman), Signe Kukin and Kaspar Hanni.

Audit Committee

The Audit Committee is an advisory body to the Supervisory Board in respect of accounting, auditing, risk management, internal control, supervision and budget preparation and in the area of legality of the activities of the Supervisory Board. Since 2017 Hans Luik is a member of the Audit Committee. Ahto Pärl is a member of the Audit Committee since 22.11.2018. Members of the auditing committee are not separately remunerated.

Selection and pay of auditors

An auditor is selected and approved by the General Meeting of Shareholders. Usually the auditor is selected for the period of three years after which new tender is organised. The basis for selection is the experience of the audit team, reputation of the audit company, its access to international network, the independence of the auditor and price for the services. For the period 2017-2019 the General Meeting of the Shareholders approved KPMG to be an auditor of the Group. Latvian operations are audited by the local audit firm and joint venture AS Express Post by Ernst & Young Baltic AS. The total fee to be paid for 2019 audits (including all joint ventures) is EUR 78 thousand (2018: EUR 68 thousand).

The Group considers it important to ensure independence of the financial auditor and to avoid of conflicts of interest. We find that the financial audit was conducted in 2019 in compliance with regulative acts, international standards and expectations. KPMG presented the results in two stages: a) as part of an interim audit and b) with regard to the final audit before the opinion is issued.

CONFLICT OF INTEREST AND TREATMENT OF INSIDE INFORMATION

Appropriate treatment of inside information is important to protect the shareholders' interests and ensure honest and fair trading of shares. Important information about AS Ekspress Grupp and its subsidiaries shall be available to all shareholders and potential new shareholders on a timely, consistent and equal basis. Due to their position, the persons connected with AS Ekspress Grupp and its subsidiaries have at certain times and cases inevitably more information about the Group than the investors and the general public. To prevent misuse of such Information, we have established internal rules for keeping and disclosure of inside information as well as for concluding transactions on the basis of inside information (hereinafter inside information rules). Inside information rules encompass the reporting system pursuant to which the employees who in performing their duties may be exposed to a conflict of interest, shall disclose their economic interests and confirm their independence through self-evaluation.

The members of the Management and Supervisory Boards of AS Ekspress Grupp representing the users (so-called insiders) of inside information have signed the respective confirmation letters and are aware of the inside information rules of AS Ekspress Grupp. Together with their closer relatives, they are included in the company's insider list. The insider list also includes the employees working in the finance area who come into contact with the Group's consolidated financial information and the members of the management and supervisory boards of key subsidiaries along with the employees responsible for preparation and presentation of accounting information.

As of 31.12.2019, the company's insider register had 59 persons with a permanent access (31.12.2018: 55 persons).

The Group keeps record of its insiders in accordance with the requirements laid down in the Securities Markets Act and the rules, regulations of NASDAQ Tallinn and commission Implementing Regulation (EU) 2016/347 of 10 March 2016 laying down implementing technical standards with regard to the precise format of insider lists and for updating insider lists in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council.

We are not aware of any incidences of misuse of inside information and conflict of interest during the 2019 financial year nor have there been any transactions concluded with related parties other than under market conditions.

Direct ownership interests of the members of the Supervisory and Management Boards of AS Ekspress Grupp in other companies:

NAME	RELATED COMPANY
Ahto Pärl	Booknjoy OÜ, OREA OÜ, OÜ NA Advisory, OREA Home OÜ
Hans H. Luik	Osaühing Minigert, HHL Rühm Osaühing, Osaühing Brevard, Iiruk OÜ, Luigepoeg OÜ, Kentmanni Arendus OÜ, Iefe Invest OÜ, Irist OÜ, Fidens Invest OÜ, OÜ Vilipäev, Siireviire OÜ, Sisne Invest OÜ, Sisne Invest Latvia OÜ, Prestante OÜ, Lind Living OÜ, Haep OÜ
Indrek Kasela	osaühing Jõgisoo Piim, JUTA KASELA HAMBARAVI OSAÜHING, Osaühing Manipenny, Lindermann, Birnbaum ja Kasela OÜ, Fine, Wood and Company OÜ, OÜ Must Käsi 2, LA24 Holding OÜ, Noble Cafe 2 OÜ, KellyBar OÜ, Bergman 100x100 Osaühing, Saue 3K Capital OÜ, OÜ Ühinenud Inglid, UA Management Assets OÜ, Noblessneri Izakaya OÜ
Peeter Saks	Covest OÜ, AS BaltCap
Aleksandras Česnavičius	-
Mari-Liis Rüütsalu	EREMEL OÜ, TÜ Norg
Kaspar Hanni	ITS Capital OÜ
Signe Kukin	OÜ Augitis

The members of the Supervisory and Management Boards do not have any ownership interests in companies operating in the key field of activity of AS Ekspress Grupp – media and printing.

An overview of the transactions with related parties made in the financial year 2019 is disclosed in Note 30 to the financial statements.

Other information

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

STATEMENT OF CONFORMITY TO THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

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

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

Clause 2.2.7 of CGC

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

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

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

In June 2017, the general meeting of shareholders approved a share option plan for the key employees. Under the plan, up to 1 300 000 share options will be granted, each giving right to obtain one Company share free of charge. The option plan is effective from November 2017 to March 2021.

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

Clause 2.3.2 of CGC

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

In 2019, no significant transactions were concluded between the Group and the members of the Management Board.

Clause 3.2.5 of CGC

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

In 2019, remuneration was neither paid to the Supervisory Board members of the Issuer nor to the members of the Supervisory Boards of the Group's subsidiaries and associates.

The dates of disclosure of interim financial statements for 2020 are as follows:

DATE	EVENT
28 February 2020	Unaudited interim financial statements for the twelve months and fourth quarter of 2019
01 April 2020	Audited Annual Report 2019
30 April 2020	Unaudited interim financial statements for the three months and first quarter of 2020
31 July 2020	Unaudited interim financial statements for the six months and second quarter of 2020
30 October 2020	Unaudited interim financial statements for the nine months and third quarter of 2020

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2019	31.12.2018	Notes
ASSETS			
Current assets			
Cash and cash equivalents	3 647	1 268	5
Trade and other receivables	12 705	9 154	6
Corporate income tax prepayment	0	27	
Inventories	3 120	3 382	10
Total current assets	**19 472**	**13 831**	
Non-current assets			
Other receivables and investments	975	1 588	11
Deferred tax asset	38	44	
Investments in joint ventures	1 254	2 345	13
Investments in associates	2 356	319	14
Property, plant and equipment	14 943	11 921	15
Intangible assets	56 369	46 691	16
Total non-current assets	**75 935**	**62 907**	
TOTAL ASSETS	**95 407**	**76 738**	
LIABILITIES			
Current liabilities			
Borrowings	5 100	1 356	18
Trade and other payables	16 483	10 801	17
Corporate income tax payable	65	29	
Total current liabilities	**21 647**	**12 186**	
Non-current liabilities			
Long-term borrowings	19 242	14 118	18
Other long-term liabilities	2 895	0	17
Total non-current liabilities	**22 137**	**14 118**	
TOTAL LIABILITIES	**43 784**	**26 304**	
EQUITY			
Minority interest	100	87	
Capital and reserves attributable to equity holders of parent company:			
Share capital	17 878	17 878	28
Share premium	14 277	14 277	28
Treasury shares	(22)	(22)	
Reserves	1 688	1 688	28
Retained earnings	17 701	16 526	
Total capital and reserves attributable to equity holders of parent company	**51 522**	**50 347**	
TOTAL EQUITY	**51 622**	**50 434**	
TOTAL LIABILITIES AND EQUITY	**95 407**	**76 738**	

The Notes presented on pages 66 to 113 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

(EUR thousand)	2019	2018	Notes
Sales revenue	67 456	60 489	21
Cost of sales	(54 044)	(48 874)	22
Gross profit	**13 412**	**11 615**	
Other income	607	394	26
Marketing expenses	(3 124)	(3 108)	23
Administrative expenses	(8 024)	(7 609)	24
Other expenses	(148)	(82)	
Operating profit	**2 722**	**1 211**	
Interest income	22	143	
Interest expenses	(784)	(443)	
Other finance income/ (costs)	(61)	(103)	
Net finance cost	**(823)**	**(403)**	
Profit (loss) on shares of joint ventures	(38)	(273)	13
Profit (loss) on shares of associates	(114)	(234)	14
Profit before income tax	**1 746**	**302**	
Income tax expense	(339)	(276)	8
Net profit for the reporting period	**1 407**	**25**	
Net profit for the reporting period attributable to			
Equity holders of the parent company	1 394	6	
Minority shareholders	13	19	
Total comprehensive income	**1 407**	**25**	
Comprehensive income for the reporting period attributable to			
Equity holders of the parent company	1 394	6	
Minority shareholders	13	19	
Basic and diluted earnings per share	0.05	0.00	28

The Notes presented on pages 66 to 113 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of parent company							
Balance on 31.12.2017	**17 878**	**14 277**	**(22)**	**1 531**	**18 762**	**52 426**	**68**	**52 494**
Increase of statutory reserve capital	0	0	0	157	(157)	0	0	0
Dividends paid	0	0	0	0	(2 085)	(2 085)	0	(2 085)
Total transactions with owners	0	0	0	157	(2 242)	(2 085)	0	(2 085)
Net profit /(loss) for the reporting period	0	0	0	0	6	6	19	25
Total comprehensive income for the reporting period	0	0	0	0	6	6	19	25
Balance on 31.12.2018	**17 878**	**14 277**	**(22)**	**1 688**	**16 526**	**50 347**	**87**	**50 434**
Adjustment on initial application of IFRS 16 (Note 2)	0	0	0	0	(219)	(219)	0	(219)
Restated balance on 01.01.2019	**17 878**	**14 277**	**(22)**	**1 688**	**16 307**	**50 128**	**87**	**50 215**
Net profit /(loss) for the reporting period	0	0	0	0	1 394	1 394	13	1 407
Total comprehensive income for the reporting period	0	0	0	0	1 394	1 394	13	1 407
Balance on 31.12.2019	**17 878**	**14 277**	**(22)**	**1 688**	**17 701**	**51 522**	**100**	**51 622**

Additional information about changes in equity is disclosed in Note 28.

The Notes presented on pages 66 to 113 form an integral part of the consolidated financial statements.

Consolidated cash flow statement

(EUR thousand)	2019	2018	Notes
Cash flows from operating activities			
Operating profit for the reporting year	2 722	1 211	
Adjustments for:			
Depreciation, amortisation and impairment	4 070	3 052	15,16
Gain from change in ownership interest in subsidiary	(31)	0	
(Gain)/loss on sale and write-down of property, plant and equipment	(4)	(5)	
Cash flows from operating activities:			
Trade and other receivables	(2 929)	(397)	
Inventories	262	(550)	
Trade and other payables	3 594	2 449	
Cash generated from operations	**7 684**	**5 760**	
Income tax paid	(270)	(379)	
Interest paid	(740)	(462)	
Net cash generated from operating activities	**6 675**	**4 920**	
Cash flows from investing activities			
Acquisition of subsidiaries and associates (less cash acquired)	(6 648)	0	
Purchase and receipts of other investments	9	(995)	
Cash paid-in/ received from equity-accounted investees	(63)	0	
Interest received	14	127	
Purchase of property, plant and equipment and intangible assets	(2 775)	(3 082)	15,16
Proceeds from sale of property, plant and equipment and intangible assets	19	29	
Loans granted	(118)	(700)	
Loan repayments received	303	1 763	
Net cash used in investing activities	**(9 259)**	**(2 858)**	
Cash flows from financing activities			
Dividends paid	0	(2 085)	
Payment of lease liabilities (2018: payment of finance lease liabilities)	(978)	(74)	19
Change in overdraft	(265)	1 191	18
Notes issued	5 000	0	18
Loans received / Repayments of bank loans	1 207	(900)	18
Net cash used in financing activities	**4 964**	**(1 868)**	
Cash flows total	**2 379**	**194**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**2 379**	**194**	
Cash and cash equivalents at the beginning of the year	1 268	1 073	5
Cash and cash equivalents at the end of the year	3 647	1 268	5

The Notes presented on pages 66 to 113 form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries consist of media operations including online, newspaper, magazine and book publishing, home delivery and other media related activities; and provision of printing services. AS Ekspress Grupp (registration number 10004677, address: Parda 6, 10151 Tallinn) is a holding company registered and operating in the Republic of Estonia. Pursuant to the Commercial Code of the Republic of Estonia, the annual report, including the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board, shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 23 March 2020.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2019 reflect the results of the following group companies.

