EKSPRESS GRUPP

AS EKSPRESS GRUPP

CONSOLIDATED ANNUAL REPORT 2018

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GENERAL INFORMATION

Beginning of reporting period	1 January 2018
End of reporting period	31 December 2018
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Supervisory Board	Ahto Pärl Hans H. Luik Harri Helmer Roschier 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 **121** 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 59 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 60 to 112 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission and include a description of major risks and uncertainties.

Mari-Liis Rüütsalu
Chairman of the Management Board
signed digitally
28.03.2019

Signe Kukin
Member of the Management Board
signed digitally
28.03.2019

Kaspar Hanni
Member of the Management Board
signed digitally
28.03.2019

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD ▾

Mari-Liis Rüütsalu, Chairman of the Management Board

Pillars of our activities

In 2018, Estonia ranked 12th according the World Press Freedom Index (Latvia ranked 24th and Lithuania 36th), ahead of such countries as Iceland, Germany and Canada. To ensure freedom of expression, one of the key factors is free and financially sound local journalism, through which miscellaneous parties can share balanced viewpoints. Unlike social media or ideological portals, journalistic media outlets have to follow good journalistic practices and try to present a balanced and factual overview of what is happening in the society. It should be borne in mind that while the objective of classic journalism is to provide an overview of everything that is happening in the society, then social media has no such role. If only algorithms are used to determine what kind of a picture will be painted for someone, part of what is happening in the society will inevitably be lost.

The task of the media group Ekspress Grupp is to provide a high-quality and balanced overview of the events in the society at a time when the subtle information overload is worsening. Precisely an overview - not presentation of segmented content according to consumer preferences. We provide all members of the society with an access to information, regardless of their media consumption habits. We integrate print media publications that are part of our portfolio with web media, and develop innovative solutions.

In today's society, freedom of expression is a benefit taken for granted, and the society is not too concerned about its existence and preservation because at first glance everything is as it should be. There are several privately-owned media houses and publicly-funded national broadcasting companies in the Baltic States. However, the trends in the media landscape over the last several years make us worried about the sustainability of the current economic model. So far, the Estonian journalism has been financially supported by two important customer groups - subscribers and advertising customers. Despite the fact that the number of digital subscribers continues to significantly increase among the periodicals of Ekspress Group, a major share of advertising revenue is moving to two global giants - Facebook and Google. However, there is no overview whatsoever of the advertising volumes sold in the Baltic States by these two companies. This advertising competition is also complicated by the fact that unlike local companies, Facebook and Google do not have to pay taxes on their advertising revenue.

Thus, we are in a situation where the problems stemming from social media need to be sorted out by local media while the advertising revenue flows to large foreign companies.

The quality of today's journalism is also under criticism and I agree that much of it is justified. However, journalism is the key means for ensuring freedom of speech in the society, preventing dissemination of fake news and bringing people out of the bubble created by social media. Free journalism is the foundation of democracy and its sustainability is in the interests of the entire society.

As the leader in the media business of the Baltic States, our responsibility is to clearly stand out from social media and other non-controlled mediums. We need to be at the forefront of balanced and fact-based journalism and we are successful at that. The prizes that were awarded to our journalists in 2018 are also a testimony of the high level of media publications of Ekspress Group.

Media organisations around the world are undergoing a process of major changes. One the one hand, pressure on the current business model is getting stronger while on the other hand, there is a beginning of the second coming of the traditional media. Readers are also keener on consuming controlled journalism on new platforms and they are more willing to pay for content on the web. The technological ease of use of online media is improving and fast payment options remove obstacles which so far have hindered dissemination of fee-based journalism over the Internet. Ekspress Group is continuously working to make our content easier to use on the Internet, which requires major investments in information technology.

A significant success criterion of a media organisation is its people. We are a sector whose success clearly depends on its employees and their satisfaction. Therefore, we strive at offering more modern conditions and opportunities to our employees to be engaged in the best journalism. Our quality work helps to create a better society. We have great authority and responsibility that need to be used wisely.

Developments and challenges in 2018

The business volumes of AS Ekspress Grupp increased. 12-month revenue increased by 8% and totalled EUR 69.1 million (2017: EUR 63.7 million). The Group's digital revenue over the 12-month period increased by 23% (2017: 16%) and made up 38% (2017: 33%) of total revenue. The Group's performance was positively impacted by the acquisition of the 100% ownership of Adnet Media that is engaged in intermediation of online advertisements. Adnet Media that operates in an increasingly automated online advertising market provides services both to customers in our Delfi environment in all Baltic States as well as at third parties.

Automation and internetisation also impacts other mediums. Therefore, the investment of Ekspress Group into OÜ Linna Ekraanid has turned out to be a success. In 2018, Linna Ekraanid also acquired a company in Tartu that operates in the same area, and increased both its revenue and profit through organic growth and expansion.

The growth of the Group's digital revenue was significantly curbed by the Lithuanian branch of Delfi news portal.

In Lithuania we launched a fight against fake news in cooperation with the state and other partners (demaskuok.lt). This initiative has received positive feedback and support both locally and in the EU.

In Latvia, Delfi reached the position of the largest news portal in the country where the key television debates were carried out in Delfi environment by investigative journalist Janis Domburs. On the basis of surveys, Delfi was named as the most reliable media company in Latvia.

In the third quarter, the marketing and sales activities of the real estate portal Kinnisvara24.ee were launched in full. The first active months of operations of the portal may be considered successful: as at the end of December, we surpassed the market's second-largest portal City24.ee in terms of the number of advertisements as well as visitors.

The increase of paper prices that occurred in global market in the first half of the year also had a major impact on the Group's results of operations. Therefore, the profitability of the printing company Printall suffered. In addition, there is a strong price pressure in this market which has lowered the company's profit margin. The increase of the paper price has also impacted our other media companies, whose portfolios include print media products. In addition, the economic environment we operate in has also put pressure on labour costs.

In 2018, Ekspress Group companies arranged entertainment events and conferences in Estonia and Lithuania, realising synergies with the existing customer and user base. The most popular events in Estonia included Arvo Pärt's concerts in Alexela Concert Hall, ice-hockey game of Helsingin Jokerit in Tondiraba Ice Hall and a rally day on the Song Festival Ground with Ott Tänak. There were several major events in Lithuania, for example the large national conference "Three Underlying Ideas for Lithuania" to celebrate the centennial of Lithuania.

Ekspress Group will continue to contribute to events which are important to our readers and customers.

In 2018, we decided to integrate various magazines of our joint venture Ajakirjade Kirjastus into other existing companies – Ekspress Meedia and Õhtuleht Kirjastus. The reorganisation of these activities led to major one-off costs for the Group. The main objective of this change was to provide a better outlet for the content of print periodicals and to support the collaboration of periodicals with existing strong web platforms. Due to the thorough planning process, the transitions and changes were successful. The merging of businesses has increased both the advertising revenue of magazines as well as the digital subscriptions of the entire Group.

The year 2018 demonstrated that the decision to consolidate book publishing into one company, Hea Lugu, was a correct one. The competency of the company improved and the profit from book publishing more than doubled. In 2018, the company had to write off part of the book warehouse taken over from Ajakirjade Kirjastus at the end of 2017, primarily related to incorrect decisions made in earlier periods.

Besides larger business volumes, the Group's profitability was under pressure, primarily due to the intensifying competition in the media and printing services segments. The Group continues to pay increasing attention to and is searching for additional ways to improve its profitability and enhance efficiency. Thus, the Group's strategy in 2019 is still targeted at digital revenue growth, enhancement of efficiency and production of quality content that is well received by readers.

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 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.
- **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.
- In 2018 we entered the advertisement business through the **real estate portal**.
- Organiser of an increasing number of **entertainment and other events**.

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

Ekspress Grupp in figures 2018:

Almost **1700** employees

Readership of over **3 million** in portals throughout the Baltic States

32 regularly published miscellaneous periodicals in Estonia

24 online media platforms all over the Baltic States

19 group companies

EKSPRESS GRUPP

110 thousand digital subscriptions

Online revenue growth of **23%**

Revenue EUR **69 million**

EBITDA EUR **4.2 million**

Dividend paid to shareholders EUR **2.1 million**

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.

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.

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.

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.

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.

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.

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

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.

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

OUR BRANDS ▾

Our web media portals:

DELFI

Information in a quick and convenient way for you – on a PC or a smart device.

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, JANA, Oma Maitse

New ideas about hobbies and lifestyle of interest to you.

Our other brands:

printall, express post, BABAHH, LINNA EKRAANID, KINNISVARA 24, adnet media, ACM.LV

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

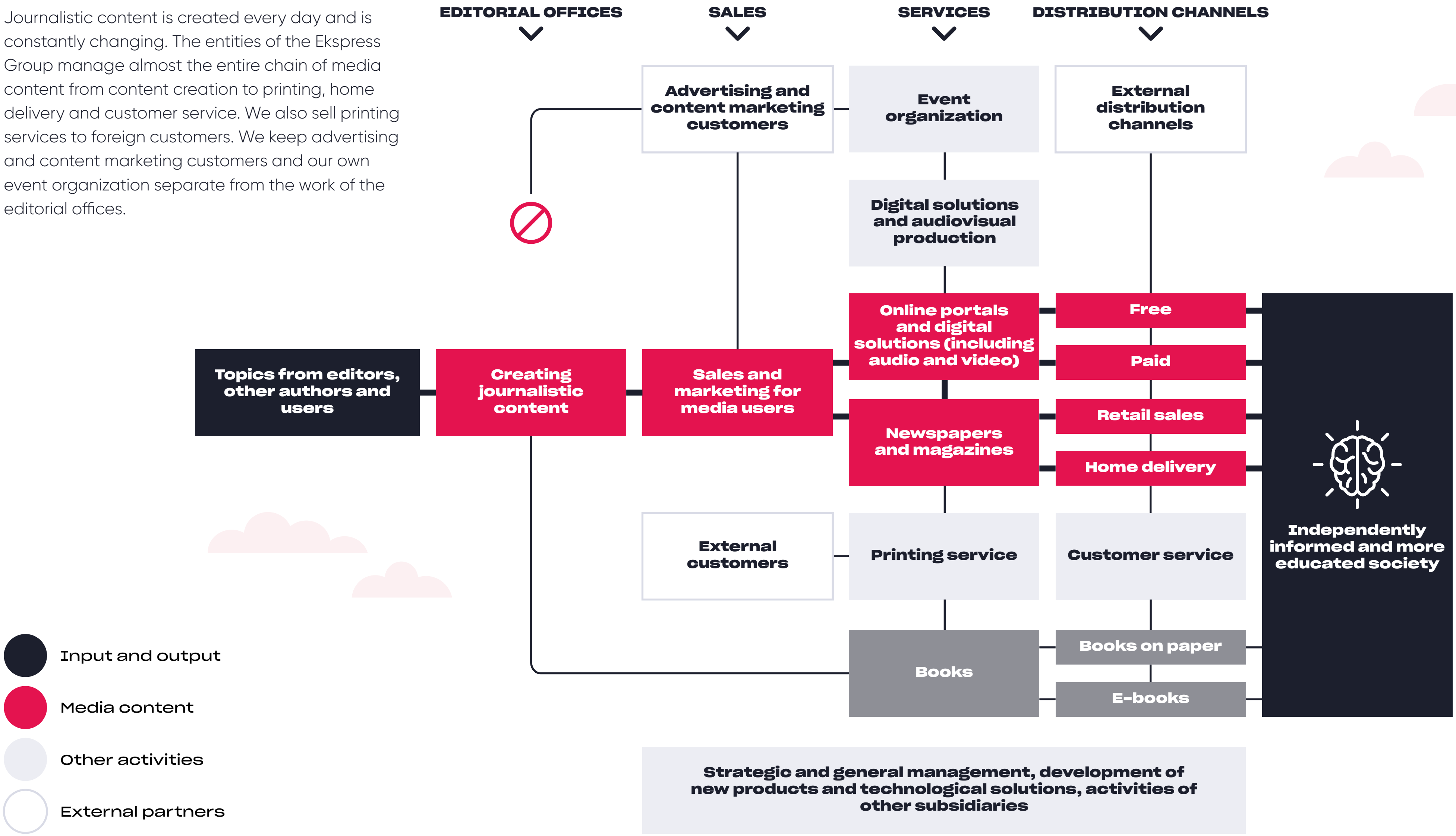
Our books:

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 almost 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 our own event organization separate from the work of the editorial offices.



RESPONSIBILITY OF A MEDIA GROUP IN THE SOCIETY

As a media group operating in three Baltic States, Ekspress Group plays a key role in promoting the society. In its home markets, the Group is one of the key companies to shape the public information space and it is a major employer. It has an obligation to manage companies in a responsible manner and to create high-quality and reliable journalistic content in an independent and ethical manner.

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

The society expects from Ekspress Group **creation of independent, high-quality and reliable journalistic content.**

Satisfaction of over 3 million end consumers depends on the quality of the content, smooth services and excellent provision of services, all this progressively through innovative digital solutions.

Dependence of contemporary media business on advertising customers is based on creation of useful solutions for them while maintaining a clear line between journalistic content and advertising.

Employer for more than 1700 people is both a risk and an opportunity: for employees, stressful but exciting work related to the trends in the field and for employers, intense competition to attract talent.

Sustainable arrangement of **unavoidable environmental impact of printing** is a prerequisite for success in export markets while also becoming part of the requirements of customers in home countries..

The Group's annual report reflects the management principles, examples and results of all the above aspects for 2018.