Company name	Status	Ownership interest 31.12.2019	Ownership interest 31.12.2018	Main field of activity	Domicile
Operating segment: corporate functions					
Ekspress Grupp AS	Parent company			Holding company and support services	Estonia
Operating segment: media (online and print media)					
Ekspress Meedia AS	Subsidiary	100%	100%	Online media, publishing of daily and weekly newspapers. From 1 June 2018, also publishing of magazines.	Estonia
Delfi A/S	Subsidiary	100%	100%	Online media	Latvia
D Screens SIA	Subsidiary	100%	100%	Sale of outdoor advertising	Latvia
Delfi Ticket Service SIA	Subsidiary	100%	-	Holding company (established in June 2019)	Latvia
Delfi Tickets SIA	Subsidiary	100%	-	Holding company (established in June 2019)	Latvia
Biļešu Paradīze SIA	Subsidiary	100%	-	Operation of the electronic ticket platform and box offices (acquired in June 2019)	Latvia
Altero SIA	Associate	25.48%	-	Financial comparison and brokerage platform (acquired in October 2019)	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media	Lithuania
UAB Login Conferences	Subsidiary	100%	-	Organisation of technology and innovation conference (acquired in March 2019)	Lithuania
Sport Media UAB	Subsidiary	51%	51%	Currently dormant	Lithuania
Delfi Holding SIA	Subsidiary	-	100%	Holding company (previously parent company to Delfi companies in different countries). Liquidated on 24.07.2019	Latvia
Hea Lugu OÜ	Subsidiary	83%	83%	Book publishing	Estonia
Adnet Media UAB	Subsidiary	100%	100%	Online advertising solutions and network	Lithuania
Adnet Media OÜ	Subsidiary	100%	100%	Online advertising solutions and network. In liquidation.	Estonia
Adnet Media SIA	Subsidiary	100%	100%	Online advertising solutions and network	Latvia
Videotinklas UAB	Subsidiary	100%	45%	Production studio for content creation (100% ownership interest since August 2019)	Lithuania
Õhtuleht Kirjastus AS	Joint venture	50%	50%	Newspaper publishing. From 1 June 2018 also publishing of magazines as an outcome of the merger with AS Ajakirjade Kirjastus.	Estonia
Express Post AS	Joint venture	50%	50%	Home delivery of periodicals	Estonia
Linna Ekraanid OÜ	Subsidiary	100%	50%	Sale of digital outdoor advertising (100% ownership interest since March 2019)	Estonia
Centra Ekrani SIA	Subsidiary	100%	50%	Currently dormant	Latvia
Babahh Media OÜ	Associate	49%	49%	Sale of video production, media and infrastructure solutions	Estonia
Kinnisvarakeskkond OÜ	Associate	49%	49%	Development of a real estate portal	Estonia
Operating segment: printing services					
Printall AS	Subsidiary	100%	100%	Printing services	Estonia
Operating segment: entertainment					
Delfi Entertainment SIA	Subsidiary	100%	100%	Currently dormant	Latvia

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

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

Basis of accounting

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

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

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

These consolidated financial statements are presented in euro, which is The Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Comparability

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

Changes in accounting policies

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

The Group initially applied IFRS 16 Leases from 1 January 2019.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in this Note under section Leases.

On transition to IFRS 16, the Group elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the Group leases many assets including office facilities, production equipment, digital outdoor screens, locations where digital screens are installed, cars and IT/office equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Lease liabilities for leases previously classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments on transition, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see below). Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT/office equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- applied the same discount rate to similar leases;
- used hindsight when determining the lease term.

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

(EUR thousand)	1 January 2019
Right-of-use assets	3 077
Lease liabilities	3 296
Retained earnings	(219)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.15%.

(EUR thousand)	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements	2 229
Discounted using the incremental borrowing rate at 1 January 2019	3 039
Finance lease liabilities recognised as at 31 December 2018	197
- Recognition exemptions for leases of low-value assets	(427)
- Recognition exemptions for leases with less than 12 months of lease term at transition	(26)
- Extension options reasonably certain to be exercised	710
Lease liabilities recognised at 1 January 2019	3 493

IFRIC 23 Uncertainty over Income Tax Treatments - effective for annual periods beginning on or after 1 January 2019.

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

The application of the interpretation does not have a material impact on the financial statements as the Group does not have material uncertain tax positions.

Annual Improvements to IFRS 2015-2017 Cycle - effective for annual periods beginning on or after 1 January 2019. The Improvements to IFRSs (2015-2017) contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
- clarify that the entity should always account for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and
- clarify that in computing the capitalisation rate for funds borrowed generally, an entity should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs related to specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing costs of the entity.

None of these changes do not have a material impact on the financial statements of the Group.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures - effective for annual periods beginning on or after 1 January 2019.

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI').

The amendment involves the dual application of IAS 28 and IFRS 9 Financial Instruments. The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain how the standards are to be applied.

The adoption of the amendment did not have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement - effective for plan amendments, curtailments or settlements that occur on or after 1 January 2019, or the date on which the amendments are first applied.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The adoption of the amendment did not have a material impact on the consolidated financial statements of the Group.

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

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2019 and have not been applied in preparing these consolidated financial statements. The group plans to adopt these pronouncements when they become effective.

Amendments to IAS 1: Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - effective for annual periods beginning on or after 1 January 2020
The amendments clarify and align the definition of 'material' and provide guidance to help improve

consistency in the application of that concept whenever it is used in IFRS Standards.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – effective for annual periods beginning on or after 1 January 2020 The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that the IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- 'Highly probable' requirement
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

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

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

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

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

Amendments to IFRS 3 Business Combinations – effective for annual periods beginning on or after 1 January 2020. These amendments are not yet endorsed by the EU. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Other Changes

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

Principles of consolidation

Subsidiaries

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

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

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

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

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

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Business combinations involving entities under common control are accounted for under the adjusted purchase method. For such business combinations, the combination might not occur under market conditions, as a result of which the application of the regular purchase method may distort the substance of the occurred transaction.

The acquisition price in the transaction involving entities under common control may not reflect the actual value of the acquired entity. As a result, neither goodwill nor negative goodwill has their usual meaning. According to adjusted purchase method the assets, liabilities and contingent liabilities of the acquiree shall not be revalued to their fair values in the purchase price allocation, but they shall be recognised at their carrying amounts on the acquirer's balance sheet and the difference between the cost of acquisition and the carrying amount of the acquired net assets shall not be recognised as positive nor negative goodwill but it shall be recognised as a decrease or increase of the equity of the acquirer.

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

Joint ventures and associates

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

Group companies

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

Inventories

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

Financial instruments

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

The Group classifies cash and cash equivalents, trade and other receivables and loans granted as financial assets measured at amortised cost.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have any financial assets at fair value through other comprehensive income.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Contingent consideration assumed in a business combination is classified as at FVTPL. Discounted cash flows are used in measuring fair value. The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate. The estimated fair value would increase (decrease) if the expected cash flows were higher (lower) or the risk-adjusted discount rate were lower (higher).

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.
The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- other receivables, loans granted and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables without a significant financing component are always measured at an amount equal to lifetime ECLs. The expected credit losses of those financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has a reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Property, plant and equipment

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

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

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

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

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

Gains and losses on disposals on non-current assets are the amounts determined by comparing sales proceeds with the carrying amount and they are recognised as other income or expenses in profit or loss statement. Depreciation is calculated on a straight-line basis or according to the production unit method using the following estimated useful lives. Land is not subject to depreciation.

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

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

Intangible assets

Goodwill

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

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

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

Trademarks

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

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

Development costs

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

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

Customer relationships

Customer relationships are identifiable intangible assets if they arise from contractual or legal rights, or are separable. Customer relationships acquired through business combinations are intially measured at their acquisition date fair values. Subsequently customer relationships are recognised in the balance sheet at cost less any accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the acquisition cost of customer relationships over their estimated useful lives. Assets that are subject to amortisation are reviewed for impairment whenever there is any indication that the carrying amount may not be recoverable and, if necessary, an impairment loss is recognised (see also "The impairment of non-financial assets").

The estimated useful lives of customer relationships are 2-10 years. The amortisation rates are assessed for appropriateness each year.

Other intangible assets

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

Impairment of non-financial assets

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

Provisions

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

Contingent liabilities

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

Payables to employees

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

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

Share-based transactions

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

Leases –

policy applicable from 1 January 2019

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- lease payments dependent on index or rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (leases with a lease term of 12 months or less and containing no purchase options).

The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Finance and operating lease –

policy applicable before 1 January 2019

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

The Group as a lessee

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

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

Revenue recognition

Revenue is measured based on the consideration specified in contract with a customer. The Group recognises revenue when it satisfies a performance obligation by transferring a good or service to a customer. The Group transfers a good or service to a customer when the customer obtains control of that good or service. Control may be transferred either at a point in time or over time.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and related revenue recognition polices:

Type of product / service	Nature and timing of satisfaction of performance obligations	Revenue recognition under IFRS 15
Advertising revenue	The customer obtains control of service at the moment the advertisement is published in media. Invoices are issued according to contractual terms after the service is provided. Barter transactions are offset against each other.	Revenue from providing intermediation of media and advertising services is recognised in the accounting period in which the services are rendered, it means at the time the advertisement appears in media. Revenue to be received from periodic advertisement packages is allocated in proportion to their duration. For barter transactions, advertising revenue is recognised at the time the advertisement appears in media and according to the terms laid down in the agreement either goods or services are received from the other party which are recognised as an expense at the time the goods or services are received. Non-monetary transactions are measured at fair value.
Retail sales of periodicals and books	Customers obtain control of periodicals and books when the goods have been delivered to the customer. Newspapers and magazines are normally sold at wholesale conditions and in most cases, with the right to return them. Historical experience with the return of the goods forms the basis for evaluation of the estimated refund amounts. In the case of wholesale of products, the invoice is issued to the customer for the products sold at the end of each month. In retail, the customer generally pays in cash, by credit card or with bank transfer.	Revenue from the sale of goods is recognised at the moment when the goods have been delivered to the customer, at the time when a sales is completed for the client. Historical experience with the return of the goods forms the basis for evaluation of the estimated refund amounts. The returns of goods are recognised as a reduction of revenue at the time of revenue recognition. The sale of published books is recognised at the moment when they have been sold to the end consumer.
Sale of subscribed periodicals and books	Customers obtain control of periodicals and books when the goods have been delivered to the customer. Customers pay for subscribed periodicals and books as prepayments, which means that the subscription will become effective when the payment is received.	Customer payments for subscribed books, newspapers and magazines are allocated to the subscription period and recognised in revenue in accordance with the publishing of the periodical. Payments received for future subscriptions are recognised as contract liability. For packages of subscriptions, the price of the package is allocated to the individual components.
Sale of paper and printing services	Customers obtain control of paper products and printing services when the goods and services have been transferred to the customer. Invoices are issued according to contractual terms. Rights to consideration for work completed but not billed at the reporting date, are recognised as contract assets.	Revenue is recognised when the goods are transferred to the customer, it means at the time when customer receives ordered paper products, because the Group by satisfing performance obligation does not create an asset for which the Group would have an alternative use. The Group is also not able to divert its assets to other customers.
Commissions from event organizers and from tickets sold via internet	The company acting as an agent and does not control the specified goods provided by another party. Tickets sold via internet are controlled by the customer at the moment the tickets have been delivered to the customer. In the case of tickets sold at sales sites, the performance obligation shall be fulfilled at the moment the event takes place. The commissions depend on the number of tickets sold.	Revenue as an agent is recognized when the performance obligation is satisfied at point in time in the amount of commission from sale to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Interest income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Dividend income

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

Government Grants

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

Earnings per share

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

Statutory reserve capital

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

Dividend distribution

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

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

Events after the balance sheet date

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

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

Segment reporting

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

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

Corporate income tax and deferred income tax

Corporate income tax in Estonia

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

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

Corporate income tax for companies registered in Latvia

In accordance with the local income tax laws the net profit of companies located in Latvia adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax 15% until 31.12.2017. From 1 January 2018, the new Law on Corporate Income Tax of the Republic of Latvia came into effect, setting out a conceptually new regime for paying taxes, which is similar to scheme in place in Estonia. From 1 January 2018 the tax rate is 20% and it is applied on profit distribution. The taxation period is one month instead of a year.

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

The carrying amounts of deferred tax assets and liabilities were reversed and changes were charged to profit or loss in 2017.

Corporate income tax for companies registered in Lithuania

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

Management estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year include assessment of useful lives of intangible assets identified (Note 16), valuation of inventories (Note 10), valuation of goodwill (Note 16), determination of useful lives of property, plant and equipment (Note 15) and valuation of receivables and loans granted (Notes 4, 6, 7), evaluation of derivative instruments (Notes 4, 27).

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

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

As of 31.12.2019 and 31.12.2018, no impairment losses were recognised for goodwill.

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

b) Estimation of useful lives of intangible assets

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

According to the estimates, the useful lives of **trademarks** as of the balance sheet date are 5-50 years, based on past experiences on useful lives of similar trademarks. The trademark in the online media is the title of the online portal "Delfi", the trademarks in print media are mainly the titles of different publications (magazines, newspapers). The useful lives of online media trademarks are estimated to be longer than those of print media. The remaining amortisation period of online media trademarks is up to 38 years. The useful lives of print media trademarks are generally estimated to be between 5-10 years.

Carrying amount of trademarks as of 31.12.2019 is EUR 9 218 thousand (31.12.2018: EUR 6 761 thousand). If useful lives of online trademarks increased or decreased by 10%, the annual amortisation charge would increase or decrease, respectively, by EUR 38/46 thousand.

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

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

If the useful lives increased/decreased by 10%, the annual depreciation charge would decreased/ increased by EUR 91/111 thousand, EUR 111/136 thousand and EUR 58/71 thousand of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 260/318 thousand.

d) Assessment of the value of receivables

The Group has applied the simplified approach in recognising lifetime ECL as presented IFRS 9 for trade receivables. Loss allowances for trade receivables without a significant financing component are measured at an amount equal to lifetime ECLs. The expected credit losses of those financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

e) Inventory valuation

Upon valuation of inventories, the management will rely on its best estimates taking into consideration historical experience, general background information and assumptions and preconditions of the future events. For determining the impairment of finished goods (carrying amount as of 31.12.2019, EUR 333 thousand and as of 31.12.2018, EUR 342 thousand), the sales potential as well as the net realisable value of finished goods is considered. Upon valuation of raw materials and materials (carrying amount as of 31.12.2019, EUR 2 448 thousand and as of 31.12.2018, EUR 2 687 thousand) their potential use in producing finished goods and generating income is considered. Upon valuation of work in progress (carrying amount as of 31.12.2019, EUR 332 thousand and as of 31.12.2018, EUR 347 thousand) their stage of completion that can reliably be measured is considered.

f) Contingent consideration

Contingent consideration assumed in a business combination is classified as at FVTPL. Discounted cash flows are used in measuring fair value. The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate. The estimated fair value would increase (decrease) if the expected cash flows were higher (lower) or the risk-adjusted discount rate were lower (higher). As at 31.12.2019 the fair value of contingent consideration was 2 935 thousand euros, incl 250 thousand euros current and 2 685 thousand euros non-current liabilities (31.12.2018: 0 euros).

g) Corporate income tax

Recognition of deferred income tax on investments made in Estonian (and Latvian) subsidiaries, associates and joint ventures.

In 2018, a new income tax system was introduced in Latvia that is similar to the one used in Estonia. However, after its implementation deferred income is recognised in IFRS statements in a way that differs from the approach that is currently used in Estonia. According to the approach in Latvia, deferred income on investments made in subsidiaries, associates and joint ventures shall also be recognised in case these investments have been made in such countries (e.g. Estonia and Latvia) where corporate income tax is payable on distributable profits unless the group is able to control the timing of the reversal of temporary differences and their reversal in the near future is not probable. According to the approach currently used in Estonia, the deferred income tax liability is not recognised in this case.

Currently there is no common position in Estonia as to which approach is correct. The Ministry of Finance has asked the IFRIC's opinion on the correct interpretation of IAS 12 Income Taxes. As at the date of authorisation of the annual report for issue, the IFRIC has not yet expressed its opinion.

The Group's Management Board has decided to continue using the current accounting policy for recognition of the deferred income tax liability on investments in subsidiaries, associates and joint ventures. Under to this approach, the deferred income tax liability is always zero in countries where corporate income tax is payable on distributable profits (e.g. Estonia and Latvia) because according to paragraph 52A of IAS 12, the deferred income tax liability that arises on investments in such countries is measured at the tax rate of 0% that is applicable to retained earnings.

If the Group were to change its accounting policy and recognise deferred income tax on such investments, the amount of the liability would be immaterial as at 31 December 2019.

Note 4. Financial risk management

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

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

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

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

Credit risk

Credit risk is expressed as a loss which may be incurred by the Group and is caused by the counterparty if the latter fails to perform its contractual financial obligations. Credit

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

Bank	Moody`s	Standard & Poor`s	31.12.2019	31.12.2018
SEB	Aa2	A+	357	360
Swedbank	Aa2	AA-	727	884
Citadele	Ba1	-	2 371	0
Luminor/LHV	Baa1/Baa1	-/-	68	9
Total			**3 523**	**1 253**

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

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

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

31.12.2019 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables (Note 6)	6 574	1 679	1 089	106	9 449
Other short-term receivables (Note 6)	2 436	0	0	0	2 436
Other long-term receivables (Note 11)	115	0	0	0	115
TOTAL	**9 125**	**1 679**	**1 089**	**106**	**12 000**

31.12.2018 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables (Note 6)	5 913	1 258	955	27	8 153
Other short-term receivables (Note 6)	430	0	0	0	430
Other long-term receivables (Note 11)	728	0	0	0	728
TOTAL	**7 071**	**1 258**	**955**	**27**	**9 312**

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

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

In 2019, the Group has written down doubtful receivables in the amount of EUR 317 thousand (31.12.2018: EUR 279 thousand). For all trade receivables, the Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision. The expected credit losses of those financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Information about the changes in allowance of receivables during the reporting period is presented in Note 7. For all other receivables (incl loans granted), the Group measures the loss allowance at an amount equal to 12 months ECL, if the credit risk has not increased significantly since initial recognition. If there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. As at 31.12.2019 the credit risk has not increased significantly. Since other receivables include mainly the prepayments to event organizers which represent cash collected on behalf of event organizers for the events, the management estimates that the receivables do not contain credit risk, as the Group is not responsible for the services provided by the event organizers to the client.

Liquidity risk

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

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

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

Overdraft credit is used to finance working capital, long-term bank loans and 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 loan contract. This essentially works as a long-term line of credit, the use of which the Group can regulate at its own discretion.

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

31.12.2019 (EUR thousand)	Undiscounted					
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	>5 years	Carrying amount
Bank loans (Note 18)	291	578	3 596	11 700	0	15 448
Notes (Note 18)	0	0	300	1 200	5 900	5 000
Lease payments (Note 18,19)*	90	181	813	2 991	0	3 894
Trade payables (Note 17)	3 332	23	0	0	0	3 355
Other payables	1 693	0	0	2 895	0	4 588
TOTAL	**5 406**	**782**	**4 709**	**19 086**	**5 600**	**32 285**

31.12.2018 (EUR thousand)	Undiscounted					
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	>5 years	Carrying amount
Bank loans (Note 18)	28	52	1 528	14 563	0	15 278
Finance lease payments (Note 18,19)	6	13	56	126	0	197
Trade payables (Note 17)	3 140	2	7	0	0	3 150
Other payables	1 818	0	0	0	0	1 818
TOTAL	**4 992**	**67**	**1 591**	**14 689**	**0**	**20 443**

* The effect of the new accounting standard IFRS 16 "Leases" that entered into force on 1 January 2019 on the balance sheet is described on page 33 and Note 2 of the financial statements.

More information about loan payments is disclosed in Note 18.

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

Interest rate risk

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

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

Type of interest	Interest rate	31.12.2019 (EUR thousand)	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Fixed and floating interest rate	0%+2.15%-3.90%	Loan	3 071	11 359	0	14 429
	6.00%	Notes	0	0	5 000	5 000
	6-month Euribor + 1.78-2.50%	Lease liability*	1 011	2 884	0	3 894
	1-month Euribor + 1.9%	Overdraft	1 018	0	0	1 018

Type of interest	Interest rate	31.12.2018 (EUR thousand)	<= 1 year	>1 year and <=5 years	> 5 years	Carrying amount
Fixed and floating interest rate	0%+2.15%	Syndicated loan	0	13 994	0	13 994
	1-month Euribor + 2.3%	Finance lease	73	124	0	197
	1-month Euribor + 1.9%	Overdraft	1 284	0	0	1 284

* The effect of the new accounting standard IFRS 16 "Leases" that entered into force on 1 January 2019 on the balance sheet is described on page 33 and Note 2 of the financial statements. Information about loans is disclosed in Note 18.

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 2019, such foreign exchange risk was on a level of ca 1% of Group's revenue (in 2018: ca 1%). 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 31.12.2019, the Group's foreign currency risk related to USD was EUR 349 thousand and to other currencies (SEK, GBP, NOK), EUR 44 thousand. As of 31.12.2018, the Group's foreign currency risk related to NOK was EUR 67 thousand and to other currencies (SEK, GBP, USD), EUR 34 thousand.

Price risk

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

Operational risk

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

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

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

Capital risk

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

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

Equity ratios of the Group*

(EUR thousand)	31.12.2019	31.12.2018
Interest-bearing debt	24 342	15 474
Cash and bank accounts	3 647	1 268
Net debt	20 695	14 207
Equity	51 622	50 434
Total capital	72 318	64 641
Debt to capital ratio	**29%**	**22%**
Debt to capital ratio (without the effect of IFRS 16)	**25%**	**22%**
Total assets	95 407	76 738
Equity ratio	**54%**	**66%**
Equity ratio (without the effect of IFRS 16)	**56%**	**66%**

* The effect of the new accounting standard IFRS 16 "Leases" that entered into force on 1 January 2019 on the balance sheet is described on page 33 and Note 2 of the financial statements.

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17,18,19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2019 and 31 December 2018. The Group's interest bearing liabilities (syndicated loan) were refinanced in 2019 and Euribor was fixed to zero which reflects the adequate situation of current market interest rates. Also, the Group's risk margins correspond to market conditions. Based on that, the management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments. Trade receivables and trade payables are recognised at amortised cost, due to which the management estimates that their carrying amount approximates their fair value.

The fair value of other investments through profit or loss was 860 thousand euros as at 31.12.2019 (31.12.2018 860 thousand euros). Investments are not listed on any stock exchange and these are categorised as level 3 in fair value hierarchy. Management of the Group estimates that the fair value of the investment is not substantially different compared to its book value.

The fair value of other liabilities (contingent consideration) through profit or loss was 2 935 thousand euros as at 31.12.2019 and these are categorised as level 3 in fair value hierarchy.

Note 5. Cash and bank

(EUR thousand)	31.12.2019	31.12.2018
Cash in hand	91	15
Cash at bank	3 491	1 253
Cash in transit	33	0
Term deposit	32	0
Total cash and bank	**3 647**	**1 268**

Note 6. Trade and other receivables

(EUR thousand)	31.12.2019	31.12.2018
Trade receivables (Note 7)	9 449	8 153
Other tax receivables	279	115
Other receivables (Note 9)	2 436	430
Prepayments	541	455
Total trade and other receivables	**12 705**	**9 154**

Note 7. Trade receivables

(EUR thousand)	31.12.2019	31.12.2018
Trade receivables	9 676	8 343
Allowance for doubtful receivables	(228)	(190)
Total trade receivables (Note 6)	**9 449**	**8 153**

(EUR thousand)	2019	2018
Allowance for doubtful receivables at the beginning of the period	(190)	(410)
Proceeds from doubtful receivables during the period	244	210
Allowance for doubtful receivables recognised during the period	(317)	(279)
Receivables written off from balance sheet during the period	36	289
Allowance for doubtful receivables at the end of the period	**(228)**	**(190)**

Impairment losses from trade receivables recognised during the period are reported in the statement of comprehensive income as "Cost of sales". For further information on ageing of receivables (including overdue receivables), see Note 4. Accounting policies for impairment of financial assets are disclosed in Note 2.