The public at large and the related parties of Ekspress Group's assume that group companies are managed in an honest, law-abiding and ethical manner.
As a media group, Ekspress Group is able to support key initiatives in the society – both through media content and through supplementary cooperation projects.

PUBLIC IMPACT, ROLE AND REPONSIBILITY OF MEDIA COMPANIES

The Group's main public impact, responsibility and an opportunity to make a positive contribution come from the creation of journalistic content. The society expects independence, quality and credibility from Ekspress Group media companies.

The media sector has traditionally played a "watchdog" role in the society. Similarly to other media companies, Ekspress Group also has a task to take into accounting current social and media sector's development trends when creating journalistic content:

- Effect of social media, information overload, dissemination of unedited content, fake news and hate calls on traditional journalism;
- Inadequate source criticism of the general public and ability to differentiate between deliberate false information and truth;
- The trend of media companies towards content marketing, event organisation and entertainment

"The cornerstone of the media business and the most important value of Ekspress Group is credibility which we will attain through balanced journalism."

— Mari-Liis Rüütsalu,
Chairman of the Management Board
of Ekspress Group

According to the estimate of the well-known annual Edelman Trust Barometer for 2019, mistrust of various institutions still prevails in the world, and in people's minds, both the business sector as well as media play a key role in moving to greater transparency and truth[1]. The gap between well-informed groups of the society and general population is still wide - 65% of the world's population trusts traditional media. 55% of people trust web-based media platforms that do not have paper outlets. The general credibility of media is negatively impacted by social media, which only 43% of people trust.

In the opinion of Ekspress Group, the issue of the falling trust of social media was the key topic raised around the world in 2018 as well as the need to define the role of traditional media as the key disseminator of information in a democratic environment more clearly than previously. The Group perceives the related opportunity but also great responsibility.

"As the trust of social media falls, there is the need to define more clearly the role of traditional media as the key disseminator of information."

In 2018, according to the national surveys ordered by Delfi Latvia and Delfi Lithuania and conducted by research companies Kantar TNS (Latvia) and Sprinter Research (Lithuania), Delfi portals are the key online media channels for the local population, surpassing others by a wide margin. The most significant advantages of Delfi.lv as well as Delfi.lt as compared to other portals include content integrity and diversity, speed of dissemination of news, and clear and easy to find information. 34% of the people in Latvia and 33% in Lithuania consider Delfi as the most objective portal, and 32% and 33% of them, respectively, as the most reliable portal, surpassing by far the news portals of the national broadcasting companies.

"Delfi portals are the key online media channels for the local population in Latvia and Lithuania."

According to the global press freedom ranking, the media in the Baltic States is free – in the table of the Reporters Without Borders (RSF)[2] for 2018, Estonia ranked 12th (2017: 12), Latvia 24th (2017: 28) and Lithuania 36th (2017: 36).

Key role is to inform people

The key role of the Group's media companies is to provide information to people, bring transparency, honesty and equilibrium to the society, and support diversity. To preserve trust at any given time, fact-based, independent and ethical content should be provided to people. For quality media, it is important to bring topics to media consumers at the fastest rate, as it will hinder dissemination of misleading and biased information.

[1] https://www.edelman.com/trust-barometer
[2] https://rsf.org/en/ranking

Journalistic ethics starts with independence

The work of journalists and publications should not be influenced by business interests, political links, personal relations and gains, bribes or other benefits. The principles of balanced journalism are followed, various parties are allowed to speak and counter-arguments are 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.

"The work of media should not be influenced by business interests, political links, personal relations and gains."

Eesti Ekspress, Eesti Päevaleht, Õhtuleht and Maaleht are members of the Estonian Newspaper Association and in their work; the journalists of these periodicals adhere to the Code of Ethics of the Association. The editorial staffs of Delfi Estonia and Delfi Lithuania have laid down and taken into use their own codes of ethics. In addition, Ekspress Group companies follow the laws on data protection, public information as well as other. In unregulated situations, decisions are made on the basis of public interest or the principle of honesty.

The risk of deliberate conscious unethical behaviour is also hedged by the desire of journalists to keep their name clean which is especially important in a small country.

> In addition to the Code of Ethics, Delfi Latvia has also put together an internal journalism quality manual. This covers potential ethical dilemmas for journalists and the rules for solving them.
>
> Delfi Lithuania was the first online media channel in the country that developed and published its principles of ethics already in 2013.

All newspapers, news portals and some magazines of Ekspress Group belong to the independent self-regulation bodies of Estonia, Latvia and Lithuania – the Press Councils.

During the year, more than 300 000 articles are published in twenty publications and portals of Ekspress Group and complaints regarding journalistic content are unavoidable in media business. The Group tries to prevent causing damage to its related parties as well as formal accusations, court disputes and penalties.

In 2018, the Estonian Press Council made 7 (2017:11) condemning decisions regarding violation of journalistic ethics rules in the articles of Delfi, Eesti Päevaleht and Eesti Ekspress. They were related to the clauses of the Code of Ethics of Journalism dealing with publication of inaccurate, distorted or misleading information and headlines (a total of 4 cases of misdemeanour) as well as enabling defendants to provide their comments in the same edition (a total of 2 cases of misdemeanour).

In addition, the court decided to partially satisfy the claim submitted in 2016 regarding the article published in Kroonika that writes about the wedding of Erika Salumäe's. Ekspress Meedia received a claim for damages in the amount of EUR 9 500 for the misconduct of Kroonika that used to be published by Ajakirjade Kirjastus but was taken under Ekspress Meedia in summer 2018.

In respect of four complaints filed with the Press Council, the parties resolved it among themselves and one complaint about Naisteleht was dismissed because the publication was not a member of the Press Council. There were no formal convicting decisions regarding the content published in Delfi portals in Latvia and Lithuania.

"It is important to recognise and draw a clear line between the work of advertising and editing."

Violation of the norms of ethics is taken seriously at the Group. Discussions are held at editorial offices and training sessions are provided on an ongoing basis to journalists to avoid misconduct in the future.

Independence from advertising buyers, content marketing and event organisation

The Group is convinced that the interest of advertising customers, content marketing and organisation of the Group's own commercial events should not impact journalistic content. It is important to recognise and draw a clear line between the work of advertising and editing.

The texts related to content marketing and events organised by the Group are marked on its media pages. Situations in which customers are ready to pay for advertising a certain topic but do not wish to dictate the content of the article or its 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.

Social media tears up the society

Paradoxically, social media based on algorithms promotes creation of locked information space and makes people consume more similar social content. 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. This will lead to higher segregation 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. Social media is in a deep confidence crisis and consumption of more truthful local media is on the rise. The task of Ekspress Group companies is to make professional journalism more available to everybody. The Group's publications and platforms consider visibility in social networks and provision of high-quality content to people as an important task.

Delfi Estonia has made a strategic decision to keep only articles that are of relevance to the society in the newsfeed on the front page. Although for purpose of making a business profit it would be more attractive to place the so-called click magnets grabbing readers' attention to the front, the company is aware of its broader responsibility. For the same reason, Delfi's front page does not show a choice of personalised topics depending on the users' previous reading habits.

"Professional media content helps to gain trust and attention competing with social media."

Fight against fake news

A major share of the society can unfortunately be manipulated by fake news. The role of the media companies of Ekspress Group is to support the development of media literacy in the society and do everything so that high-quality content reaches as many media consumers as possible.

In 2018, in collaboration with other local media companies Delfi Lithuania launched its platform Demaskuok www.demaskuok.lt (in English www.debunk.eu) that supports the fight against fake news. The platform is a combination of analytical solutions that are based on artificial intelligence and that identify fake news, and a network of volunteers and journalists who review hints and ensure truthful coverage in the newsroom. The platform scans almost 20 000 articles from over 1 000 sources on a daily basis.

The objective of the initiative that also involves the public sector in addition to media and volunteers is to increase society's awareness. The reduction of the scope of fake news and fostering critical media consumption in the society will increase' the society's resistance to organised dissemination of fake information.

The platform was funded by Google innovation fund The Digital News Initiative. The internationally unique solution has been presented to the European Union leaders and the NATO has also shown interest in it. The Financial Times praised Delfi's initiative. Those in charge of it want to expand it through more media channels and countries in the near future.

The initiative lead by Delfi Lithuania provides a good opportunity for the company to be an opinion leader of fair media in this field.

Removal of hate comments

The Group promotes use of commentaries that have been registered and logged into. For removal of improper comments, human moderation is used, but for example, Ekspress Meedia is currently launching a TEXTA moderation solution based on machine learning.

Media can exaggerate situations

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.

For Group companies it is important to keep the 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.

> *"The objective of journalism is to fight for those people who cannot totally stand up for themselves. The strength of the publications of Ekspress Meedia has always been treatment of social topics."*
>
> — Urmo Soonvald,
> Editor-in chief of Delfi and Eesti Päevaleht

In 2018, the journalists of the Ekspress Group raised several key issues that created a social debate or brought about significant changes. Here are some examples:

- **Eesti Ekspress** contributed to disclosing the scandal surrounding the custody of a small boy – as a result of the coverage, several Tallinn children's' welfare employees lost their jobs and raised adoption related issues into the focus of society.
- **Eesti Ekspress** also wrote about the money laundering scandal in Danske Bank and was the first to disclose the name of Danske Bank's "whistle-blower".
- One of the most hotly debated topics covered by **Eesti Päevaleht** was the activities of a violent juvenile gang hanging out in Kanuti Gardens. In addition, the newspaper highlighted Estonia's most acute social problems by putting together the "Saddest boardgame this summer" and writing about the short lives of young people who had committed a suicide.
- For Eesti Päevaleht's weekend issue **LP**, one of the most prominent articles was a long interview about parenthood in the Estonian gay family.
- Among others topics, **Delfi Estonia** wrote extensively on traffic problems, covering road rage cases and growing traffic jams in Tallinn. More extensive coverage was given to the management reshuffle and its causes in the national airline Nordica. One of Delfi's biggest photo stories was the 13-day "job interview" of would-be members of SWAT.
- **Õhtuleht** also paid a lot of attention to the issue of the so-called problem children brought to light by the Kanuti juvenile gang, and also cast light on the business of care homes and maintenance allowances.
- The reporting of **Delfi Latvia** helped to ensure demolition of a house that a local businessman had built illegally on the public seashore (in the past, the owner had managed to convince judges that his house was actually a boat). Delfi also published a number of articles on the fees that pharmaceutical companies pay to doctors and was the first to cover the arrest of a Latvian Catholic priest suspected of a sex offense. The most popular special projects included the coverage on the life of female prisoners and their children, people with special needs, and participants of the song and dance festival.
- **Delfi Lithuania** wrote a series of articles on the cooperation between prison workers and criminal gangs that led to the restructuring of the Lithuanian prison system (also a very successful book was published on the same subject). Articles on corruption linked to a large business group and confusion surrounding the work of bailiffs were also well received by readers.
- Traditionally, the **Group's** magazines focused on stories about health awareness and promotion as well as on equality.
- Based on the original manuscript, hidden for decades, of Silver Anniko, **Hea Lugu** re-published the cult novel "Fists" whose 1979 edition had been extensively censored and shortened. The book was the most popular book in the fieal of fiction in Estonia in 2018. Also the series of recollections consisting of 10 books "From Writer to Writer", historical biographies and the publication of the "Chemistry textbook for dummies" deserve mentioning.
- **Delfi Lithuania** launched an exclusive four-year partnership with Bloomberg, a major global provider of 24-hour financial news and information. This collaboration enables Delfi to enrich its portal's content with up to ten Bloomberg articles daily and provide quality content to a new target group.

The overview above relates primarily to the Group's newspapers and portals. The editorial offices of magazines follow the same principles, but the dynamics of their publishing is slightly different. For example, the risk of errors is hedged by a longer time frame which leaves more opportunities for the editor-in-chief to check the facts and review the stories before they are printed. The so-called slow media based on magazines strikes a good balance for Ekspress Media and Õhtuleht Kirjastus as opposed to information rich news media.

DIGITAL MEDIA COMPANY

In developing its digital capability, Ekspress Group aims to adapt to the changes taking place in the way how information and media are used and to make sure that access to the media content is convenient and attractive to its customers at any time.

Digital business already accounts for a significant share in the Group's business. Delfi portals in Latvia and Lithuania are focused on digital media. While a large part of the business of Õhtuleht Kirjastus and Ekspress Media is newspapers and magazines on paper, the portals of Delfi and Õhtuleht as well as online versions of the publications are a good web and mobile channel. Hea Lugu sells also e-books and operates an e-store (Raamat24). Adnet Media, Babahh Media and Kinnisvara24 are 100% digital businesses. Linna Ekraanid and ACM operate digital outdoor advertising screens.

Facts:

Digital revenue accounts for nearly **38%** of the Group's total revenue.

Revenue of online articles at Ekspress Media's grew by **168%** in a year

In 2018, the monthly use of the **Zlick** payment solution increased more **than 5 times.**

In addition to developing digital products as a whole, Ekspress Group is committed to finding and developing synergies between existing products on paper and online. The development of mobile-friendly platforms and digital solutions for smart devices is constant work. The next big step for the Group will be to properly embrace multimedia journalism, i.e. produce more video and audio materials as a supplement to text-based content.

The second trend for Ekspress Group is to offer content both in its own channels and elsewhere. It is important to reach the customer with your content and, in addition to your own channels, more and more options are used. The first steps in this direction are the Delfi app for Apple TV, publications of Ekspress Media and several publications of Õhtuleht available on Telia Newstand and Elisa Book platforms, and Delfi TV broadcasts on YouTube. Many of these developments took place or were fully realised in 2018.