Note 8. Corporate income tax and deferred tax

Group's icome tax expense (EUR thousand)	2019	2018
Corporate income tax expense	339	276
Deferred income tax expense	0	0
Total income tax expense	**339**	**276**

Corporate income tax

(EUR thousand)	2019	2018
Latvia		
Current income tax expense	**(38)**	**(10)**
Lithuania		
Profit (loss) before tax	1 870	1 702
Tax rate	15%	15%
Estimated income tax	(281)	(255)
Impact of income not taxable/expenses not deductible for tax purposes	(20)	(11)
Current income tax expense	**(301)**	**(266)**
Deferred income tax gains (losses)	**0**	**0**

Note 9. Other short-term receivables

(EUR thousand)	31.12.2019	31.12.2018
Receivables from associates (Note 30)	**67**	**21**
Trade receivables	36	8
Loans granted	31	13
Receivables from joint ventures (Note 30)	**107**	**251**
Trade receivables	107	142
Loans granted	0	100
Other receivables	0	9
Receivables from related parties (Note 30)	**9**	**2**
Other receivables	9	2
Other short-term receivables	**2 253**	**156**
Loans granted	0	2
Other receivables	2 253	155
Total other short-term receivables (Note 6)	**2 436**	**430**

Other receivables include mainly the prepayments (cash collected on behalf of event organizers for the events) to event organizers. Prepayments to event organisers represent the balance of payments made to event organizers prior to event.

Note 10. Inventories

(EUR thousand)	31.12.2019	31.12.2018
Raw materials	2 448	2 687
Work in progress	332	347
Finished goods	333	342
Goods for resale	7	6
Total inventories	**3 120**	**3 382**

(EUR thousand)	2019	2018
Impairment of finished goods	80	74
Allowance for impairment recognised in profit or loss	**80**	**74**

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

Note 11. Other receivables and investments

(EUR thousand)	31.12.2019	31.12.2018
Receivables from associates and joint ventures (Note 30)	115	728
Other investments - mandatorily as fair value through profit or loss	860	860
Total long-term receivables	**975**	**1 588**

Note 12. Business combinations

On **6 August 2019** UAB Adnet Media acquired a 100% ownership interest in Videotinklas UAB that has a production studio for content creation. Until then UAB Adnet Media owned 45% of the company.

The aim of the acquisition is to increase the share of the Group's digital revenue and diversify digital business.

On **4 June 2019**, the wholly-owned subsidiary of AS Ekspress Grupp, i.e. A/S Delfi concluded through its subsidiaries SIA Delfi Tickets and SIA Delfi Tickets Service a contract for the acquisition of all the shares of the Latvian ticket sales platform company SIA Biļešu Paradīze. The acquisition was partially funded by the loans granted by AS Citadele banka and Aktiva Finants OÜ (100% owner Hans H. Luik).

SIA Biļešu Paradīze manages the electronic ticket sales platform (bilesuparadize.lv) and ticket sales sites through which tickets to various entertainment events on behalf of event organisers are sold.

The purpose of the acquisition is to:

- expand into new business sectors, by focusing on increasing the share of the Group's digital revenue;
- Increase the Group's return on equity, and use the synergy between the new business acquired and media activities;
- enhance key activities and support the implementation of the Group's digital transformation;
- develop the diverse digital footprint of the Group's business.

On **7 March 2019**, UAB Delfi concluded a contract with UAB Small Talk Ideas and Arnoldas Rogoznyjga to acquire a 100% ownership interest in UAB Login Conferences that is engaged in organisation of the Lithuanian technology and innovation conference.

The key activity of UAB Login Conferences is organisation of the technology and innovation conference "Login".

The purpose of the acquisition of the ownership interest is to enter the conference organisation market and turn this innovation and technology conference into one of the most well-known innovation events in the Baltic States.

On **8 March 2019**, AS Ekspress Grupp acquired a 100% ownership interest in Linna Ekraanid OÜ that is engaged in sales of digital outdoor advertising in Estonia. Until then, AS Ekspress Grupp owned 50% of the company.
In July 2016, a 50% ownership interest was acquired in OÜ Linna Ekraanid. The purpose of the acquisition was to lay a foundation for launch of a new business line at

AS Ekspress Grupp and thereby grow the portfolio of the Group's operating areas. The Group's long-term objective is to continue developing digital outdoor advertising and assume a leadership position in the market in this business. According to the contract concluded in 2016, Ekspress Group had an obligation to acquire the remaining 50% of the company in 2019.

On **19 December 2018**, AS Ekspress Grupp and its wholly-owned subsidiaries OÜ Ekspress Finance and OÜ Ekspress Digital concluded a merger agreement agreeing that AS Ekspress Grupp as the acquiring company will acquire all assets and liabilities of OÜ Ekspress Finance and OÜ Ekspress Digital. The balance sheet date of the merger, i.e. when the transactions of the companies being acquired will be considered as those being done by the acquiring company is 1 October 2018. The merger agreement was concluded for the purpose of simplifying the Group's management and legal structure. As of 22 January 2019, the extraordinary meeting of shareholders approved of the merger. The entry in the Commercial Registry was made on 11 March 2019.

The following table provides an overview of acquired identifiable assets and liabilities at the time of acqui-sition. The purchase analysis is based on liabilities and assets related to the balance sheet of Linna Ekraanid OÜ as of 28.02.2019, UAB Login Conferences as of 28.02.2019, SIA Biļešu Paradīze as of 31.05.2019 and Videotinklas UAB as of 31.07.2019.

(EUR thousand)	Fair value	Carrying amount
Net assets	239	625
Total identifiable assets	**239**	**625**
Goodwill	**4 658**	
Trademarks	**2 865**	
Customer relationships	**1 752**	
Cost of ownership interest	9 514	
Paid for ownership interest in cash	5 598	
Cash and cash equivalent in acquired company	957	
Cash effect on Group	**(4 641)**	

If Linna Ekraanid OÜ had been acquired as at 1 January 2019 then the revenues of the Group would have been 114 thousand euros bigger and net profit by 41 thousand euros less.

If SIA Biļešu Paradīze had been acquired as at 1 January 2019 then the revenues of the Group would have been 698 thousand euros and net profit by 324 thousand euros bigger.

The impact of 2019 total year result of UAB Login Conferences and Videotinklas UAB would have been insiginificant.

Note 13. Joint ventures

Company name	Ownership interest % 31.12.2019	Ownership interest % 31.12.2018	Co-owner 31.12.2019	Co-owner 31.12.2018
AS Õhtuleht Kirjastus	50%	50%	Alexela Group OÜ	OÜ Suits Meedia
AS Express Post	50%	50%	AS Postimees Grupp (former AS Eesti Meedia)	AS Eesti Meedia
Linna Ekraanid OÜ	100%	50%	-	Private individuals

The main activity of joint ventures is described in Note 1. In March 2019, AS Ekspress Grupp acquired a 100% ownership interest in Linna Ekraanid OÜ that is engaged in sales of digital outdoor advertising in Estonia. Until then, AS Ekspress Grupp owned 50% of the company (see Note 12). In June 2018, AS Ajakirjade Kirjatus was reorganised and merged with AS Õhtuleht Kirjastus.

(EUR thousand)	AS Ajakirjade Kirjastus	AS Õhtuleht Kirjastus	AS Express Post	Linna Ekraanid OÜ	Total
31.12.2019					
Net assets of the joint venture	-	2 548	(84)	-	2 464
Proportion of ownership in the joint venture	-	50%	50%	-	
Goodwill	-	0	0	-	0
Other adjustments	-	(19)	42	-	23
Carrying amount of interest in the joint venture	**-**	**1 255**	**0**	**-**	**1 255**
Profit / (loss) on shares of joint ventures	-	160	(182)	(16)	(38)
31.12.2018					
Net assets of the joint venture	-	2 959	(493)	387	2 854
Proportion of ownership in the joint venture	-	50%	50%	50%	
Goodwill	-	0	0	672	672
Other adjustments	-	(62)	246	62	247
Carrying amount of interest in the joint venture	**-**	**1 418**	**0**	**928**	**2 346**
Profit / (loss) on shares of joint ventures	181	(100)	(395)	41	(273)

Financial information of joint ventures

(EUR thousand)	AS Õhtuleht Kirjastus	AS Express Post	Linna Ekraanid OÜ	Total
31.12.2019				
Current assets	2 053	1 180	-	3 233
Non-current assets	4 383	63	-	4 446
Total assets	**6 437**	**1 242**	**-**	**7 679**
Current liabilities	3 414	1 326	-	4 740
Non-current liabilities	475	0	-	475
Total liabilities	**3 889**	**1 326**	**-**	**5 215**
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	*1 098*	*665*	-	*1 763*
Current financial liabilities (excluding trade and other payables and provisions)	*178*	*0*	-	*178*
Non-current financial liabilities (excluding trade and other payables and provisions)	*475*	*0*	-	*475*
31.12.2018				
Current assets	2 442	1 326	296	4 064
Non-current assets	3 854	84	735	4 673
Total assets	**6 296**	**1 410**	**1 031**	**8 737**
Current liabilities	2 941	1 902	156	4 999
Non-current liabilities	396	0	488	884
Total liabilities	**3 337**	**1 902**	**644**	**5 883**
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	*886*	*815*	*220*	*1 921*
Current financial liabilities (excluding trade and other payables and provisions)	*0*	*0*	*42*	*42*
Non-current financial liabilities (excluding trade and other payables and provisions)	*0*	*0*	*118*	*118*

(EUR thousand)	AS Ajakirjade Kirjastus	AS Õhtuleht Kirjastus	AS Express Post	Linna Ekraanid OÜ	Total
2019					
Revenue	-	13 840	5 115	114	19 069
Depreciation and amortisation	-	(774)	(43)	(30)	(847)
Interest income	-	8	0	0	8
Interest expense	-	(14)	(5)	(2)	(21)
Profit / (loss) before income tax	**-**	**320**	**(364)**	**(41)**	**(85)**
Income tax expense	-	0	0	0	0
Profit / (loss) for the reporting period	**-**	**320**	**(364)**	**(41)**	**(85)**
Other comprehensive income	-	0	0	0	0
Total comprehensive income	**-**	**320**	**(364)**	**(41)**	**(85)**
2018					
Revenue	3 709	11 723	4 420	1 009	20 860
Depreciation and amortisation	(133)	(472)	(39)	(110)	(754)
Interest income	0	43	0	0	43
Interest expense	(12)	(23)	(3)	(9)	(48)
Profit / (loss) before income tax	**362**	**(136)**	**(790)**	**139**	**(425)**
Income tax expense	0	0	0	0	0
Profit / (loss) for the reporting period	**362**	**(136)**	**(790)**	**139**	**(425)**
Other comprehensive income	0	0	0	0	0
Total comprehensive income	**362**	**(136)**	**(790)**	**139**	**(425)**

Note 14. Associates

(EUR thousand)	31.12.2019	31.12.2018
Acquisition of associates	2 006	1
Disposal of associate interest	(14)	0
Impairment loss recognised for the receivables of associates (Note 30)	(160)	(198)
Shares of associates in the balance sheet	2 357	319
Share of loss in associates recognised in statement of comprehensive income		
Profit (loss) under the equity method	(114)	(234)
Total profit (loss) of associates	**(114)**	**(234)**

Company name	Ownership interest %	
	31.12.2019	31.12.2018
Babahh Media OÜ	49%	49%
Videotinklas UAB	100%	45%
Kinnisvarakeskkond OÜ	49%	49%
Altero SIA	25.48%	-

In October 2019, the wholly-owned subsidiary of AS Ekspress Grupp, A/S Delfi, acquired 25.48% of the shares of comparison and brokerage portal for financial products SIA Altero. In August 2019, UAB Adnet Media acquired a 100% ownership interest in Videotinklas UAB that has a production studio for content creation. Until then UAB Adnet Media owned 45% of the company (see Note 12).

Financial information of associate

(EUR thousand)	Videotinklas UAB	Babahh Media OÜ	Kinnisvarakeskkond OÜ	Altero SIA
31.12.2019				
Total assets	-	221	382	851
Total liabilities	-	153	1 112	242
Total revenue	169	806	476	648
Total expenses	155	784	802	525
Net profit (loss)	**15**	**23**	**(326)**	**122**
31.12.2018				
Total assets	47	218	373	-
Total liabilities	29	165	777	-
Total revenue	225	779	123	-
Total expenses	213	773	605	-
Net profit (loss)	**12**	**6**	**(482)**	**-**

Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total
31.12.2017						
Cost	409	5 918	23 992	2 756	918	**33 993**
Accumulated depreciation	0	(2 816)	(17 105)	(1 883)	0	**(21 804)**
Carrying amount	**409**	**3 102**	**6 887**	**873**	**918**	**12 189**
Acquisitions and improvements	0	7	195	310	1 523	**2 035**
Disposals (at carrying amount)	0	0	0	(21)	0	**(21)**
Write-offs (at carrying amount)	0	0	0	1	0	**1**
Reclassification	0	791	96	414	(1 301)	**0**
Depreciation	0	(231)	(1 571)	(481)	0	**(2 283)**
31.12.2018						
Cost	409	6 634	24 077	3 162	1 140	**35 422**
Accumulated depreciation	0	(2 965)	(18 470)	(2 066)	0	**(23 501)**
Carrying amount	**409**	**3 669**	**5 607**	**1 096**	**1 140**	**11 921**
First-time adoption of IFRS 16 (Note 2)	0	3 077	0	0	0	**3 077**
Restated carrying amount on 01.01.2019	**409**	**6 746**	**5 607**	**1 096**	**1 140**	**14 998**
Acquisitions and improvements	0	647	408	292	914	**2 261**
Disposals (at carrying amount)	0	0	(14)	(8)	0	**(22)**
Write-offs (at carrying amount)	0	(236)	(1)	(4)	(5)	**(246)**
Reclassification	0	84	1 117	187	(1 389)	**(1)**
Acquired through business combinations	0	141	0	634	37	**812**
Depreciation	0	(996)	(1 221)	(642)	0	**(2 859)**
31.12.2019						
Cost	409	10 390	25 578	4 477	697	**41 551**
Accumulated depreciation	0	(4 004)	(19 682)	(2 922)	0	**(26 608)**
Carrying amount	**409**	**6 386**	**5 896**	**1 555**	**697**	**14 943**

Information about pledged items of property, plant and equipment is disclosed in Note 18. Information about payments and terms of leases and right-of-use assets are disclosed in Note 19. Leased plant and equipment (classified as finance lease under IAS 17) - at 31 December 2018, the net carrying amount of leased equipment held under finance lease was EUR 326 thousand. During 2018, the Group didn't acquire any equipment under a finance lease.

Note 16. Intangible assets

(EUR thousand)	Goodwill	Trademarks	Development costs	Customer relationships	Computer software	Prepayments	Total intangible assets
31.12.2017							
Cost	47 866	10 247	786	2 379	2 660	203	**64 141**
Accumulated amortisation and impairments	(9 897)	(3 988)	(572)	(2 379)	(1 886)	0	**(18 722)**
Carrying amount	**37 969**	**6 259**	**214**	**0**	**774**	**203**	**45 419**
Purchases and improvements	0	0	0	0	256	790	**1 047**
Write-offs (at carrying amount)	0	0	0	0	(5)	(1)	**(6)**
Reclassification	0	795	116	200	220	(1 331)	**0**
Acquired through business combination	0	0	5	0	0	995	**1 000**
Amortisation	0	(293)	(118)	(58)	(300)	0	**(769)**
31.12.2018							
Cost	47 866	11 042	850	2 579	2 860	657	**65 854**
Accumulated amortisation and impairments	(9 897)	(4 281)	(633)	(2 438)	(1 914)	0	**(19 163)**
Carrying amount	**37 969**	**6 761**	**217**	**142**	**945**	**657**	**46 691**
Purchases and improvements	0	0	13	0	286	858	**1 157**
Reclassification	0	0	233	0	698	(930)	**1**
Acquired through business combination	4 658	2 874	0	1 752	447	0	**9 730**
Amortisation	0	(417)	(157)	(202)	(434)	0	**(1 211)**
31.12.2019							
Cost	52 525	13 920	726	3 546	4 552	585	**75 854**
Accumulated amortisation and impairments	(9 897)	(4 703)	(419)	(1 855)	(2 611)	0	**(19 485)**
Carrying amount	**42 628**	**9 218**	**306**	**1 691**	**1 942**	**585**	**56 369**

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

Goodwill by cash-generating units

(in thousands)	EUR	
	31.12.2019	31.12.2018
Delfi	35 137	35 137
Adnet	712	712
Maaleht	1 816	1 816
Biļešu Paradīze	3 107	0
Linna Ekraanid	1 338	0
Other	518	305
Total goodwill	**42 628**	**37 969**

In the impairment tests, recoverable amount is based on the value in use method by using discounted cash flow method. For each business unit acquired, five-year cash flow forecasts have been prepared for the respective cash-generating units. After the fifth year, the perpetuality method is used to estimate cash flows in the impairment tests. The growth rate for long-term expected cash flows is conservative growth rate that is expected to be the growth on the market. 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 includes the cash flows of Delfi related product in AS Ekspress Meedia, the cash flows of Latvian entity AS Delfi and the cash flows of Lithuanian entity UAB Delfi. 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. The impairment test of Adnet Media includes the cash flows of Adnet Media activities in all Baltic countries.

In March 2019, AS Ekspress Grupp acquired a 100% ownership interest in Linna Ekraanid OÜ that is engaged in sales of digital outdoor advertising in Estonia. Until then, AS Ekspress Grupp owned 50% of the company (see Note 12). The impairment test of Linna Ekraanid is based on the future cash flows of digital outdoor advertising business in Estonia. No impairment test for Biļešu Paradīze was done, as the ownership was acquired in June 2019 and the purchase price allocation was performed at that time.

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

The applied revenue growth rates are as follows:

Cash-generating unit	Average revenue growth pa Next 5 years		Terminal value growth	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Delfi	3.0%-7.1%	7.8%-10.2%	3.5%	3.5%
Adnet Media	13.4%	17.3%	3%	3%
Maaleht	0%	0%	0%	0%
Linna Ekraanid	23.6%	-	3%	-

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 9.3%-14.2% (2018: 10.0%-11.8%) and the return on debt is 3.9% (2018: 2.8%-3.6%). The debt to equity ratio is based on the latest average debt to equity ratio in publishing and newspapers sector provided by the database of Damodaran Online. The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The latest average unleveraged beta of the publishing and newspaper industry based on Damodaran Online database has been used as one component. The long-term euro bond yield of Germany has been used as the basis for determining the risk rates of these countries.

In 2019 there has been a further decrease in risk-free-interest-rates in the securities markets which has resulted also smaller applied discount rates used in valuation tests.

The applied discount rates are as follows:

Cash-generating unit	31.12.2019	31.12.2018
Delfi	7.47%-7.79%	8.01%-9.56%
Adnet Media	7.79%	8.01%
Maaleht	8.47%	8.35%
Linna Ekraanid	10.02%	-

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

	31.12.2019			31.12.2018		
(EUR thousand)	Recoverable Amount	Carrying amount (prior to impairment)	Difference	Recoverable Amount	Carrying amount (prior to impairment)	Difference
Delfi	95 319	45 871	49 448	78 155	43 846	34 309
Adnet Media	9 309	1 525	7 784	5 692	1 572	4 120
Maaleht	4 996	2 291	2 705	4 769	1 641	3 128
Linna Ekraanid	4 361	2 036	2 325	-	-	-

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

The earnings of Delfi, Adnet Media, Maaleht, Linna Ekraanid and Biļešu Paradīze 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.

Note 17. Trade and other payables

(EUR thousand)	31.12.2019	31.12.2018
Trade payables	3 355	3 150
incl. payables to related parties (Note 30)	*11*	*12*
Payables to employees	2 948	2 138
Other taxes payable	1 942	1 661
Contract liability (Note 21)	2 080	2 031
Contingent consideration	250	0
Payables to joint ventures (Note 30)	116	132
Payables to associates (Note 30)	0	3
Accrued interest	73	2
Other accrued liabilities	5 718	1 685
Total trade and other payables	**16 482**	**10 802**

Contract liability includes mainly the client prepayments for subscriptions of periodicals.
Other accrued liabilities include mainly the cash collected on behalf of event organizers for the events that either will take place in 2020 or have already happened, but the final settlement with the organizers has not been made (Note 9).

As at 31.12.2019, a contingent consideration in the amount of EUR 2 935 thousand is recognized in the balance sheet as a result of the business combination, incl EUR 250 thousand current and EUR 2 635 thousand non-current liabilities.

Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term Up to 1 year	Between 1-5 years	More than 5 years
Balance as of 31.12.2019				
Overdraft	**1 018**	1 018	0	0
Long-term bank loans	**14 429**	3 071	11 359	0
Notes	**5 000**	0	0	5 000
Lease liability	**3 894**	1 011	2 884	0
Total	**24 342**	**5 100**	**14 242**	**5 000**
Balance as of 31.12.2018				
Overdraft	**1 284**	1 284	0	0
Long-term bank loans	**13 994**	0	13 994	0
Finance lease	**197**	73	124	0
Total	**15 474**	**1 356**	**14 118**	**0**

The lease liability in the balance sheet as of 31.12.2019 has been recognised due to the first-time adoption of IFRS 16, the alternative loan interest rate as of 1 January 2019 has been used for discounting. The weighted average interest rate used when the lease liability was recognised is 2.15%.

The effective interest rates are very close to the nominal interest rates. The fair value of the loan liabilities is close to their book value. In January 2019, the margin has been negotiated based on market terms and the interest rate is fixed at the level of zero per cent when the three-month Euribor was still negative. It is customary to set the level of Euribor at zero at the time when it is negative.

Long-term bank loan

In **January 2019**, the existing syndicated loan was refinanced. The new loan agreements between AS SEB Pank, AS Ekspress Meedia, Delfi UAB and AS Printall were concluded in the amount of EUR 14 200 thousand and the balance of the syndicated loan in the amount of EUR 13 994 was paid off in full.

The loan's due date is 20 October 2021. The loan interest is in the range of 2.15% - 2.6%, plus a base interest rate of 0%. The loans of AS Ekspress Meedia and Delfi UAB have bullet payments, the monthly loan payment of AS Printall is in the amount of EUR 206 thousand.

The new loans are secured by:

- Shares of subsidiaries;
- Guarantees of AS Ekspress Grupp and subsidiaries;
- Commercial pledge in the amount of EUR 19 million;
- Group's trademarks in the amount of 4.9 million;
- In addition, a mortgage has been set on the registered immovable and production facilities of a subsidiary (as of 31.12.2019, the buildings carrying amount was EUR 3.1 million and the carrying amount of the registered immovable is EUR 0.4 million);
- The ultimate controlling shareholder has also given a personal guarantee in the amount of EUR 4 million to cover the loan and overdraft agreements.

According to the conditions of the loan agreement, the borrower needs to keep the total debt/EBITDA ratio below 3.0. If the latter is lower than 2.5, the lowest interest margin is used. As of 31.12.2019, debt/EBITDA ratio calculated in accordance with the adjustments laid down in the loan contract was 2.36. According to the conditions of the loan agreement, the borrower also needs to keep the debt-service coverage ratio (DSCR) at least 1.2. As of 31.12.2019, DSCR ratio calculated in accordance with the adjustments laid down in the loan contract was 1.88. In addition, the liquidity reserve should be held at the bank in the amount of EUR 1 million.

In **June 2019**, SIA Delfi Tickets concluded a loan agreement with AS "Citadele banka" in the amount of EUR 3 million. The monthly repayment of the loan is in the amount of EUR 50 thousand. The interest rate of the loan is 6-month Euribor plus a margin of 3.30%-3.90%. The due date of the loan is 3 June 2024. The loan is secured by:

- the shares of borrower;
- a commercial pledges on the total assets of borrower that the company owns at the time of making a pledge entry, as well as the assets that the company will acquire thereafter;
- financial pledges on the funds of borrower at Citadele Bank;
- a guarantee in the amount of EUR 1 million.