Online versions of paper publications

The reorganisation of Ajakirjade Kirjastus in 2018 was aimed at providing a better online version for its paper publications and to support cooperation with other strong web platforms of the Group. Instead of building a major new online environment, it is more reasonable to offer the readers quality content in cooperation with existing platforms of Ekspress Media, Delfi and Õhtuleht.

Audio stories and podcasts

Audio content was one of the most important keywords in the development of the Group's media channels in 2018. Since the autumn, with the help of the speech synthesizer, all Eesti Ekspress's stories as well as longer Delfi articles are also available in the audio format. Ekspress Media launched the podcast hub "Delfi Tasku" with regular broadcasts. Õhtuleht Kirjastus produces original audio content under the name of ÕL Raadio. Podcast platforms were launched also by Delfi in Latvia and Lithuania. For many users, web-based audio content that is available at any time has replaced linear radio. The next step for the company will be increasing its capacity in distributing the news in the audio format.

Digital and mobile versions

The Group is regularly developing the digital channels of all its products. In 2018, the online and digital sites of several publications as well as updates for mobile versions and applications were launched (Ekspress Media magazines, Eesti Ekspress, Delfi Estonia, Delfi Lithuania, publications of Õhtuleht Kirjastus). Media products are increasingly sold as a complete online access package, not as separate publications.

Video and TV shows

Delfi portals implemented more video projects in 2018 than before. In addition to the video content that until now has mainly focused on sports broadcasts, regular original programming is now being produced. For example, Delfi Lithuania produces two talk shows "Delfi in the Spotlight" and "Delfi's Day" which are aired daily in the country's largest TV channel. Delfi plans to increase its capacity to produce original programming and trusted news for Lithuanian TV channels. Delfi Latvia has also launched a weekly talk show.

Digital payment options

In 2018, the Group further simplified the payment for digital services in Estonia, and also made it more secure. The Group uses Zlick - zero click payment service for smooth payments. In 2018, Ekspress Media expanded the micropayment option from article-based purchases also to digital subscriptions.

Social media

Social media helps to distribute the content created by Ekspress Group's journalists more widely. This is supported by special social media editors in the editorial offices and includes major projects. For example, in 2018, before Latvian parliamentary elections, Delfi Latvia collaborated with Facebook to disseminate video tutorials on how to recognise fake news – the costs of distributing videos uploaded on the Delfi account to all Facebook users in Latvia was covered by the social network itself.

Groupwide hackathon

Once a year the Group invites all Group's employees to a hackathon. The objective of this intense brainstorming competition focusing on digital development is to solve existing problems in group companies, use technology to create added value and select new business ideas that deserve further development.

Digitisation has a direct impact on the quality of the content. The online format enables to collect in real time information about the number of content users, feedback and other data. Journalists will be able to use this feedback and information as inspiration to create content that truly addresses the needs of the users.

KEY EVENTS AND DEVELOPMENTS IN 2018

JANUARY

- AS Ekspress Grupp expanded to Tartu with outdoor digital screens by acquiring the digital outdoor advertising company LedScreen OÜ.

FEBRUARY

- Andre Veskimeister started as the Chairman of the new Supervisory Board of AS Ekspress Group; Gunnar Kobin leaves the Supervisory Board on 22.02.2018.
- Ekspress Group published the consolidated interim report for the fourth quarter and 12 months of 2017.
- Eesti Ekspress organised a concert "Mirror in the Mirror", which presented the best works of Arvo Pärt.

- Delfi Lithuania organised a major conference "Idea for Lithuania" and a conference for young people at school "Day of the Best Lessons".

MARCH

- At the Estonian Newspaper Association competition "Press Awards 2017" and the Estonian Association of Press Photographers competition "Press Photo of the Year 2017" the employees of Ekspress Group won a record number of awards, including the awards for the Journalist of the Year, Young Journalist of the Year as well as in the categories of multimedia, digital shared stories, news and features.

- The Competition Authority granted permission to restructure Ajakirjade Kirjastus, as a result of which part of the business of Estonia's largest magazine publisher will be merged with the Group's subsidiary Ekspress Media and the another part with the joint venture SL Õhtuleht (after the merger under name Õhtuleht Kirjastus AS).
- Latvian Journalist Association recognized Delfi Latvia with the award in the category of promoting culture for the series of cultural and historical lectures "Vaidelote".

- Jānis Domburs, the TV show host of Delfi Latvia, received the Inta Brikses Memorial Award for his outstanding contribution to journalism.
- Delfi Estonia and Õhtuleht launched new versions of mobile applications.
- Delfi Latvia became the most popular web portal in terms of audience and page views.
- Ekspress Grupp published the consolidated annual report for 2017.

APRIL

- Ekspress Grupp published the consolidated interim report for the first quarter of 2018.
- Delfi Lithuania launched the innovative solution "Hot spots".

MAY

- Ekspress Media hosted a concert of Stig Rästa performing hit songs of Paul McCartney and The Beatles.

- Ajakirjade Kirjastus organised the Estonian Entertainment Award Gala.
- Ekspress Meedia launched a new web channel for all magazines: www.eestinaine.ee; www.tervispluss.ee; www.omamaitse.ee; www.kroonika.ee; www.annestiil.ee; www.perejakodu.ee.
- Õhtuleht Kirjastus launched a new web channel: www.linnaleht.ee.
- Delfi Latvia opened its first multifunctional web-TV studio in Latvia.

JUNE

- Restructuring of Ajakirjade Kirjastus was completed. Ekspress Media took over the publishing of the monthly magazines (Eesti Naine, Anne ja Stiil, Pere ja Kodu, Oma Maitse, Tervis Pluss and Jana) and the weekly magazine Kroonika. Ajakirjade Kirjastus and the remaining publications were merged with AS SL Õhtuleht and after the merger will continue under the name AS Õhtuleht Kirjastus.
- The annual general meeting of shareholders of AS Ekspress Grupp was held (06.06).
- Delfi Latvia organised two debates on the topic of trust at the Lampa Debate Festival.

- Ekspress Media organised a rally day with Ott Tänak in Tallinna Lauluväljak.

- Delfi Lithuania launched a new study program "Innovation and Digital Transformation" in cooperation with Business Management Institute (BMI).

JULY

- Delfi Latvia covered the Song and Dance festival with liveblogs and video streams.
- Delfi Latvia served as main media partner for a number of high profile events such as Positivus festival, International Early Music Festival, World RX of Latvia and others,

- AS Ekspress Grupp paid a dividend of 7 cents per share (3.07).
- Ekspress Grupp published the consolidated interim report for the second quarter and 6 months 2018.

AUGUST

- Signe Kukin started as a member of the Management Board CFO of AS Ekspress Grupp.

- Delfi Lithuania and its partners organised an entertainment event "Lithuanian Family Festival 2018" on the Nemunas island in Kaunas that attracted more than 25,000 participants (09.08).
- Ekspress Media launched a social campaign "Don't Text and Drive".
- Delfi TV studio in Lithuania was overhauled and Delfi started with programmes "DELFI in the spotlight" and "DELFI day".

- Delfi Estonia launched a podcast hub Delfi Tasku and new versions of its mobile applications.
- Delfi Latvia launched a special project "100 years in 100 days" as a present to the Republic of Latvia.

SEPTEMBER

- The marketing and sales activities of the Group's real estate portal Kinnisvara24.ee were fully launched.
- Delfi Lithuania launched a fight against fake news in cooperation with the state and other partners (demaskuok.lt)
- Delfi Lithuania launched as the new product "DELFI Today" and launched a partnership with the global economic news and financial information provider Bloomberg (https://www.delfi.lt/verslas/bloomberg/).
- Ekspress Meedia posted all-time highest results in single-article sales,
- Õhtuleht increased digital subscriptions ca 12% compared to previous quarter,
- Delfi Latvia started the Pre-electional content, including sociological surveys, video online debates and interviews with candidates.
- Delfi Latvia started to broadcast Estonian-Latvian basketball league and Estonian-Latvian volleyball league games.

OCTOBER

- Maaleht organised the competition Farmer of the Year 2018.
- The Twitter channel of Delfi Latvia was awarded the highest recognition by the DDB and the RAIT Research Agency in the "Most Favourite Brand Survey" as the most influential social media channel in Latvia. Delfi TV Portal was recognized as the strongest TV channel among media brands.
- Eesti Ekspress launched a new website and an audio news service.
- Ekspress Group published the consolidated interim report for Q3 and 9 months 2018.

- Delfi Latvia granted two EUR 5,000 scholarships for the journalism students of the University of Latvia.

NOVEMBER

- Extraordinary general meeting of shareholders of AS Ekspress Grupp (22.11). Ahto Pärl became a new member of the Supervisory Board and from 26.11.2018, new Chairman of the Supervisory Board. Andre Veskimeister was recalled from the Supervisory Board.
- Õhtuleht Kirjastus launched a new web shop pood.ohtulehtkirjastus.ee.
- Õhtuleht Kirjastus launched a new web channel at www.ohtulehtkirjastus.ee.
- Delfi Latvia had its own stage at the Digital Freedom Festival with 8 hours debates on the Delfi Media Lab stage.

DECEMBER

- Delfi Latvia launched a charity campaign "Strengths and the Strong" which is focusing on carers for the loved ones, raising over EUR 65,000 for carers.
- Delfi Lithuania organised a charity campaign "Mission Lapland", where 150 children from underprivileged families were taken to a trip to Lapland.

MEDIA DISTINCTIONS AND AWARDS IN 2018

Estonia

In March 2018, the Estonian Newspaper Association announced the winners of "Press Awards 2017", which included several employees and publications of Ekspress Group.

- The journalist of the year 2017 is **Madis Jürgen** from Eesti Ekspress.

- **Mihkel Tamm** from Eesti Päevaleht won the Estonian Young Journalist Award.
- The winner in the multimedia category was the article on Rail Baltic published in Delfi in March 2017, the authors of which were **Tanel Saarmann, Aivar Õepa, Sigrid Salutee, Ester Vaitmaa, Kerttu Pass, Madis Veltman, Andres Putting, Priit Simson, Hendrik Osula, Eiliki Pukk, Karin Kaljuläte, Siim Solman, Ago Tammik, Heleri Kuris, Liisi Viskus, Alari Heinsoo, Karl-Erik Leik** and **Mart Nigola**.
- The winner in the news category was **Sulev Vedler** from Eesti Ekspress with articles "Wrong Patient, Wrong Blood. The Nurse's Fatal Mistake", "PERH under pressure. The story of the hospital nurse who made the fatal blood transfusion is gaining momentum" and" How much does human life in Estonia cost? Zero euros or several millions?".
- he winner in the feature article category was **Madis Jürgen** with his articles published in Eesti Ekspress "The Unusual Prisoner" and "The Last Summer of the Former Police Chief".
- In the category of layout of nationwide newspapers, the silver award went to Eesti Ekspress (May 3 and November 8 issues) and the bronze went to Õhtuleht (December 23 and 28 issues).
- In the features category of the nationwide newspapers, the gold award went to the cover story published in Eesti Ekspress Areen "The Woman behind November". Silver went to the article published in Õhtuleht "French Fries: Street Food or Restaurant Dish?" Bronze went to the Õhtuleht article "Parents Say that Clowns are Horrible. And Children Believe Them!" and "Mom! There is Still Hope!" published in Eesti Ekspress.
- The bronze awards of the open group went to the article in LP on the total transformation of Ott Kiivikas "From a Skinny Basketball Player to Mister Olympia" and the covers of Eesti Päevaleht "I'll Stay".
- In the category of web pages, two silver awards were issued, one of them to the Õhtuleht web page.
- In the category of digital individual projects, Delfi's "We Love Tangerines" won the Gold Award.

In March 2018, the Estonian Association of Press Photographers announced its awards for 2017:

- The competition "Press Video of the year 2017" was won by the DELFI TV experiment: "The Beginner's "Golden Figure" Dives into the World of Street Performers" by **Sigrid Salutee, Mark Šandali** and **Kadri Nikopensius**.
- In the competition "Press Photo of the Year", the award for the best sports photo went to **Madis Veltman** from Delfi, the award for the best feature photo went to **Rauno Volmar** from Delfi and Eesti Päevaleht LP.

In the **Instar study of attractive employers** among students of humanitarian studies in 2018, Ekspress Media came 7th (2017: 8th place).

In February 2019, Estonia's most important investigative journalist award, **Bonnier Prize**, for 2018 was awarded to Eesti Ekspress journalist **Kirsti Vainküla**, jointly with Estonian Public Proadcasting journalist Merilin Pärl. They were awarded for their stories on a custody case involving a four-year-old boy known as Martin, who had no parental care and whose adoption caused problems because of the bias of child protection specialists.

Latvia

Delfi Latvia was recognized in the award gala held by the Latvian Journalist Association in March 2018:

- Delfi won the award in the category of promoting culture for its series of cultural and historical lectures "Vaidelote" on the most important persons and events in the history of Latvia.

- **Jānis Domburs**, the TV show host of Delfi Latvia, received the Inta Brixis Memorial Award for his outstanding contribution to journalism.

The activities of Delfi Latvia on Twitter were recognized in the award ceremony held by the advertising company **DDB and the research agency RAIT** as the strongest social network channel in the Latvian media sector. Delfi TV Portal was recognized as the TV channel with the strongest media brand.

Lithuania

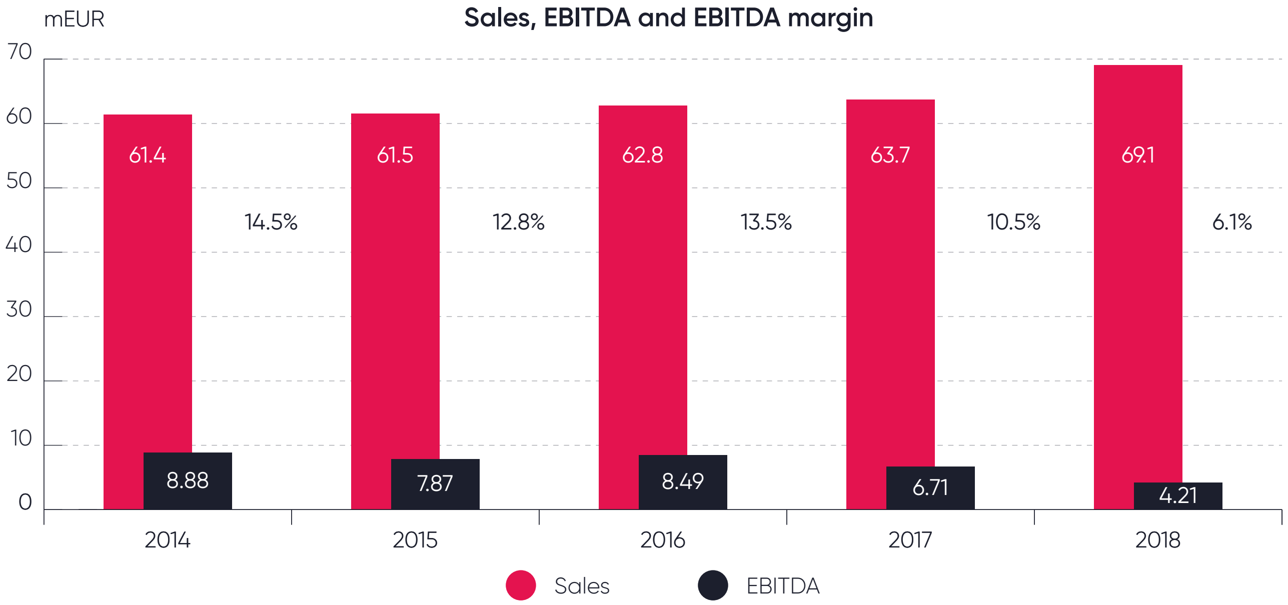
Delfi Lithuania's business journalist **Edgaras Savickas** and environmental journalist **Tomas Janonis** won awards for their entries in "Transparency – it's in our hands 2018", the contest of articles on corruption.

Delfi Lithuania's journalists won 3 out of 8 prizes during a special event held in January 2019 and dedicated to those journalists who were covering the best about the efficiency of European Union investments.

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 syndicated loan contract also determines the calculation of some loan covenants while taking into account proportional consolidation.



REVENUE

In 2018, the consolidated revenue totalled EUR 69.1 million (2017: EUR 63.7 million). Revenue increased by 8% as compared to last year. Revenue growth is primarily attributable to the acquisition of the majority holding of the provider of an advertising network and programmatic sales solutions Adnet Media in November 2017 which together with Delfi entities has significantly increased the Group's online revenue and its share in total revenue. By the end of 2018, the share of the Group's digital revenue increased to 38% of total revenue which is by far the highest percentage in Ekspress Grupp's history. The Group's digital revenue in 2018 increased by 23% as compared to the same period last year.

PROFITABILITY

In 2018, the consolidated EBITDA totalled EUR 4.21 million (2017: EUR 6.71 million). EBITDA decreased by 37% as compared to last year. The EBITDA margin declined to 6.1% (12 months 2017: 10.5%). The consolidated net profit in 2018 was EUR 0.03 million (2017: EUR 3.15 million) and the net margin totalled 0.0% (2017: 4.9%). The decline in profitability was primarily related to the intensifying competition of the printing services segment and the increase in input prices. In addition, it was related to the decline in the revenue of print media and higher home delivery and labour costs (growth +8% vs 2017) as well as one-off costs (2018: EUR 0.90 million), which mainly related to reorganisation and extraordinary allowance of books booked in 4th quarter. There is additional loss on shares of associates and from other financial investments in the 4th quarter (2018: EUR 0.27 million).

CASH POSITION

At the end of the reporting period, the Group had available cash by proportional consolidation in the amount of EUR 2.2 million and equity in the amount of EUR 50.4 million (64% of total assets). The comparative information as of 31 December 2017 were EUR 2.8 million and EUR 52.5 million (66% of total assets), respectively. As of 31 December 2018, the Group's net debt totalled EUR 13.3 million (31 December 2017: EUR 13.0 million).

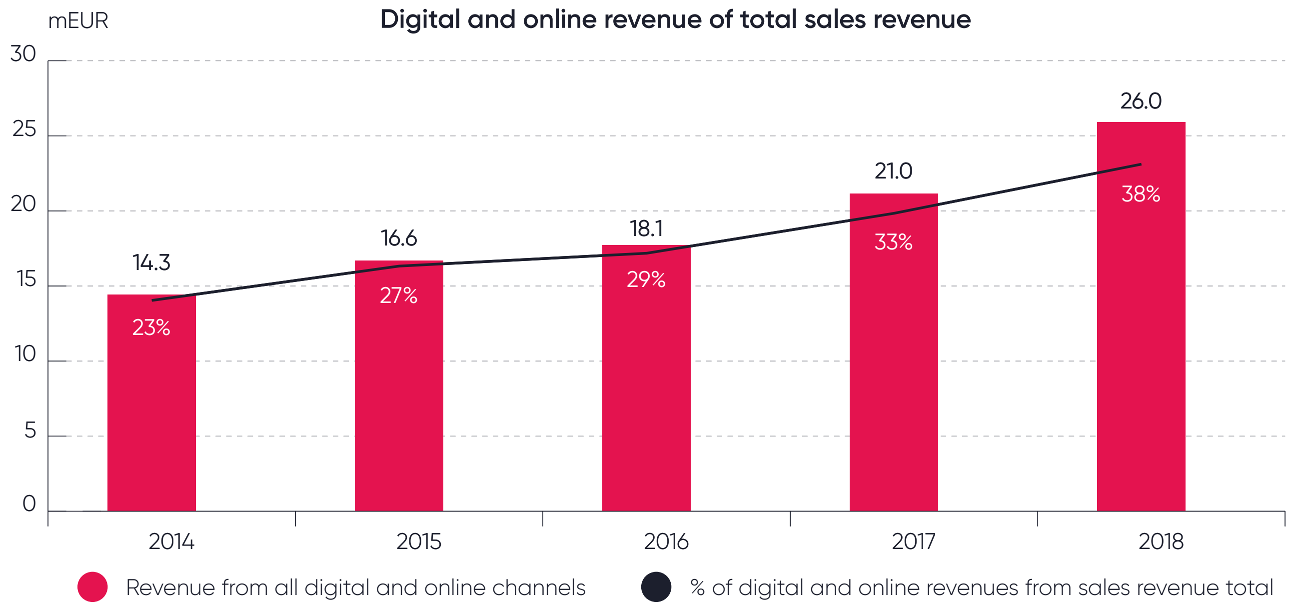
BUSINESS OPERATIONS

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 syndicated loan contract also determines the calculation of some loan covenants by proportional consolidation. For the purpose of clarity, the management report shows two sets of indicators: one where joint ventures are consolidated line-by-line 50% and the other where joint ventures are recognised under the equity method and their net result is presented as financial income in one line.

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

Performance indicators – joint ventures consolidated 50% (EUR thousand)	2018	2017	Change %	2016	2015	2014
Sales revenue	69 096	63 699	8%	62 793	61 528	61 384
EBITDA	**4 206**	**6 713**	**-37%**	**8 487**	**7 869**	**8 878**
EBITDA margin (%)	***6.1%***	***10.5%***		***13.5%***	***12.8%***	***14.5%***
Operating profit*	944	3 526	-73%	5 221	4 866	5 638
Operating margin* (%)	1.4%	5.5%		8.3%	7.9%	9.2%
Interest expenses	(458)	(427)	-7%	(518)	(618)	(732)
Net profit/(loss)* for the period	**25**	**2 952**	**-99%**	**4 406**	**3 907**	**4 620**
Net margin* (%)	***0.0%***	***4.6%***		***7.0%***	***6.4%***	***7.5%***
Net profit (-loss) for the period in the financial statements (incl. write-downs and gain from change in ownership interest)	25	3 146	-99%	4 406	2 707	5 110
Net margin (%)	***0.0%***	***4.9%***		***7.0%***	***4.4%***	***8.3%***
Return on assets ROA (%)	0.0%	4.1%		5.8%	3.5%	6.6%
Return on equity (%)	0.0%	6.1%		8.9%	5.6%	11.4%
Earnings per share (EPS)	**0.00**	**0.11**		**0.15**	**0.09**	**0.17**

* 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.

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, outdoor digital screen advertising in Estonia and Latvia, publishing of the Estonian weekly newspapers Maaleht, Eesti Ekspress and LP, the daily newspaper Päevaleht, tabloid Õhtuleht, freesheet Linnaleht, publishing of books and magazines in Estonia, publishing of magazines in Lithuania until December 2017 and providing home delivery services.

The printing services segment includes AS Printall which 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.

Key financial indicators for segments

(EUR thousand)	Revenue					
	2018	2017	Change %	2016	2015	2014
Media segment (under equity method)	37 248	31 753	17%	29 763	28 475	25 986
incl. revenue from all digital and online channels	*24 561*	*19 963*	*23%*	*17 307*	*15 555*	*13 449*
Printing services segment	25 242	23 879	6%	25 585	25 842	28 951
Entertainment segment	0	0		0	517	0
Corporate functions	2 341	2 486	-6%	2 233	1 937	1 731
Inter-segment eliminations	(4 342)	(4 048)		(4 257)	(3 997)	(3 874)
TOTAL GROUP under equity method	**60 489**	**54 070**	**12%**	**53 324**	**52 773**	**52 793**
Media segment (by proportional consolidation)	46 716	42 604	10%	40 362	38 241	35 339
incl. revenue from all digital and online channels	*25 954*	*21 024*	*23%*	*18 094*	*16 619*	*14 306*
Printing services segment	25 242	23 879	6%	25 585	25 842	28 951
Entertainment segment	0	0		0	517	0
Corporate functions	2 341	2 486	-6%	2 233	1 937	1 731
Inter-segment eliminations	(5 204)	(5 270)		(5 387)	(5 009)	(4 636)
TOTAL GROUP by proportional consolidation	**69 096**	**63 699**	**8%**	**62 793**	**61 528**	**61 384**

(EUR thousand)	EBITDA					
	2018	2017	Change %	2016	2015	2014
Media segment (under equity method)	3 355	3 729	-10%	3 572	3 724	3 026
Media segment (by proportional consolidation)	*3 329*	*4 181*	*-20%*	*4 779*	*4 913*	*4 010*
Printing services segment	2 403	3 734	-36%	4 645	4 966	5 944
Entertainment segment	0	0	-	(2)	(1 110)	0
Corporate functions	(1 492)	(1 201)	-24%	(936)	(899)	(1 076)
Inter-segment eliminations	(2)	0		0	0	0
TOTAL GROUP under equity method	**4 263**	**6 261**	**-32%**	**7 280**	**6 680**	**7 894**
TOTAL GROUP by proportional consolidation	**4 206**	**6 713**	**-37%**	**8 487**	**7 869**	**8 878**

EBITDA margin	2018	2017	2016	2015	2014
Media segment (under equity method)	9%	12%	12%	13%	12%
Media segment (by proportional consolidation)	*7%*	*10%*	*12%*	*13%*	*11%*
Printing services segment	10%	16%	18%	19%	21%
TOTAL GROUP under equity method	**7%**	**12%**	**14%**	**13%**	**15%**
TOTAL GROUP by proportional consolidation	**6%**	**11%**	**14%**	**13%**	**14%**

MEDIA SEGMENT

ONLINE MEDIA

Year 2018 in digital media was challenging and encouraging. There are some major trends which tolerate the market developments in 2018:

- continued consumer migration to mobile,
- continued rise of international platforms as the participants on local media market,
- the rise of on-demand audio and video.

Mobile growth requires to change the way how content is produced and presented. Readers clearly migrate to mobile and mobile ad revenues see strong growth at the partial expense of desktop. Migration to mobile also somewhat decreases the number of impressions. At the same time, mobile gives us new ways to attract and engage the consumers, increase our time share and offer news and other content to the users in other formats such as audio and video that are easy to be consumed on mobile device or suit better to the specific moment of consumption.

On the more challenging side, international platforms such as YouTube and Facebook are more and more present on the local advertising market. Although there's no available hard data, expert opinions and partial information from local agencies refer to continued strong growth of the money flows from local markets to large international players. Advertising on social platforms may have its inherent long-term risks for the society such as information bubbles, but as international platforms are mostly operating outside of local countries' tax and legal systems, the current process is also having its economic toll on the Baltic countries development and national interests.

Global advertising platforms' rise is not as negative as it may seem in first glance, in fact Ekspress Grupp takes part in strong growth of programmatic advertising business through specialist subsidiary Adnet Media and all media companies.