According to the conditions of the loan agreement, the borrower (SIA Delfi Tickets) needs to keep the total debt/EBITDA ratio below 3.5, starting from 31.03.2020 below 3.0. As of 31.12.2019, debt/EBITDA ratio calculated in accordance with the adjustments laid down in the loan contract was 2.2. According to the conditions of the loan agreement, the borrower also needs to keep the debt-service coverage ratio (DSCR) at least 1.2. As of 31.12.2019, DSCR ratio calculated in accordance with the adjustments laid down in the loan contract was 3.5. In addition, the borrower needs to keep equity ratio higher than 20%. As of 31.12.2019, equity ratio calculated in accordance with the adjustments laid down in the loan contract was 35%.

In **May 2019**, AS Ekspress Grupp concluded a guarantee agreement with OP Finance AS to secure the obligations under the lease agreements of AS Printall to OP Finance AS in the amount of EUR 1.5 million with the due date of 5 December 2026.

Notes

In **October 2019**, AS Ekspress Grupp issued 5 000 notes with the nominal value of EUR 1 000, interest rate of 6% per year and due date on the 8th anniversary of the issue date, i.e. 7 October 2027. Interest is paid once a year on the 7th of October.

The notes were issued in a private placement to the pension funds managed by AS LHV Varahaldus. On 4 October 2019, AS Ekspress Grupp signed a subscription agreement with AS LHV Varahaldus, who is acting on behalf of pension funds (LHV Pension Fund XL, LHV Pension Fund L, and LHV Pension Fund M) to subscribe all the issued notes with the aggregate nominal value of 5 million euros.

The notes are subordinated to the outstanding loan Ekspress Grupp has borrowed from AS SEB Bank in January 2019. AS SEB Bank will have the position of senior creditor and the notes are subordinated to the aforementioned loan from AS SEB Bank. The notes represent secured debt obligation of Ekspress Grupp before its shareholders and related parties. Notes are fully secured with the guarantee issued by OÜ Haep, owned 88% by AS Ekspress Grupp's ultimate shareholder Hans H. Luik.

From the proceeds of the notes, AS Ekspress Grupp refinanced its loan of EUR 3.2 million from OÜ Aktiva Finants (100% owned by Hans H. Luik) and remaining EUR 1.8 million was used for future investments. The loan with interest rate of 12% from OÜ Aktiva Finants was used as a bridge funding for the Group's larger acquisitions made in 2019. The Group has invested in the electronic ticket platform company SIA Biļešu Paradīze (bilesuparadize.lv) operating in Latvia and digital outdoor business OÜ Linna Ekraanid in Estonia. The Group is actively continuing with investments in order to strengthen the core existing activities and to support the group in carrying out the digital transformation.

According to the note terms and conditions, the total debt / EBITDA ratio of AS Ekspress Grupp (using consolidated financial data) should be lower than 4.0 and the DSCR ratio should be at least 1.2.

As of 31.12.2019, debt/EBITDA ratio calculated in accordance with the adjustments laid down in note terms and conditions was 2.36 and DSCR ratio was 1.88.

Overdraft facilities

As at 31.12.2019, the Group had an outstanding long-term overdraft facility with SEB Bank in the amount of EUR 3 million with the due date of 25.10.2020. As of 31.12.2019, the Group had used overdraft facilities in the amount of EUR 1 018 thousand. As of 31.12.2018, the amount of the overdraft limit used was EUR 1 284 thousand.

Note 19. Leases

Right-of use assets are presented as property, plant and equipment.

Most of the Group's leases consist of office facilities, which typically have a lease term of three to five yearswith an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in local price indices.

The office facilities leases were entered into many years ago. Previously, these leases were classified as operating leases under IAS 17.

The Group leases IT/office equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

Amounts recognised in statement of cash flows

(EUR thousand)	2019
Total cash outflow for leases	(978)

Right-of-use assets

(EUR thousand)	Buildings
2019	
Balance at 1 January	**3 077**
Depreciation charge for the year	(694)
Additions to right-of-use assets	704
Derecognition of right-of-use assets	(230)
Balance at 31 December	**2 857**

Amounts recognised in profit or loss

(EUR thousand)	2019
2019 - Leases under IFRS 16	
Interest on lease liabilities	79
Expenses relating to low-value and short-term leases	937
2018 - Operating leases under IAS 17	
Lease expense	1 648
Contingent rent expense	2 229

2018 - Finance leases under IAS 17

(EUR thousand)	2018
Finance lease liabilities at the end of the year (Note 18)	**197**
Principal payments in the financial year	74
Interest expenses in the financial year	4
Average annual interest rate p.a.	1.78%

(EUR thousand)	2018
Finance lease liabilities – minimum lease payments:	
Not later than 1 year	76
Later than 1 year and not later than 5 years	126
Total	**202**
Future finance charges on finance leases	5
Present value of finance lease liabilities	197

Note 20. Segment reporting

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

Media segment: management of online news portals and classified portals, advertising sales in own portals in the Baltics and publishing of newspapers, magazines, customer and advertising fliers, publication of books as well as sale of digital outdoor advertising in Estonia and Latvia. The media segment also includes organisation of the technology and innovation conference Login in Lithuania and operation of the electronic ticket sales platform (bilesuparadize.lv) and ticket sales sites in Latvia through which tickets to various entertainment events on behalf of event organisers are soldand production studio for content creation in Lithuania.

This segment includes subsidiaries Ekspress Meedia AS (Estonia), AS Delfi (Latvia), UAB Delfi (Lithuania), Delfi Holding SIA (Latvia), OÜ Hea Lugu (Estonia), D Screens SIA (Latvia), Adnet Media (Lithuania, Estonia, Latvia) and Linna Ekraanid OÜ (Estonia - 100% ownership since March 2019), UAB Login Conferences (Lithuania - from March 2019), SIA Biļešu Paradīze (Latvia - from June 2019) and Videotinklas UAB (Lithuania - 100% ownership since August 2019).

This segment also includes the joint ventures AS Ajakirjade Kirjastus (until its reorganisation on 1 June 2018), AS Õhtuleht Kirjastus, Linna Ekraanid OÜ (until acquisition of an additional ownership interest on 1 March 2019) and AS Express Post engaged in home delivery of periodicals. 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, sale of advertising space in newspapers and magazines, revenue from subscriptions and single copy sales of newspapers and magazines, sale of books and miscellaneous book series, services fees for preparation of customer fliers and other projects as well as sale of digital outdoor advertising in Estonia, Latvia and Lithuania.

Printing services: rendering of printing and related services. The printing services segment includes AS Printall which one of the largest is printing companies in Estonia. AS Printall is able to print high-quality magazines, newspapers, advertising materials, product and service catalogues, yearbooks, paperback books and other publications in our printing plant.Segment revenue is derived from the sale of paper and printing services.

The **Group's corporate functions** are shown separately and they do not form a separate business segment. It includes the Parent Company AS Ekspress Grupp, which provides legal advisory, accounting and IT services to its group companies.

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 do not differ significantly from the conditions of the transactions concluded with third parties.

2019 (EUR thousand)	Media	Printing services	Corporate functions	Eliminations	Total Group
Sales to external customers (subsidiaries)	**44 212**	**22 911**	**333**	**0**	**67 456**
Effect of joint ventures	8 493	(515)	(137)	(0)	7 841
Inter-segment sales	6	3 299	1 880	(5 185)	0
Total segment sales, incl. joint ventures	52 711	25 695	2 076	(5 185)	75 297
EBITDA (subsidiaries)	**5 966**	**2 032**	**(1 150)**	**(75)**	**6 772**
EBITDA margin (subsidiaries)	**13%**	**9%**			**10%**
EBITDA incl. joint ventures	6 376	2 032	(1 150)	(93)	7 164
EBITDA margin incl. joint ventures	12%	8%			10%
Depreciation (subsidiaries) (Note 15,16)					4 070
Operating profit (subsidiaries)					**2 722**
Investments (subsidiaries) (Note 15,16)					3 418

Segment EBITDA does not include one-off write-downs for goodwill and trademarks. Volume-based and other fees payable to advertising agencies are deducted from the advertising sales of segments.

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

- In Latvia, EUR 4.6 million as of 31.12.2019 (EUR 2.0 million as of 31.12.2018)
- In Lithuania, EUR 1.9 million as of 31.12.2019 (EUR 1.8 million as of 31.12.2018)

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

- In Latvia, EUR 10.4 million as of 31.12.2019 (EUR 7.3 million as of 31.12.2018)
- In Lithuania, EUR 13.8 million as of 31.12.2019 (EUR 13.5 million as of 31.12.2018)

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

- In Latvia, EUR 1.6 million as of 31.12.2019 (EUR 0 million as of 31.12.2018)

2018 (EUR thousand)	Media	Printing services	Corporate functions	Eliminations	Total Group
Sales to external customers (subsidiaries)	**37 241**	**22 799**	**449**	**0**	**60 489**
Effect of joint ventures	9 468	(709)	(146)	(7)	8 607
Inter-segment sales	6	3 153	2 038	(5 197)	0
Total segment sales, incl. joint ventures	46 716	25 242	2 341	(5 204)	69 096
EBITDA (subsidiaries)	**3 355**	**2 403**	**(1 492)**	**(2)**	**4 263**
EBITDA margin (subsidiaries)	**9%**	**11%**			**7%**
EBITDA incl. joint ventures	3 329	2 403	(1 492)	(34)	4 206
EBITDA margin incl. joint ventures	7%	10%			6%
Depreciation (subsidiaries) (Note 15,16)					3 052
Operating profit (subsidiaries)					**1 211**
Investments (subsidiaries) (Note 15,16)					3 082

Note 21. Sales revenue

	Media		Printing services		Corporate functions		Total	
(EUR thousand)	2019	2018	2019	2018	2019	2018	2019	2018
Major products/service lines								
Advertising revenue	30 646	26 429	0	0	0	0	**30 646**	**26 429**
incl. barter deals	785	692	0	0	0	0	**785**	**692**
Single-copy sales	2 323	1 863	0	0	0	0	**2 323**	**1 863**
Subscriptions' revenue	7 876	6 687	0	0	0	0	**7 876**	**6 687**
Book publishing	771	1 002	0	0	0	0	**771**	**1 002**
Sale of paper and printing services	0	0	22 667	22 571	0	0	**22 667**	**22 571**
Sale of other goods and services	2 596	1 260	244	228	333	449	**3 173**	**1 937**
Total	**44 212**	**37 241**	**22 911**	**22 799**	**333**	**449**	**67 456**	**60 489**
Timing of revenue recognition								
Goods and services transferred at a point in time and over time	44 212	37 241	22 911	22 799	333	449	**67 456**	**60 489**
Revenue from contracts with customers total	**44 212**	**37 241**	**22 911**	**22 799**	**333**	**449**	**67 456**	**60 489**

(EUR thousand)	2019	2018
Sales revenue by geographical area		
Estonia	31 001	29 754
Scandinavia	10 740	10 743
Lithuania	9 604	7 023
Latvia	8 050	6 469
Other Europe	6 566	4 916
Other countries	1 495	1 585
Total	**67 456**	**60 489**

The following table provides information about contract assets and contract liabilities from contracts with customers.

(EUR thousand)	31.12.2019	31.12.2018
Contract assets	321	323
Contract liabilities (Note 17)	2 080	2 031

The contract assets primarily related to the Group's rights to consideration for work completed but not billed at the reporting date under contracts of sale of paper and printing services. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily related to the client prepayments for subscriptions of periodicals. As there is no significant financing components in these contracts and the contract liability will be recognised as revenue in one year or less, the Group applies practical expedient. As a practical expedient, the Group need not adjust the transaction price in a contract for the effects of a significant financing component, if the period between when the customer pays for the good or service and when the Group transfers the good or service is one year or less.

Note 22. Cost of sales

(EUR thousand)	2019	2018
Raw materials and consumables used	13 879	13 925
Services purchased	10 603	8 990
Salaries and social taxes	23 303	20 823
Lease expense (2018: lease and contingent rent) (Note 19)	528	502
Other expenses	3 329	2 520
Depreciation and amortisation (Note 15,16)	2 402	2 113
Total expenses	**54 044**	**48 874**

Note 23. Marketing expenses

(EUR thousand)	2019	2018
Marketing	1 789	1 943
Salaries and social taxes	1 252	1 121
Lease expense (2018: lease and contingent rent) (Note 19)	39	40
Depreciation and amortisation (Note 15,16)	44	4
Total marketing expenses	**3 124**	**3 108**

Note 24. Administrative expenses

(EUR thousand)	2019	2018
Raw materials and consumables used	121	125
Repairs and maintenance	554	550
Communication expenses	135	125
Lease expense (2018: lease and contingent rent) (Note 19)	369	1 106
Services purchased	1 467	1 506
Salaries and social taxes	3 754	3 262
Depreciation and amortisation (Note 15,16)	1 624	935
Total administrative expenses	**8 024**	**7 609**

Note 25. Expenses by type

(EUR thousand)	2019	2018
Salaries and social taxes	28 309	25 206
Raw materials and consumables used	14 000	14 050
Lease expense (2018: lease and contingent rent) (Note 19)	937	1 648
Services purchased	12 070	10 495
Marketing expenses	1 789	1 943
Repairs and maintenance	554	550
Communication expenses	135	125
Other expenses	3 329	2 520
Depreciation and amortisation	4 070	3 052
Total cost of sales, marketing and administrative expenses	**65 192**	**59 590**
Average number of employees	**919**	**859**

Note 26. Other income

(EUR thousand)	2019	2018
Subsidized projects	315	224
Other income	258	170
Gain from business combinations	34	0
Total other income	**607**	**394**

Note 27. Share option plans

In June 2017, the General Meeting of Shareholders approved the share option plan of new key employees. As of 31.12.2019, 775 thousand options have been issued in the framework of this stock option plan (as of 31.12.2018: 736 thousand options), each of which grants the right to receive one share of the company free of charge. As a rule, 1/3 of the options can be earned in each calendar year. Equity options can be used from December 2020.

Equity options are cash-settled share-based payments. When entering into contracts, options were accounted for at their fair value and reported on the one hand in the profit or loss statement as labour costs and, on the other hand, as a liability. As of 31.12.2019, the liability of the mentioned stock option amounted to EUR 685 thousand (31.12.2018: EUR 460 thousand).
The fair value of the equity option is found by using the Black-Scholes-Merton model. Assumptions used in the model: the price of the share upon issue of the option: EUR 0.80-1.35, dividend rate: EUR 0.00-0.07 per share, risk-free interest rate: 0.69%, option term: 3 years, standard deviation 1.96%.

In order to meet the obligations related to the options, the company will buy shares from the market. Key employees have the right to sell their shares within two to three months after the sale of the options to the company and the company is required to repurchase these shares. Shares are redeemed based on their current market value.

Note 28. Equity

Share capital

As of 31 December 2019 and 31 December 2018, the share capital of AS Ekspress Grupp was EUR 17 878 105 it consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 25 564 656.

Treasury shares

Within the framework of the CEO's share option plan which was in place in 2013-2016, the company purchased treasury shares. As of 31.12.2019 and 31.12.2018, the Company had 17 527 treasury shares in the total amount of EUR 22 thousand, to be used for the current share option plan.

Dividends

At the Ordinary General Meeting of Shareholders held on 6 June 2018, it was decided to pay dividends to shareholders in the amount of 7 euro cents per share in the total amount of EUR 2 085 thousand. Dividends were paid out on 3 July 2018. There was no accompanying income tax liability because the Company will pay out dividends it has received from its joint ventures and subsidiaries that have already paid corporate income tax on dividends or the profit which has already been taxed in its domicile. Therefore, there was no additional tax payable on distribution of dividends from the Parent Company. In May 2019, due to the company's liquidity position, the Annual General Meeting of Sharehol-ders decided not to pay dividends in 2019.

Reserves

The reserves include statutory reserve capital required by the Commercial Code and a general-purpose equity contribution by a founding shareholder.

(EUR thousand)	EUR	
	31.12.2019	31.12.2018
Statutory reserve capital	1 049	1 049
Additional cash contribution from shareholder	639	639
Total reserves	**1 688**	**1 688**

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	2019	2018
Profit attributable to equity holders	1 393 769	6 491
Average number of ordinary shares	29 779 314	29 779 314
Basic and diluted earnings per share	**0.05**	**0.00**

As the Group had no instruments diluting earnings per share as of 31.12.2019 and 31.12.2018 diluted net profit per share was equal to regular net profit per share.

Note 29. Contingent assets and liabilities

Contingent income tax liability

As of 31.12.2019, the consolidated retained earnings of the Group amounted to EUR 17 701 thousand (31.12.2018: EUR 16 526 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. Accordingly, as of 31.12.2019, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 24 263 thousand (as of 31.12.2018: EUR 21 186 thousand). Upon the payment of all possible retained earnings as at 31.12.2019, no potential income tax liability occurs.

Contingent assets and liabilities arising from pending court cases

On 27 December 2017 Biļešu Paradīze (BP) and Latvian National Centre for Culture (LNKC) concluded a procurement contract providing that BP has exclusive rights to sell tickets to XXVI Latvian Song and XVI Dance Celebration 2018. Agreement with LNKC provides that all income earned from ticket sale should be transferred to LNKC. According to the contract BP was not allowed to apply any commission fees to customers purchasing tickets online. After BP started ticket sale, LNKC noticed that BP has applied commission fee for online tickets. The LNKC found that there was a breach of service because BP charged its customers an additional commission for the use of the online store and LNKC filed a claim against BP asking court to collect from BP commission fees in the amount of EUR 76.5 thousand. On January 8, the settlement was made between BP and LNKS and it was approved by the Riga City Vidzeme Suburb Court. Accoring to the settlement LNKC will pay EUR 90.8thousand to BP (for the services provided during the Song and Dance festival), and BP will pay EUR 76.5 thousand to the LNKC (web commission to ticket buyers).

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

Note 30. Related party transactions

Transactions with related parties are transactions with shareholders, associates, joint ventures, members of the Key Management of all group companies, their immediate family members and the companies under their control or significant influence. The ultimate controlling individual of AS Ekspress Grupp is Hans H. Luik. The Group has purchased from (goods for resale, manufacturing materials, non-current assets) and sold its goods and services (lease of non-current assets, management services, other services) to the following related parties:

SALES (EUR thousand)	2019	2018
Sales of goods		
Members of Supervisory Board and companies related to them	3	0
Members of Management Board and companies related to them	1	0
Total sale of goods	**4**	**0**
Sale of services		
Members of Supervisory Board and companies related to them	86	18
Members of Management Board and companies related to them	1	0
Associates	156	152
Joint ventures	1 449	1 855
Total sale of services	**1 691**	**2 025**
Total sales	**1 694**	**2 025**

PURCHASES (EUR thousand)	2019	2018
Purchase of services		
Members of Management Board and companies related to them	20	13
Members of Supervisory Board and companies related to them	557	389
Associates	80	85
Joint ventures	1 304	1 006
Total purchases of services	**1 961**	**1 493**

RECEIVABLES (EUR thousand)	31.12.2019	31.12.2018
Short-term receivables		
Members of Supervisory Board and companies related to them (Note 9)	9	2
Associates (Note 9)	67	21
Joint ventures (Note 9)	107	251
Total short-term receivables	**183**	**274**
Long-term receivables		
Associates (Note 11)	115	160
Joint ventures (Note 11)	0	568
Total long-term receivables	**115**	**728**
Total receivables	**297**	**1 001**

As of 31.12.2019 impairment loss was recognised for the receivables of associates in amount of EUR 358 thousand (31.12.2018: EUR 198 thousand).

LIABILITIES (EUR thousand)	31.12.2019	31.12.2018
Current liabilities		
Members of Management Board and companies related to them (Note 17)	2	2
Members of Supervisory Board and companies related to them (Note 17)	10	10
Associates (Note 17)	0	3
Joint ventures (Note 17)	116	132
Total liabilities	**128**	**147**

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 loan and overdraft agreements until the guarantee expires. In 2019, a payment of EUR 60 thousand (2018: EUR 60 thousand) was paid for the personal guarantee and there are no outstanding liabilities as of 31 December 2019 and 31 December 2018.

In 2019, the Group concluded a loan agreements with Aktiva Finants OÜ (100% owned by Hans H. Luik) in the amount of EUR 3.2 million. In October 2019, AS Ekspress Grupp refinanced its current loan of EUR 3.2 million from OÜ Aktiva Finants from the proceeds of the notes. In October 2019, AS Ekspress Grupp issued 5 000 notes with the nominal value of EUR 1 000. In 2019, the interest payment of EUR 132 thousand was made on loans from OÜ Aktiva Finants.

Remuneration of members of the Management Boards of the consolidation group

(EUR thousand)	2019	2018
Salaries and other benefits (without social tax)	2 089	1 590
Termination benefits (without social tax)	16	14
Share option	82	99
Total (without social tax)	**2 187**	**1 703**

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 laid down 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 8 months' salary. Upon termination of an employment relationship, no compensation shall be usually paid if a member of the Key Management leaves at his or her initiative or if a member of the Key Management is removed by the Supervisory Board with a valid reason. As of 31.12.2019, the maximum gross amount of potential Key Management termination benefits was EUR 699 thousand (31.12.2018: EUR 634 thousand). No remuneration is paid separately or in addition to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

Note 31. Subsequent events

Due to widespread spread of Covid-19 virus in the Baltics and in the world, the emergency situations have been declared in Estonia, Latvia and Lithuania, along with restrictions imposed by the authorities, as a result the business environment of the Group has deteriorated.

The Group is analysing different scenarios and possibilities for cost reductions and makes the necessary changes to business processes to adapt to the rapidly changing economic environment. It is not objectively possible to assess how much this will affect the Group's economic results at the time of preparing this financial statement.

Note 32. Financial information about the Parent Company

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

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2019	31.12.2018
ASSETS		
Trade and other receivables	2 310	2 709
Total current assets	**2 310**	**2 709**
Non-current assets		
Trade and other receivables	4 378	1 337
Other investments	848	858
Investments in subsidiaries	69 903	89 909
Investments in joint ventures	1 254	2 345
Investments in associates	319	319
Property, plant and equipment	471	355
Intangible assets	711	366
Total non-current assets	**77 884**	**95 490**
TOTAL ASSETS	**80 194**	**98 199**
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	1 074	1 284
Trade and other payables	4 145	11 176
Total current liabilities	**5 219**	**12 460**
Long-term borrowings	5 155	8 392
Other long-term liabilities towards subsidiaries	18 088	27 000
Other long-term liabilities	210	0
Total long-term trade and other payables	**23 453**	**35 392**
Total liabilities	**28 672**	**47 852**
Equity		
Share capital at nominal value	17 878	17 878
Share premium	14 277	14 277
Treasury shares	(22)	(22)
Statutory reserve capital	1 049	1 049
Other reserves	639	639
Retained earnings	17 701	16 526
Total equity	**51 522**	**50 347**
TOTAL LIABILITIES AND EQUITY	**80 194**	**98 199**

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

(EUR thousand)	2019	2018
Sales revenue	2 560	1 157
Cost of sales	(1 432)	(177)
Gross profit	**1 127**	**980**
Other income	20	0
Marketing expenses	0	(1)
Administrative expenses	(1 941)	(1 732)
Other expenses	(13)	(4)
Operating profit / (loss)	**(807)**	**(757)**
Finance income and costs on shares of subsidiaries	3 126	2 630
Finance income and costs on shares of joint ventures	(38)	(273)
Finance income and costs on shares of associates	(152)	(234)
Interest income	195	186
Interest expenses	(921)	(1 451)
Other finance income and costs	(9)	(96)
Financial income and expense	**2 201**	**763**
PROFIT FOR THE YEAR	**1 394**	**6**
Other comprehensive income (expense) for the year	0	0
Total comprehensive income for the year	**1 394**	**6**

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

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total
Balance on 31.12.2017	**17 878**	**14 277**	**(22)**	**1 531**	**18 762**	**52 426**
Increase of statutory reserve capital	0	0	0	157	(157)	0
Dividends paid	0	0	0	0	(2 085)	(2 085)
Total transactions with owners	0	0	0	157	(2 242)	(2 085)
Net profit /(loss) for the reporting period	0	0	0	0	6	6
Total comprehensive income for the reporting period	0	0	0	0	6	6
Balance on 31.12.2018	**17 878**	**14 277**	**(22)**	**1 688**	**16 526**	**50 347**
Adjustment on initial application (Note 2)	0	0	0	0	(219)	(219)
Restated balance on 01.01.2019	**17 878**	**14 277**	**(22)**	**1 688**	**16 307**	**50 128**
Net profit /(loss) for the reporting period	0	0	0	0	1 394	1 394
Total comprehensive income for the reporting period	0	0	0	0	1 394	1 394
Balance on 31.12.2019	**17 878**	**14 277**	**(22)**	**1 688**	**17 701**	**51 522**