Video and audio share of the information consumption has been growing for several years. In 2018 we witnessed significant new developments in this area, namely podcast hubs in Delfi portals in all countries as well as TV shows such as „DELFI in the spotlight" produced by Delfi TV and aired on linear TV in Lithuania.

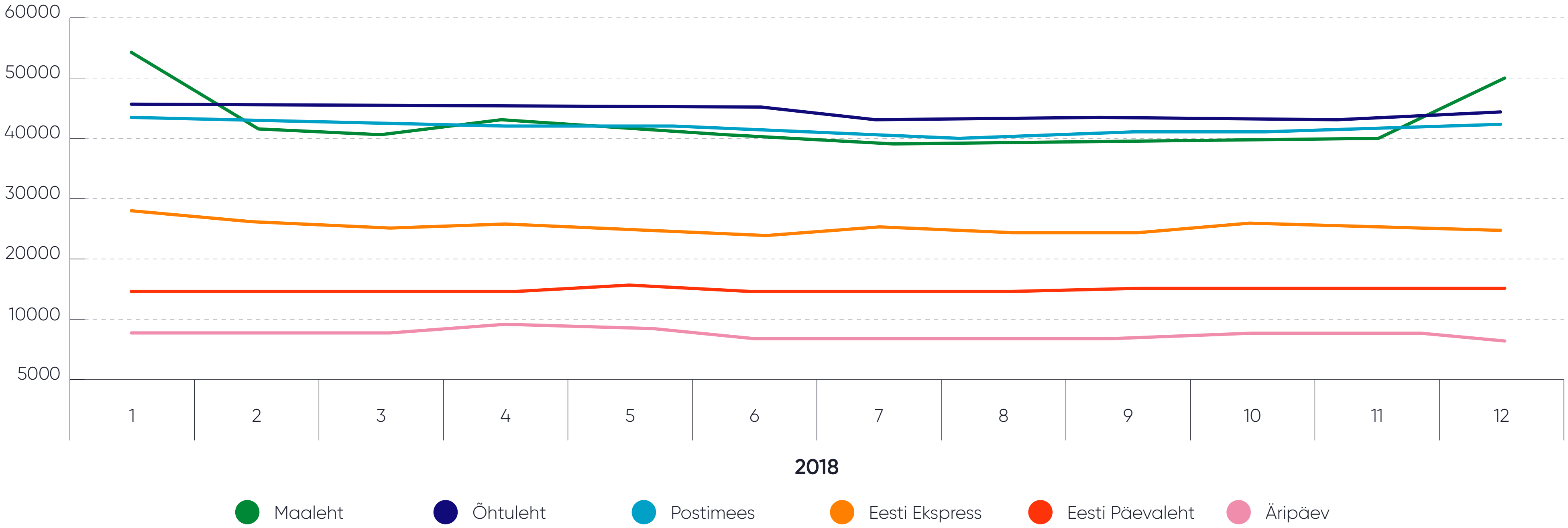
Podcasting hasn't still replaced radio in advertising market share but listening minutes of talk show radio are clearly moving from linear radio to on-demand audio. Fast growth of Delfi podcasts and audio features show that there's strong listener appetite for audio news on demand, commentary and talk shows. It also makes sense for influencers and up-and-coming authors to embrace audio: in terms of time share and engagement, podcasts may give an author better reach to their audience than a book or web content. Ease of use on mobile and increasing quantities of available audio content has enabled consumers to find new time during their day, when to consume news or commentary.

Looking at the current trends, for 2019 we expect the Baltic digital media market to:

- develop strongly in paid subscriptions and consumers acceptance to pay for content; readers' preference for quality content and independent journalism will convert more and more to the digital subscriptions and one-off micropayments; video and audio streaming services will also influence and develop paid content market overall;
- continue to have hard time in advertising market share against international platforms; advertising funds continue to flow to the direction where technology is used increasingly smartly to control user attention; local lawmakers start thinking about the wider context, but probably any real action will take time;
- continue strong growth of on-demand audio, user migration from linear radio to on-demand and audio content producers embracing new monetization methods, such as paid add-on subscriptions and better-quality advertising;
- continue strong growth in programmatic advertising, driven by local and international demand, including direct programmatic deals.

Estonian newspaper circulations

Estonian Newspaper Association data



PRINT MEDIA

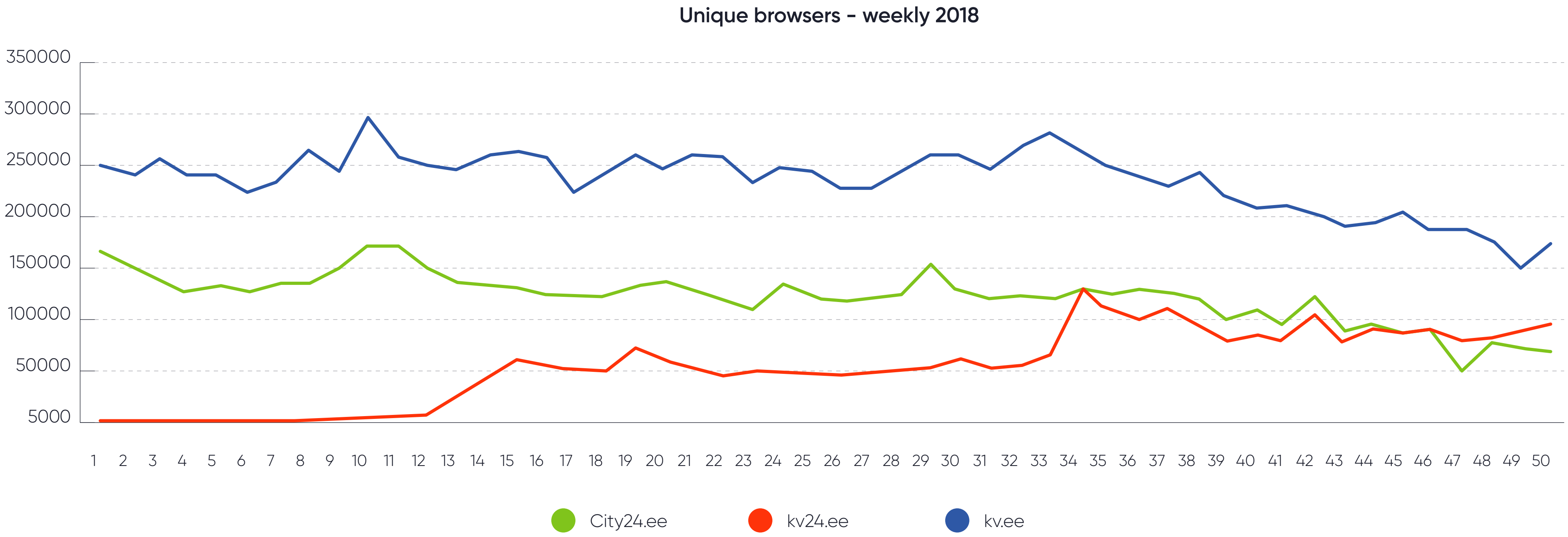
Based on Estonian Newspaper Association data, the daily newspaper with the largest circulation in Estonia for 2018 full year continues to be Õhtuleht. For January and December, the largest newspaper was Maaleht. During the last 12 months, 5 largest newspapers have declined in circulation in total by ca 10 600 copies.

In 2018, the revenue in the media segment totalled EUR 46.7 million (2017: EUR 42.6 million). Revenue increased by 10% as compared to last year. Revenue growth is primarily attributable to the acquisition of the majority holding of the provider of an advertising network and programmatic sales solutions Adnet Media last November which together with Delfi entities has significantly increased the Group's online revenue and its share in total revenue.

Digital media is in growth and despite of hard competition we haven't lost market share and revenues are increasing. By the end of 2018, the share of the Group's digital revenue increased to 38% of total revenue. The Group's digital revenue in 2018 increased by 23% as compared to the same period last year.

In 2018, the media segment's EBITDA was EUR 3.3 million (2017: EUR 4.2 million), decreasing by 21% as compared to last year. Lower profitability is related to the decline in print media and higher printing, home delivery and labour costs, EUR 0.5 million one-off costs related to reorganisation (AS Ajakirjade Kirjastus) and EUR 0.1 million related to write-off books.

On 1 June 2018, the reorganisation of the joint venture Ajakirjade Kirjastus took place. The publishing of monthly magazines was primarily moved to Ekspress Meedia and that of weekly magazines to Õhtuleht Kirjastus (former name SL Õhtuleht). From the same date, Ajakirjade Kirjastus and SL Õhtuleht were considered as merged and it carries the name of Õhtuleht Kirjastus now.



REAL ESTATE PORTAL

In a year, the real estate portal Kinnisvara24.ee launched in April 2018 has reached the second position among the real estate portals both in terms of the number of advertisements as well as visitors.

In a short time period, Kinnisvara24.ee has become the preferred portal amount real estate seekers and advertisers because its property search is easier and more user friendly than in other portals and it takes a few easy steps to add an advertisement.

In addition to a convenient property search many real estate advertisements can be viewed 48 hours earlier than in other portals, i.e. the majority of new real estate advertisements are put up in Kinnisvara24.ee 48 hours earlier than in competing portals.

Property searches in the mobile phone have also been significantly simplified. For example, the search filter "Homes in my vicinity" enables users to find real estate properties available within two kilometre radius. In addition, there is a lot of other useful information, e.g. a broker search, new construction, a real estate search on the map, useful advice in the real estate blog, etc.

In terms of the number of visitors, in a short time period Kinnisvara24.ee has caught up with other portals – while there were 24 591 unique users in the month it was launched, in September when the marketing and sales activities of Kinnisvara24.ee were launched in full, there were 127 890 unique visitors. In December, Kinnisvara24.ee also surpassed the portal City24.ee in terms of the number of unique visitors.

Since the launch of the portal in April 2018, the number of the advertisements of Kinnisvara24.ee has significantly increased while the number of advertisements of other portals has been in a downward trend. In the month it was launched, the portal Kinnisvara24.ee had 15 260 advertisements, by the end of the year, there were 23 660 advertisements. At the beginning of December, Kinnisvara24.ee also surpassed the portal City24.ee in terms of the number of advertisements. Kinnisvara24.ee had 646 more advertisements compared to competitor.

As of the year-end, 315 real estate companies and 635 regular users had published their advertisements in the portal and there were a total of 23 660 advertisements. The number of brokers who had joined the portal was 1780.

The goal of Kinnisvara24.ee is to be the best real estate portal in Estonia which both the seller and the buyer can use easily and which provides the most plentiful and varied information about real estate to the consumers.

PRINTING SERVICES SEGMENT

MARKET OVERVIEW 2018

The share of print media in 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.

Long-term lower demand has led to the shut-down of printing paper production lines and their refitting as cardboard production lines. These activities peaked by the end of 2017 and the beginning of 2018, and have essentially led to a shortage of printing paper. However, the demand for paper has not fallen at the same rate, resulting in quarterly price increases, a newsprint crisis and hyperinflation in 2018. In 2018, the price of uncoated paper increased by 50%. The price increase was supported by higher timber prices due to the issues with wood supplies and the subsequent price increase of wood pulp and extraordinarily high demand for European and Russian paper in India and China. The role of China is important, because the majority of Chinese small and medium-sized wood pulp factories were shut down due to harsher environmental requirements. At the same time, the popularity of printed newspapers remains higher in China and India than in Europe.

In 2018, the European printing houses continued to be under a strong price pressure and the situation will not change in the upcoming years. There is more printing capacity in the market than there is demand for it and this continues to lower the profitability of printing houses. Once strong and well-known medium-sized and large printing companies have either been shut down or consolidated in Scandinavia and Europe, but this has not yet improved the situation for the remaining printing companies.

In 2018, AS Printall was a reputable and well-known printing company in Scandinavia and the Baltic States. However, the market changes also impacted Printall and in addition to changes in sales and profit, the structure and number of subscriptions have also changed. The number of subscriptions was in an upward and sales in a downward trend.

In 2018, the revenue of AS Printall totalled EUR 25.2 million (2017: EUR 23.9 million). Revenue increased by 6% 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 2018, EBITDA was EUR 2.4 million (2017: EUR 3.7 million). EBITDA declined by 36% as compared to last year. This is manily 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 digitalisation 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 2018, the revenue of AS Printall outside of Estonia was 61% (2017: 57%).

OUTLOOK FOR 2019

After the price increase of paper in the first quarter of the year, the year 2019 shows signs of stabilisation. The competition among paper producers shows the first signs of a recovery in the market and the paper price is expected to stabilise.

Along with the higher cost of living, the competitive situation of Estonian printing companies has deteriorated, especially in comparison with the Latvian and Lithuanian printing companies. While quality used to be an important competitive advantage, then today the Latvian and Lithuanian companies have achieved an equivalent level of quality and hence, the competition is more intense in the Baltics and Scandinavia.

In order to stay competitive, ongoing upgrading of production equipment and investments in technology are needed to be able offer top-level quality and fill an increasing number and more substantial orders required by foreign markets. The growth potential lies outside the Baltics. In order to stay competitive in the global market, the challenges include making work processes more efficient and finding new customers in foreign markets. Companies do not compete in the market of the lowest price, but the future lies primarily in more energy-efficient production, automation, product development and constant improvement of quality.

FINANCIAL INDICATORS AND RATIOS

Performance indicators – joint ventures under equity method (EUR thousand)	2018	2017	Change %	2016	2015	2014
Sales revenue	60 489	54 070	12%	53 324	52 773	52 793
EBITDA	**4 263**	**6 261**	**-32%**	**7 280**	**6 680**	**7 894**
EBITDA margin (%)	***7.0%***	***11.6%***		***13.7%***	***12.7%***	***15.0%***
Operating profit*	1 211	3 475	-65%	4 328	3 920	4 973
Operating margin *(%)	2.0%	6.4%		8.1%	7.4%	9.4%
Interest expenses	(443)	(400)	-11%	(471)	(550)	(689)
Profit (loss) of joint ventures under equity method	(273)	(2)	-16767%	772	785	557
Net profit/(loss) for the period*	**25**	**2 952**	**-99%**	**4 406**	**3 907**	**4 621**
Net margin* (%)	***0.0%***	***5.5%***		***8.3%***	***7.4%***	***8.8%***
Net profit /(-loss) in the financial statements (incl. write-downs and gain from a change in ownership interest)	25	3 146	-99%	4 406	2 707	5 110
Net margin (%)	0.0%	5.8%		8.3%	5.1%	9.7%
Return on assets ROA (%)	0.0%	4.2%		6.1%	3.7%	6.8%
Return on equity (%)	0.0%	6.1%		8.9%	5.6%	11.4%
Earnings per share (EPS)	**0.00**	**0.11**		**0.15**	**0.09**	**0.17**

* 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 24 of the financial statements.

Balance sheet (EUR thousand)	joint ventures consolidated 50%					
	31.12.2018	31.12.2017	Change %	31.12.2016	31.12.2015	31.12.2014
As of the end of the period						
Current assets	15 631	16 725	-7%	16 250	15 553	15 189
Non-current assets	63 286	62 597	1%	61 507	61 588	65 665
Total assets	**78 917**	**79 322**	**-1%**	**77 757**	**77 141**	**80 854**
incl. cash and bank	*2 228*	*2 818*	*-21%*	*4 572*	*4 666*	*6 788*
incl. goodwill	*39 799*	*39 920*	*0%*	*38 904*	*38 232*	*39 432*
Current liabilities	14 207	11 081	28%	12 223	12 539	14 110
Non-current liabilities	14 276	15 747	-9%	14 462	15 928	19 569
Total liabilities	**28 483**	**26 828**	**6%**	**26 684**	**28 467**	**33 679**
incl. borrowings	*15 554*	*15 791*	*-2%*	*16 603*	*18 787*	*24 592*
Equity	**50 434**	**52 494**	**-4%**	**51 073**	**48 674**	**47 175**

Balance sheet (EUR thousand)	joint ventures under equity method					
	31.12.2018	31.12.2017	Muutus %	31.12.2016	31.12.2015	31.12.2014
As of the end of the period						
Current assets	13 831	13 827	0%	13 094	12 386	12 303
Non-current assets	62 907	62 130	1%	61 074	60 794	64 292
Total assets	**76 738**	**75 957**	**1%**	**74 168**	**73 180**	**76 595**
incl. cash and bank	*1 268*	*1 073*	*18%*	*2 856*	*2 927*	*5 275*
incl. goodwill	*37 969*	*37 969*	*0%*	*36 953*	*36 953*	*38 153*
Current liabilities	12 186	8 372	46%	9 591	9 033	11 481
Non-current liabilities	14 118	15 091	-6%	13 504	15 473	17 939
Total liabilities	**26 304**	**23 463**	**12%**	**23 095**	**24 506**	**29 420**
incl. borrowings	*15 474*	*15 257*	*1%*	*15 784*	*17 687*	*23 152*
Equity	**50 434**	**52 494**	**-4%**	**51 073**	**48 674**	**47 175**

Financial ratios (%)	joint ventures consolidated 50%				
	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Equity ratio (%)	64%	66%	66%	63%	58%
Debt to equity ratio (%)	31%	30%	33%	39%	52%
Debt to capital ratio (%)	21%	20%	19%	22%	27%
Total debt/EBITDA ratio	3.70	2.35	1.96	2.39	2.61
Liquidity ratio	1.10	1.51	1.33	1.24	1.08

Financial ratios (%)	joint ventures under equity method				
	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Equity ratio (%)	66%	69%	69%	67%	62%
Debt to equity ratio (%)	31%	29%	31%	36%	49%
Debt to capital ratio (%)	22%	21%	20%	23%	27%
Total debt/EBITDA ratio	3.63	2.44	2.17	2.65	2.93
Liquidity ratio	1.13	1.65	1.37	1.37	1.07

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 margin in financial statements/sales x100
Net margin* (%)	Net margin*/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

* 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. As a media group, the performance of Ekspress Group depends largely on the satisfaction of the consumers of online channel content, subscribers of paper periodicals and buyers of single copies, because it also impacts the satisfaction of advertising customers with the Group.

Therefore, while addressing customer experience, this chapter focuses primarily on the consumers of the content of media channels.

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 consumers are getting used to paying for it. This will create an opportunity for media companies to develop their digital solutions. Upgrading of technical platforms and digital products and services is also one of the key priorities for Ekspress Group

"Technical platforms and digital products and services is one of the key priorities."

The entire Group is gradually moving in the direction where it can make more decisions on 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.

As a media group, our objective is clear: to provide increasingly more relevant and high-quality content in a digital form (mobile, web, video, audio) to our end consumers.

New channels, developing technology and diverse content delivery forms enable us to offer more useful solutions to our advertising customers. This is especially important at a time when an increasing share of advertising revenue in the market flows to global channels such as Google and Facebook.

Development of services and provision of services

Conscious shaping of customer experience and increasing of satisfaction is 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 increases in the changing environment.
- As different media outlets generally cover the same topics, an opportunity to set one apart from competitors lies first and foremost in customer communication and creation of convenient solutions for customers.

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 delving into the content what he/she has paid for. In addition to the content, the whole experience depends on the quality of the usability of portals, printing, home delivery and customer service that supports is.

A central self-service platform EkspressKonto with 217 000 users today has been created for the customers

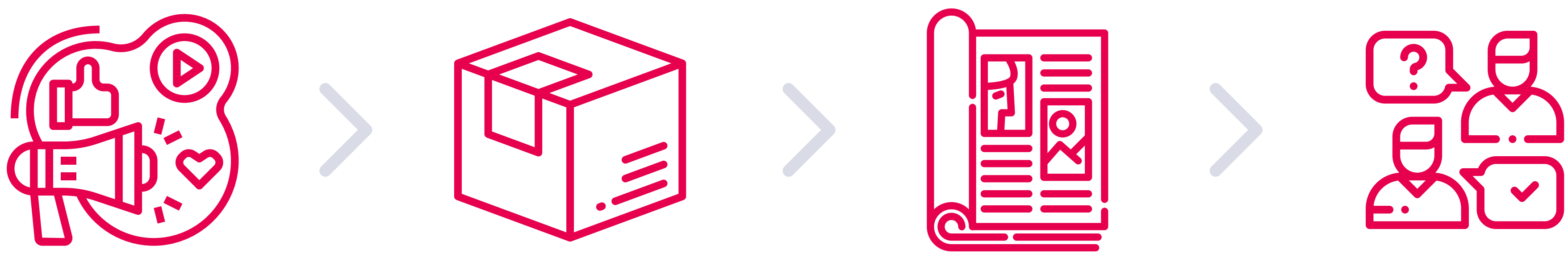
"The whole customer experience depends on the quality of the usability of portals, printing, home delivery and customer service."

to move around the Group's Estonian newspaper online environments and Delfi portal as well as to manage subscriptions. At the same time, the company communicates with its customers personally – when taking subscriptions and solving various issues. For example, the customers of Ekspress Meedia contacted customer service representatives in 59 000 cases (2017: 75 000).

217 000
EkspressKonto.
users

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. A group company that is in direct contract with each customer collects feedback from them independently.



Content

Delfi portals in Estonia and Lithuania started to measure satisfaction with the choice of topics and the quality of articles using the net promotor score (NPS).

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 2018, the ratio was 0.73% (2017: 1.05%; 2016: 1.83%). For all delivered periodicals, the share of errors fell to 0.37% in 2018 (being around 0.60% in two previous years, incl. delays and damaged periodicals).

Printing

Printall that prints most of the Group's publications 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 has contact with its customers at various stages and collects their feedback about the content of periodicals, subscriptions, service process, technical side of the digital environment and home delivery of paper newspapers. In 2018, 94% of subscribers considered the service level as good or very good. In customers' opinion most of the problems were related to the home delivery of periodicals.

Data protection

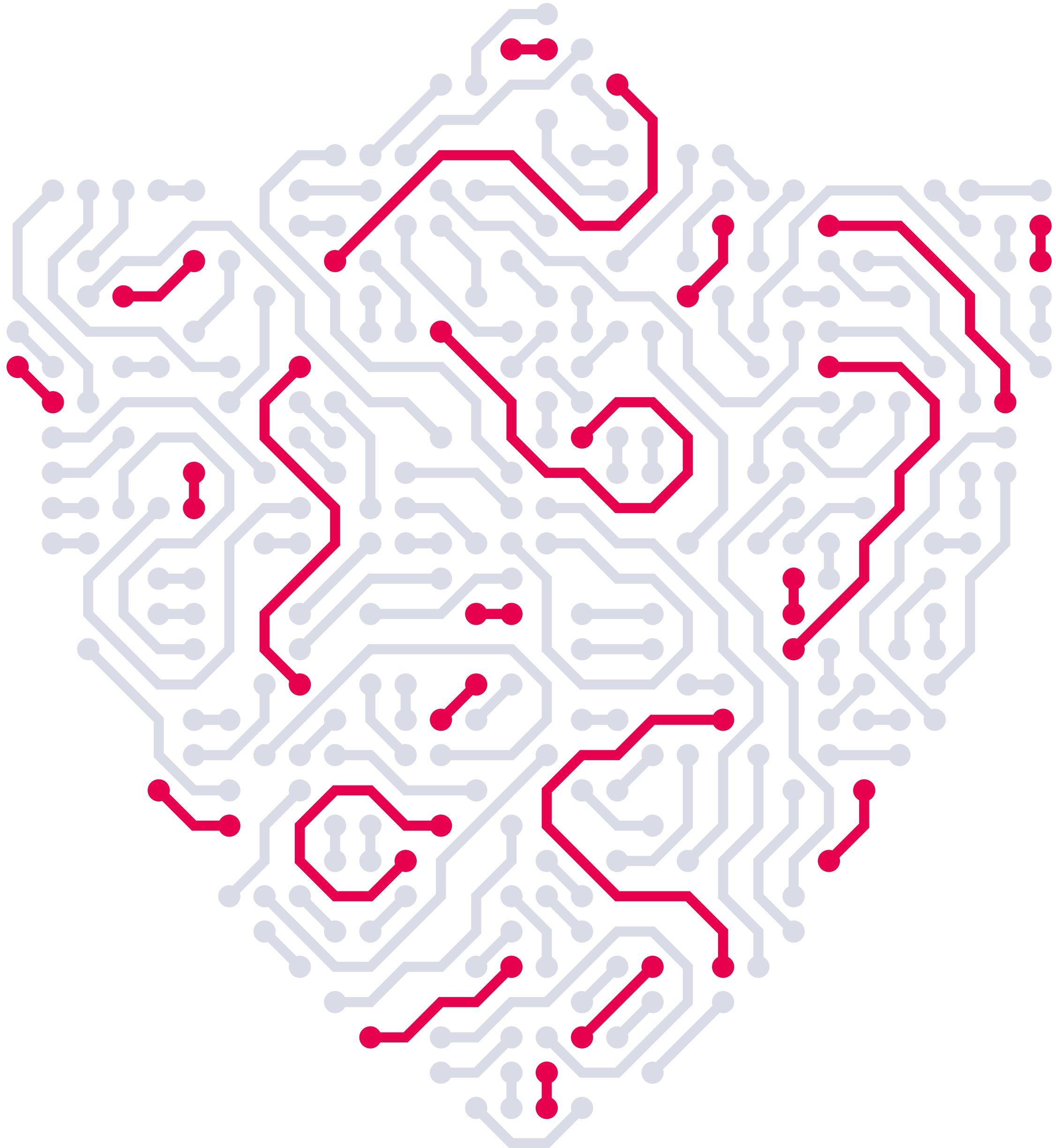
As an online media company managing a large customer database and becoming an increasingly more integrated online media company, Ekspress Group is aware of the risks related to data protection. The processes for secure collection, maintenance and processing of customer data and their protection against external malicious attacks have been laid down and implemented.

The General Data Protection Regulation entered into force in 2018 brought along additional requirements. The Group striving at behaving as required under stricter rules and it ordered a compliance that covered all group companies. The analysis helped the company to get a better overview of the key points of the regulations, identified bottlenecks and provided guidance for establishing uniform rules.

“In data protection issues must be convinced of the correctness of its conduct and not enter the so-called grey area.”

The topic in the new regulation which impact Ekspress Group the most relates to the restrictions set on communication with the current customers. The use of the databases put together in the past is also complicated under the conditions of the new regulation. The Group wants to be convinced of the correctness of its conduct and not enter the so-called grey area. Although the company does not bother its customers without a cause and they are contacted only on the topics of interest to them, it is also important for Ekspress Group to do it compliance with the current regulation.

In 2018, there were not data protection incidents at Ekspress Group companies that would have led to complaints, precepts or penalties.



EMPLOYEES

Ekspress Group carries out its mission and objectives primarily through its almost 1 700 employees (incl. employees of joint ventures). The Group places value on a motivating work environment and investing in its employees. It focuses on retaining and training 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.