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2019	2018
Cash flows from operating activities		
Operating profit (loss) for the period	(807)	(757)
Adjustments for:		
Depreciation, amortisation and impairment	298	74
(Gain)/loss on sale and write-down of property, plant and equipment	(13)	3
Cash flows from operating activities:		
Trade and other receivables	20	(975)
Trade and other payables	1 137	614
Cash generated from operations	**635**	**(1 041)**
Interest paid	(630)	(1 233)
Net cash generated from operating activities	**5**	**(2 274)**
Cash flows from investing activities		
Increase/ decrease in investments in subsidiaries	4 058	0
Cash paid-in/ received from equity-accounted investees	(63)	0
Purchase and receipts of other investments	9	5
Interest received	52	140
Dividends received	3 077	1 788
Purchase of property, plant and equipment and intangible assets	(482)	(377)
Proceeds from sale of property, plant and equipment and intangible assets	8 505	0
Loans granted	(4 829)	(928)
Loan repayments received	915	1 871
Net cash from investing activities	**11 241**	**2 498**
Cash flows from financing activities		
Change in overdraft used	(265)	1 191
Change in cash pool account	(13 587)	1 345
Notes issued	5 000	0
Loans received / Repayments of borrowings	(2 314)	(675)
Payments of lease liabilities	(80)	0
Dividends paid	0	(2 085)
Net cash generated from financing activities	**(11 246)**	**(224)**
Cash flows total	**0**	**0**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**0**	**0**
Cash and cash equivalents at beginning of the period	0	0
Cash and cash equivalents at end of the period	0	0

Independent Auditors' Report

(Translation of the Estonian original)
To the Shareholders of Ekspress Grupp AS

Report on the Audit of the Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ekspress Grupp AS and its subsidiaries (collectively, the Group) as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

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

- the consolidated balance sheet as at 31 December 2019,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated cash flow statement for the year then ended, and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

Basis for Opinion

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

Independence

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

Audit Scope

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

We, as group auditors, determined 6 of the Group's 25 entities to be significant Group components and we subjected those components to a full scope audit. These components include Ekspress Grupp AS, Ekspress Meedia AS, Printall AS, Õhtuleht Kirjastus AS, Delfi A/S and Delfi UAB.

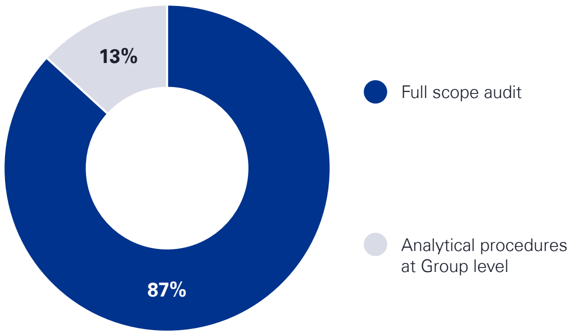
For the component Delfi Ticket Service SIA we conducted an audit of selected account balances at Group level.

For the remaining 18 non-significant components, we performed analytical procedures at Group level to reexamine our assessment that there were no significant risks of material misstatement within them.

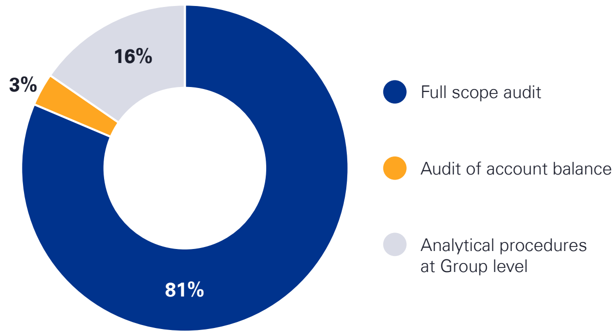
We also performed procedures over the consolidation process at Group level.

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

Consolidated revenue



Consolidated assets



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

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

Key Audit Matters

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

Valuation of the recoverability of goodwill

Refer to notes 3 and 16 of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's consolidated balance sheet as at 31 December 2019 includes goodwill in the amount of EUR 42,628 thousand, further discussed in note 16. Relevant financial reporting standards require that goodwill is tested, at least annually, for impairment. The assessment of the recoverability of goodwill requires significant judgment in determining the future performance of the cash-generating units (CGUs) to which goodwill has been allocated. The recoverable amount of goodwill is determined by calculating the value in use of the relevant CGUs using the discounted cash flow method whose key inputs such as discount rates, expected future revenue and terminal value growth rates depend on management's significant judgment and estimates. The determination of whether the internal and external inputs used by the Group to calculate the recoverable amounts of significant items of goodwill were based on reasonable and appropriate estimates required our particular attention during the audit. Even small changes in the inputs may have a significant impact on the estimate of the recoverable amount of goodwill and, thus, also on the Group's financial results.	In this area, we conducted, among others, the following audit procedures: ▶ We assessed for significant CGUs identified by management the appropriateness of the allocation of assets based on our understanding of the Group's operations; ▶ Assisted by our own valuation specialists, we assessed the model used for calculating the recoverable amount of goodwill against the requirements of the relevant financial reporting standards and we evaluated and challenged the key assumptions used in respect of discount rates, expected future revenue and terminal value growth rates considering the data available from external sources and our understanding of the Group's operations and the economic environment; ▶ We compared the data used in the model with the budgets and strategy approved by the Group's council and assessed the historical accuracy of the Group's budgeting process by comparing recent years' actual revenue and EBITDA (earnings before interest, tax, depreciation and amortisation) to the budgeted amounts; ▶ We assessed the adequacy of the related disclosures in the consolidated financial statements, including those in respect of the sensitivity of the valuation results to changes in the key assumptions.

Other Information

Management is responsible for the other information contained in the Group's consolidated annual report in addition to the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

We were first appointed by those charged with governance on 13 June 2017 to audit the financial statements of Ekspress Grupp AS for the periods ended 31 December 2017 to 31 December 2019. Our total uninterrupted period of engagement has lasted for three years, covering the periods ended 31 December 2017 to 31 December 2019.

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

Tallinn, 23 March 2020

/digitally signed/

Indrek Alliksaar
Certified Public Accountant, Licence No 446

/digitally signed/

Liina Randmann
Certified Public Accountant, Licence No 661

KPMG Baltics OÜ
Licence No 17

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia
Tel +372 626 8700
www.kpmg.ee

PROPOSAL FOR PROFIT ALLOCATION FOR THE YEAR 2019

The Management Board of AS Ekspress Grupp proposes to allocate the consolidated net profit for the financial year ended 31 December 2019 in the amount of EUR 1 394 thousand as follows:

(EUR thousand)	
Consolidated net profit attributable to equity holders of AS Ekspress Grupp	**1 394**
Increase in statutory reserve (1/20 from the profit)	70
Profit for the financial year to be transferred to retained earnings	1 324
Statutory reserve before increase	1 049
Statutory reserve after the increase	**1 119**
Retained earnings before profit allocation	17 701
Total consolidated retained earnings after profit distribution	**17 631**

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended on 31 December 2019.

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

Management Board

Signed digitally
Chairman of the Management Board
Mari-Liis Rüütsalu

Signed digitally
Member of the Management Board
Signe Kukin

Signed digitally
Member of the Management Board
Kaspar Hanni

Supervisory Board

Signed digitally
Member of the Supervisory Board
Hans H. Luik

Signed digitally
Member of the Supervisory Board
Ahto Pärl

Signed digitally
Member of the Supervisory Board
Indrek Kasela

Signed digitally
Member of the Supervisory Board
Aleksandras Česnavičius

Signed digitally
Member of the Supervisory Board
Peeter Saks

KEY FINANCIAL INDICATORS IN 2015–2019

Consolidated income statement

(EUR thousand)	2019	2018	2017	2016	2015
Sales revenue	67 456	60 489	54 070	53 324	52 773
Cost of sales	(54 044)	(48 874)	(42 869)	(42 122)	(41 781)
Gross profit	**13 412**	**11 615**	**11 201**	**11 202**	**10 992**
Other income	607	394	1 383	1 085	659
Marketing expenses	(3 124)	(3 108)	(2 898)	(2 488)	(2 377)
Administrative expenses	(8 024)	(7 609)	(5 921)	(5 357)	(5 236)
Other expenses	(148)	(82)	(97)	(114)	(118)
Impairment of goodwill	0	0	0	0	(1 200)
Operating profit	**2 722**	**1 211**	**3 669**	**4 328**	**2 720**
Interest income	22	143	173	32	42
Interest expenses	(784)	(443)	(400)	(471)	(550)
Other finance income/ (costs)	(61)	(103)	118	(66)	(77)
Net finance cost	**(823)**	**(403)**	**(109)**	**(505)**	**(585)**
Profit (loss) on shares of joint ventures	(38)	(273)	(2)	772	785
Profit (loss) on shares of associates	(114)	(234)	(68)	113	86
Profit before income tax	**1 746**	**302**	**3 490**	**4 708**	**3 006**
Income tax expense	(339)	(276)	(344)	(302)	(299)
Net profit for the reporting period	**1 407**	**25**	**3 146**	**4 406**	**2 707**
Net profit for the reporting period attributable to					
Equity holders of the parent company	1 394	6	3 140	4 406	2 707
Minority shareholders	13	19	6	0	0
Total comprehensive income	**1 407**	**25**	**3 146**	**4 406**	**2 707**
Comprehensive income for the reporting period attributable to					
Equity holders of the parent company	1 394	6	3 140	4 406	2 707
Minority shareholders	13	19	6	0	0

Consolidated balance sheet

(EUR thousand)	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
ASSETS					
Current assets					
Cash and cash equivalents	3 647	1 268	1 073	2 856	2 927
Trade and other receivables	12 705	9 154	9 917	7 468	6 741
Corporate income tax prepayment	0	27	4	0	0
Inventories	3 120	3 382	2 832	2 770	2 718
Total current assets	**19 472**	**13 831**	**13 827**	**13 094**	**12 386**
Non-current assets					
Other receivables and investments	975	1 588	1 750	982	1 149
Deferred tax asset	38	44	47	34	42
Investments in joint ventures	1 254	2 345	2 372	2 435	1 007
Investments in associates	2 356	319	354	591	215
Property, plant and equipment	14 943	11 921	12 189	12 722	13 791
Intangible assets	56 369	46 691	45 419	44 310	44 590
Total non-current assets	**75 935**	**62 907**	**62 130**	**61 074**	**60 794**
TOTAL ASSETS	**95 407**	**76 738**	**75 957**	**74 168**	**73 180**
LIABILITIES					
Current liabilities					
Borrowings	5 100	1 356	166	2 313	2 240
Trade and other payables	16 483	10 801	8 095	7 170	6 679
Corporate income tax payable	65	29	111	108	114
Total current liabilities	**21 647**	**12 186**	**8 372**	**9 591**	**9 033**
Non-current liabilities					
Long-term borrowings	19 242	14 118	15 091	13 471	15 447
Other long-term liabilities	2 895	0	0	0	0
Deferred tax liability	0	0	0	33	26
Total non-current liabilities	**22 137**	**14 118**	**15 091**	**13 504**	**15 473**
TOTAL LIABILITIES	**43 784**	**26 304**	**23 463**	**23 095**	**24 506**
EQUITY					
Minority interest	100	87	68	0	0
Capital and reserves attributable to equity holders of parent company:					
Share capital	17 878	17 878	17 878	17 878	17 878
Share premium	14 277	14 277	14 277	14 277	14 277
Treasury shares	(22)	(22)	(22)	(863)	(176)
Reserves	1 688	1 688	1 531	2 058	1 787
Retained earnings	17 701	16 526	18 762	17 723	14 908
Total capital and reserves attributable to equity holders of parent company	**51 522**	**50 347**	**52 426**	**51 073**	**48 674**
TOTAL EQUITY	**51 622**	**50 434**	**52 494**	**51 073**	**48 674**
TOTAL LIABILITIES AND EQUITY	**95 407**	**76 738**	**75 957**	**74 168**	**73 180**