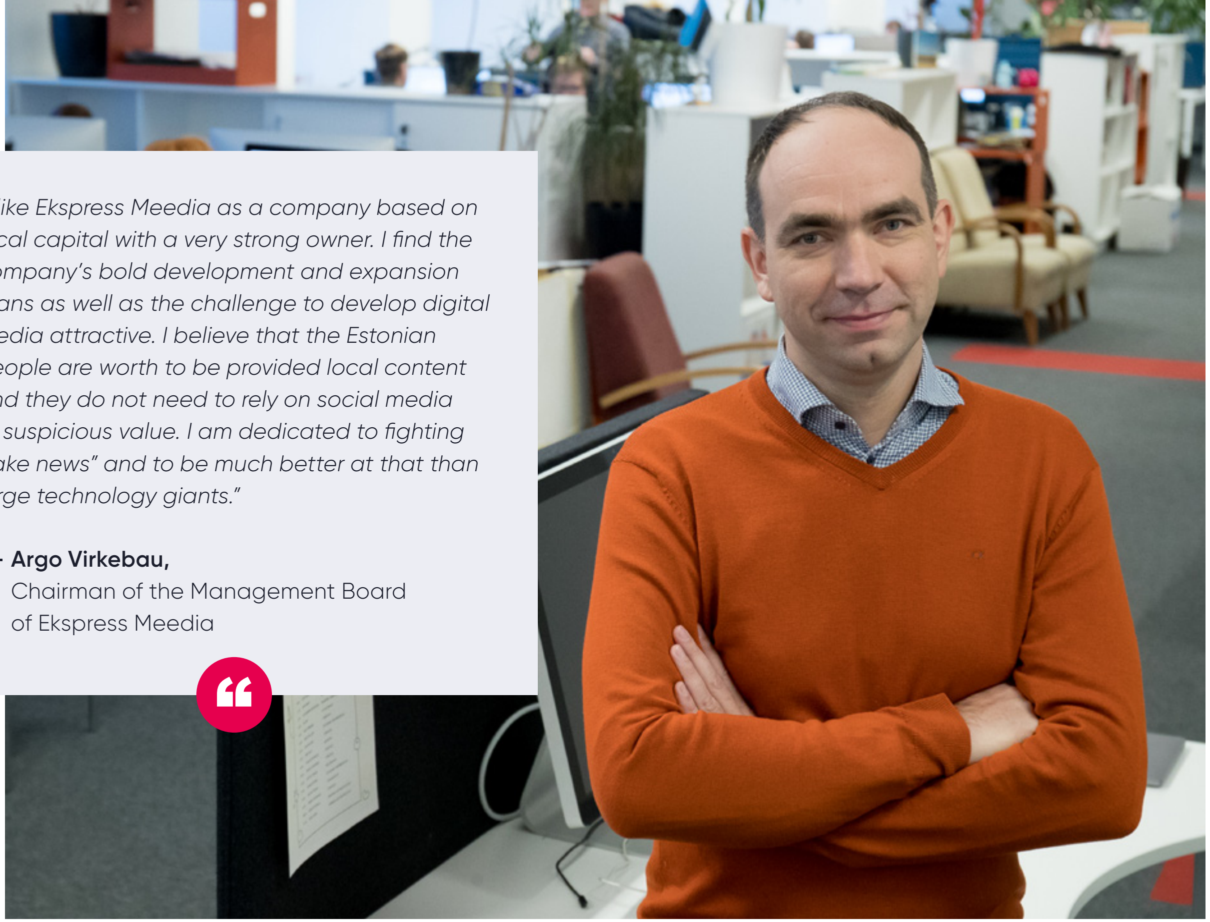
Overview

The year 2018 was characterised by an ongoing intense competition in the labour market, primarily with regard to good salespeople and editors. The development of online media has created a need for people with new competencies.

The Group's human resources focus was also affected by reorganisations in the structure and adjustment to changes (incl. restructuring of Ajakirjade Kirjastus) and the projects for making processes more efficient and launching new units.

In 2018, major changes occurred at the senior management level at the Group. The new members of the Management Board of Ekspress Group include new CFO Signe Kukin and Development Manager Kaspar Hanni who joined it already at the end of 2017. Argo Virkebau started as new Chairman of the Management Board of Ekspress Meedia.

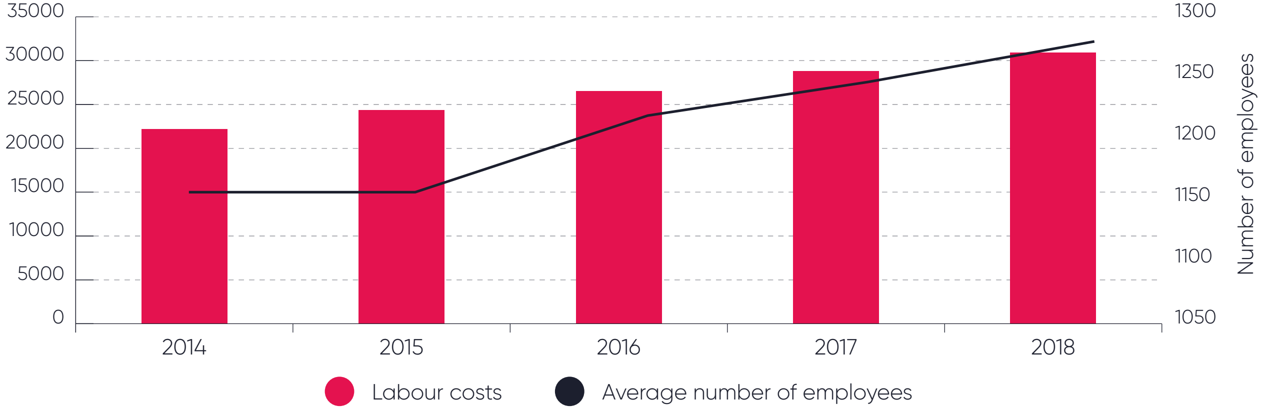
"The focus of human resources was launching new structure and units and making processes more efficient."



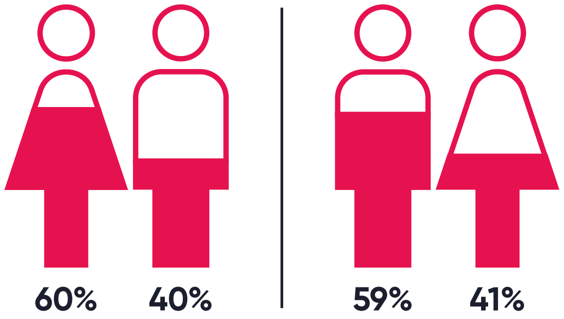
"I like Ekspress Meedia as a company based on local capital with a very strong owner. I find the company's bold development and expansion plans as well as the challenge to develop digital media attractive. I believe that the Estonian people are worth to be provided local content and they do not need to rely on social media of suspicious value. I am dedicated to fighting "fake news" and to be much better at that than large technology giants."

— **Argo Virkebau,**
Chairman of the Management Board
of Ekspress Meedia

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



In 2018, group companies employed 1 698 (2017: 1 670) employees on average. The gender balance is similar at editorial offices and other units – about 60% women and 40% men. The situation among the companies' senior management is the opposite, there are 59% of men and 41% women.



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

The staff turnover of Ekspress Group in 2018 was 24% on average (2017: 29%). Due to the peculiarity of the area of operation, the biggest turnover occurred at Express Post. The turnover of other media segment companies including their parent company was 20% on average.

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 2018, Ekspress Group provided an opportunity to 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 – 27 (2017: 29) and Õhtuleht Kirjastus – nine.

Employee development

In 2018, the trends in the external environment and internal changes that affected the Group's work led to a need to strengthen 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 are arranged to international media groups. The visits have been made to the largest media companies in Scandinavia, Great Britain and elsewhere in Europe.

"employees participate in conferences, international training programmes for journalists and study trips are arranged to international media groups"

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 2018, scholarship was granted to 29 people, twelve of whom worked at Ekspress Meedia, seven at Õhtuleht Kirjastus, five at Delfi Lithuania, four at Delfi Latvia and one at Ekspress Digital. The scholarship was used, for example, to participate in conferences and training courses on creative writing, digital marketing and others dealing with success stories in the area that took place in Europe and USA.
"The training was well prepared. I got a lot to think about and ideas for data journalism, such as significance of major data and how to filter the most significant part of them for stories". Margus Järv (Õhtuleht Kirjastus) who as one of the recipients of a grant participated in the data fest "Journalism and Truth" in Tbilisi, where well-known companies all over the world participated, for example, Google, Amazon, Facebook, Transferwise, Bellingcat, Deutsche Welle.

The career planning and training needs of the Group's employees are determined during the performance reviews, the coordination of which lies within each company.

According to the employee survey of the group company with the largest number of employees, Ekspress Meedia, the overall satisfaction with the career opportunities has increased with each year. They primarily appreciate the employer's contribution to provision of various self-improvement opportunities.

In 2018, 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 average share of the participants who took part in the training courses on journalistic ethics and media's responsibility was 60% of employees (2017: 90%). The share at Ekspress Meedia and Delfi Lithuania was about 90%. In the organisation, career development opportunities are also provided through finding a new position. The company's own employees are notified of vacant positions before announcement of a public competition.

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 on the other hand.

In 2018, the merger of the part of the business and team of Ajakirjade Kirjastus with Õhtuleht Kirjastus and the transfer of the remaining people to Ekspress Meedia led to changes in all the teams. The combination of different organisational cultures and creation of new units and positions definitely played a role in shaping people's satisfaction and motivation. The work culture of Ekspress Meedia was clearly impacted by different management principles of the new Chairman of the Management Board and several other developments (incl. setting up the business development unit and audio-visual department in a new form).

"With each day new employees realise how much each change of theirs leads to changes in this region. Why? Because there are only a few such companies in Estonia where you can show everyone visual tangible results. At many IT companies this is not often possible. This is the advantage of IT division of Ekspress Grupp over the IT companies."

— **Artur Rahkema,**
IT division manager

Despite major changes, the satisfaction of the employees of Ekspress Meedia and Õhtuleht Kirjastus in 2018 remained more or less at the same level or even increased:

- in 2018 79% of the employees participated in the satisfaction survey at Ekspress Meedia (2017: 72%). Of them, 78% (2017: 76%) would recommend the company to others. The general dedication index was 79 (2017: 82) and satisfaction index was 78 (2017: 76), both out of the maximum 100 points. As compared to 2017, satisfaction with the general management and career development opportunities increased. Of other areas, satisfaction with immediate supervisors and work focus received the highest rating. As a sore point, internal communication and the state of work premises were highlighted (developments in information movement related to the hiring of the new CEO and major renovation works carried out in 2018 will hopefully be reflected in the results of the next year).
- Of the employees of Õhtuleht Kirjastus, 55% participated in the questionnaire (2017: 54%). Satisfaction rate increased slightly, reaching 4.0 points (2017: 3.9), the recommendation rate remained the same at 3.8 points (2017: 3.8), both on a 5-point scale. Similarly to last year, general satisfaction with work was rated the highest and motivation of the closest colleagues was rated the lowest, but this also showed a positive trend throughout the year. The people who used to work at Õhtuleht Kirjastus prior to its merger with Ajakirjade Kirjastus are in all rated aspects more positive than the people who came over from Ajakirjade Kirjastus.
- Of the employees of Delfi Lithuania, 80% participated in the satisfaction survey and the overall satisfaction measure was 75%.

Other Ekspress Group companies did not carry out satisfaction surveys in 2018.

The Group monitors wage levels and equal treatment with the help of salary market surveys. Each company can shape 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.

The changes in 2018 in the motivational packages are largely related to health. For example, Ekspress Meedia joined Sport ID which enables employees to select the most appropriate sport and get a special monthly fee from the employer. In addition, the company enables all employees who have worked at least one year at the company to get an additional 5-day vacation in the winter. From 2018, Delfi Lithuania gave health insurance to all of employees; in addition, it launched cooperation with the sports club Impulse where employees can train daily for free.

A share option programme was launched at Ekspress Group in 2017 targeted at 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. New employees also join the programme on an ongoing basis.

Occupational health and safety

Creation of a safe and health-promoting environment is an ongoing activity at group companies in which they follow the respective regulations. Attention is paid to the ergonomics of the office equipment and work premises. In 2018, 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 about 2.5% of the combined number of hours worked by all employees. In 2018, work accidents declined. A total of seven work accidents were registered in 2018 (2017: 11), of which six took place with the employees of Express Post and one with the employee of Printall. There were no work accidents ending in death in 2018 (2017: 0). There were no attacks or harassments targeted at journalists (2017: 2).

Diversity and human rights

Ekspress Group pays attention to the equal and fair treatment of 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.

"The Group values equal and fair treatment of employees and does not tolerate discrimination."

To gain feedback on perception of discrimination, Ekspress Meedia added a respective question to the satisfaction survey in 2018. Of the 223 respondents, 96% did not feel discrimination. In 2018, 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 reliable 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 has assumed a significant role as the spokesperson for the field of media and printing services – to contribute to the development and sustainable growth of sectors.

The company collaborates with educational institutions in order to increase young people's awareness of their career choices and options related to journalism. The Group's Estonian companies are enhancing cooperation with Tartu University and Tallinn University. Delfi Lithuania actively collaborates with Vilnius University. The key cooperation partners of Delfi Latvia include the University of Latvia, Stockholm School of Economics, Riga Stradins University and Vidzeme University. In 2018, Delfi Latvia launched a scholarship programme targeted at journalism students, granting two scholarships both in the amount of EUR 5000 to the students of the University of Latvia.

The editors, editors-in-chief and other employees of the companies give media and communication lectures at universities, they organised excursions at editorial offices, and participate in student events and fairs. Dozens of trainees work at group companies each year.

Group companies also contribute to the shaping of future trends in the media sector on a wider scale. For example, in 2018 Ekspress Meedia participated in the labour needs survey project OSKA of the Estonian Qualification Authority whose purpose was to find out what kind of competencies of people media companies actually need.

In cooperation with the Business Management Institute, Delfi Lithuania launched a unique study programme "Innovation and digital development" for middle and senior management. Visiting lecturers came from the USA, Great Britain and Germany.

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

- Estonian Newspaper Association (and through this organisation also a member of News Media Europe) (Eesti Päevaleht, Õhtuleht, Eesti Ekspress, Maaleht, Linnaleht)
- Estonian Magazine Association (Ajakirjade Kirjastus, Ekspress Meedia)
- Internet Media Association (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 (Ekspress Digital)
- Finance Estonia (Ekspress Digital)
- 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

The year 2018 was remarkable due to the celebration of the centennial anniversaries of the three Baltic States. Since group companies have an important position in Estonia, Latvia and Lithuania, the company also assumed a greater role in raising and addressing key social issues.

In various types of projects, the employees of Ekspress Group companies have been active in covering several important topics crucial for social and community development, and have supported them with volunteer work. In 2018, the following initiatives throughout the entire Group are worth highlighting:

Estonia

- Ekspress Meedia continued with the initiative **"100 Families of Estonia"** launched in 2017 to celebrate the centennial of the Republic of Estonia. The purpose of the project was to draw attention to different families living in Estonia, through their stories, problems and joys. The articles were published in the newspapers Päevaleht, LP, Maaleht, Eesti Ekspress and Delfi until 24 February 2018.

- The most significant social initiative of 2018 was **"No reading while driving!"** launched at the initiative of employees. The use of smart phones while driving known under the modern term digital intoxication is a new social problem which spreads really fast pace and is the cause of an increasing number of traffic accidents. To address this topic and describe its seriousness, Ekspress Meedia writes stories of people who have been in accidents and who have had narrow escapes as well as their lessons learnt. Statistics, video and picture materials are made available in its channels.

- In 2018, Ekspress Meedia organised about a dozen popular sports and premier cultural events, several of which spurred wider public debate. For example, the play "Kostya and the Giant" raised a substantial debate in the media for a few months about the integrity of the decisions made by the first President of the Republic of Estonia, Konstantin Päts.

- For the centennial of the Republic of Estonia, Hea Lugu published a 10-book series "Writer to Writer" and the epic novel of A. H. Tammsaare "Truth and Justice" with a festive book cover, 5 parts for the first time in two-volume set.


"Kostya and the Giant"

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

- The magazine Maakodu recognises beautiful homes in Estonia and awards the most outstanding homes with the title of the most beautiful rural home of Estonia.

Latvia

- In Latvia, the largest news portal Delfi has reached a position where the country's most important television debates are conducted in Delfi environment by one of the best investigative journalists of Latvia.

- Delfi Latvia has been the media partner in several local conferences and festivals. The debate festival **Lampa** is worth separate mentioning where in 2018 the main topic was "Trust". Delfi also organised two debates on the same topic. Toomas Hendrik Ilves also participated in one of them. After the festival, Delfi Latvia published a 10-part series of articles dealing in depth with the topic of social trust. .

- Another key project was **"Digital freedom festival"** where several famous local and foreign participants provided inspiration about future media on the stage on Delfi Media Lab.

> *„Media is hard business as our environment is changing too fast, but this is not only business. This is the way how we could change the life of people around us, and I hope the situation in our countries too"*
>
> — **Konstantīns Kuzikovs,**
> Chairman of the Management Board
> of Delfi Latvia

- Delfi Latvia made a present to the Republic of Latvia – a special project **"100 years in 100 days"** lasting for 100 days that published one article about life in Latvia since 1918 on each day preceding the Independence Day.

- The largest charity campaign of Delfi Latvia was called **"Strengths and strong people"** which focused on caregivers of their families. Within its framework a total of EUR 65 thousand was raised to support caregivers taking care of their families. In addition to fund-raising, Delfi Latvia helps to highlight the serious topic for the society, which raises public awareness and puts pressure on the public sector to amend incomplete regulations.

Lithuania

- Together with four other media channels, Delfi Lithuania completed the country's largest and most significant public social project "Idea for Lithuania" in 2018. The objective of the project was to choose three ground-breaking proposals from those submitted by the public with the greatest potential to shape country's future in a positive way and to contribute to their implementation.

  At the final conference of the project held on 1 February 2018, the best ideas selected out of 600 ideas were presented. As a result, three ideas were selected whose implementation Delfi will help to contribute to with its coverage:

  - turn the teacher's profession into the most prestigious profession by 2025;
  - implement a dual citizenship system in the country (for this purpose, a referendum will be held in Lithuania in 2019.
  - reduce bureaucracy in the public sector and improve digital capacity.

The project became extraordinarily successful from the point of view of the development of the Lithuanian society and the state. Over several hundred articles and videos were published in media. The initiative was supported by Lithuania's President, Prime Minister and representative of the Parliament, therefore, it can be considered as a project with the synergy between the media and politicians.

- For more than five years already, Delfi has taken a lead in the project **"Heroes among us"** which draws attention to ordinary people living in Lithuania. Each year, ten persons selected receive recognition by the President of Lithuania, Dalia Grybauskaitė. In 2018, the stories were about Lithuanian people who had lived or worked aboard and then returned home.

- Delfi with its partners organised a conference **"Day of the best lessons"** for 9-12 year old Lithuanian schoolchildren which more than 12 000 schoolchildren from all over the country participated in. Within the framework of the initiative, the youngsters made more than 60 different stories, videos and broadcasts on educational topics, for example, development of the educational system, promotion of the teacher's profession and future trends in education.

- In 2018, the main charity project of Delfi 2018 was "Mission Lapland" which has taken place for several consecutive years, within the framework of which Delfi with President of Lithuania and other collaboration partners took 150 children of low income families to meet Santa Clause in Lapland.

Although the main focus of Ekspress Group is to achieve social change through its core business, in addition to the initiatives mentioned above the Group's 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.

ENVIRONMENTAL MANAGEMENT ▾

The environmental impact of the Ekspress Group mainly concerns the printing of various periodicals, i.e. the newspapers, magazines and books published by Group undertakings, and the activities of the printing house Printall in general. The eco-friendly printing solutions of the Group's printing house appeal to Group companies as well as to foreign customers, which is why the environmentally-conscious production of Printall is a prerequisite for staying competitive.

According to various studies, the environmental impact of reading online articles for 15-30 minutes is the same as for a physical newspaper. Thus, it is important for both formats to monitor which energy sources are used to operate the infrastructure needed to maintain production and web platforms, and how big is the environmental impact of using the devices of digital media users. To reduce its environmental impact, a paper periodical could be shared with family members or co-workers, and then recycled as waste paper.

This is how Printall prints own products and products of other customers:

1. Order. Almost all of the periodicals (except books) of Ekspress Group are printed at Printall. Group companies are trying to optimise the circulation of publications in order to avoid overprinting of retail numbers. A significant part of Printall's production goes to external customers of the Group, and about 60% 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 certificates, and the production process is compliant by the Nordic EcoLabel and Green Choice certificates.

3. Material. 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 a harvested log is used for producing paper, contributing to the most efficient use of timber.

4. Supplies. Of the paper purchased mainly from the Nordic countries or Russia, 89% was certified or was otherwise environmentally-friendly (all magazine paper is FSC or PEFC certified). To prevent environmentally harmful materials and chemicals, all suppliers must comply with the requirements of the Nordic Ecolabel.

5. Production. Printing machines consume a lot of energy, which is why high tech and constant innovation ensure more efficient use of resources in the work processes. Printall buys 100% of electricity from renewable energy sources. Residual heat from machines is also used to heat buildings.

6. Waste. While in production about a fifth of paper is inevitably cutting edges, the company is looking for possibilities to save in other areas. 98% (2017: 97%) of all printing waste is recycled (including about 300 tonnes of paper waste a month). The afterburners of drying residue installed on printing machines help reduce air pollution, which is generally one of the main environmental impacts of the printing industry.

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 under 20% means that there is a deficit at some points of sale). It is fully recycled to produce new newsprint or cellulose wool.

In 2018, Printall installed counters for post-processing equipment. They collect statistics on the quantity of products entering and leaving the machines. This enables to identify the factors that determine the processing waste of every specific printing product and to configure the production equipment to use the materials more economically.

In 2018, Printall consumed 6.2 million kWh of electricity (2017: 6.0 million kWh). Gas consumption rose to 623 million cubic metres (2017: 590 million cbm). In 2018, Printall generated 3,871 tonnes of non-hazardous waste (mainly paper) and 48 tonnes of hazardous waste (2017: 44 tonnes). The increase in the total consumption of resources compared to the previous period is attributable to the decrease in circulation and to the increase in the technological complexity of products.

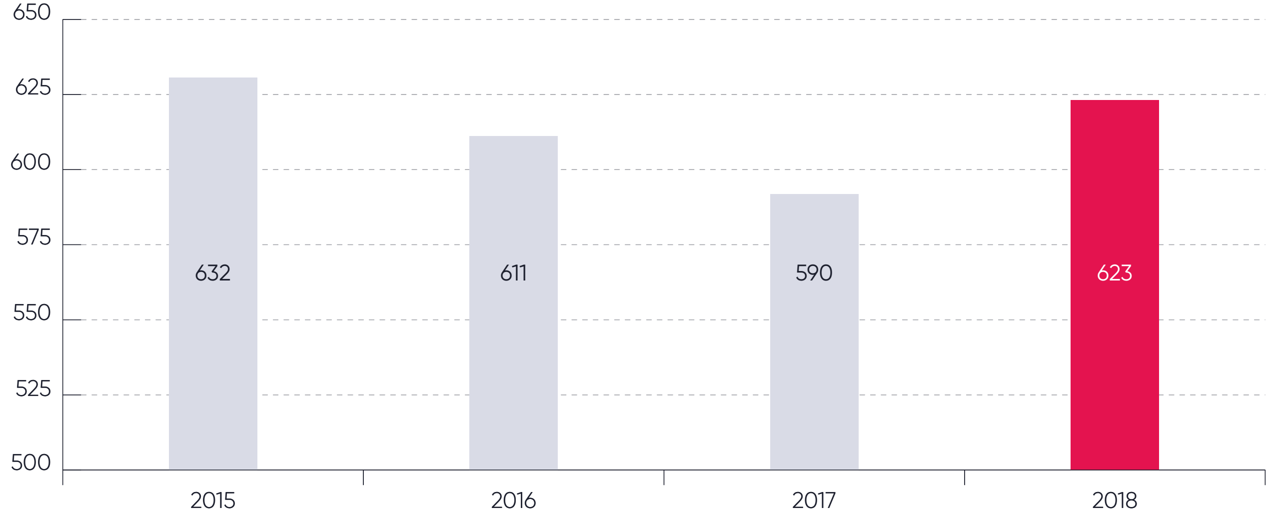


Table: Printall's gas consumption (in thousands of cubic meters)

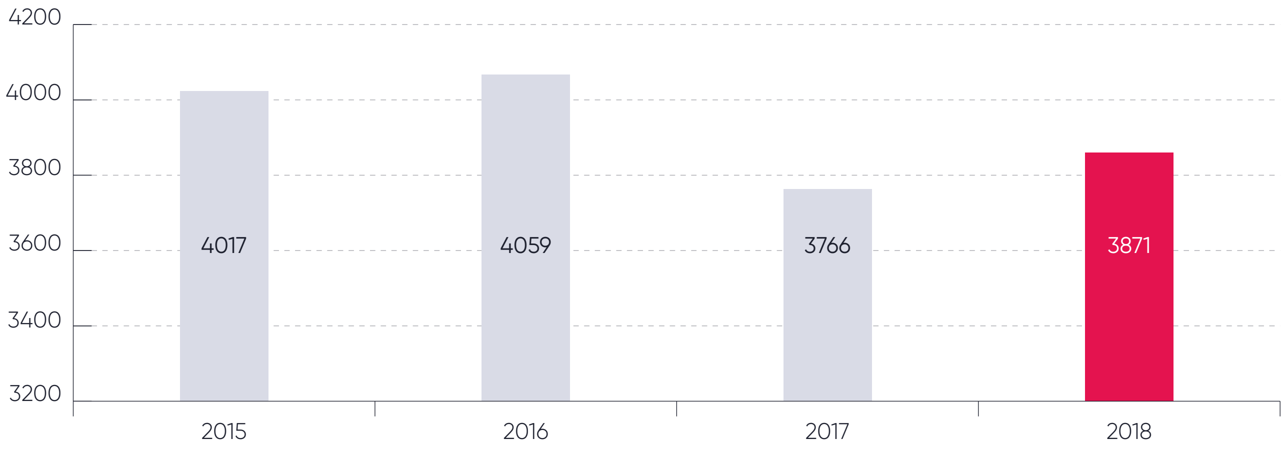


Table: Non-hazardous waste generated in Printall including paper (in thousands of tonnes)

In 2018, Printall launched automatic production planning. The new program is designed to plan the order of production of different publications according to the optimal balance between production costs and speed.

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2018, 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 31.12.2018 according to the Estonian Central Register of Securities

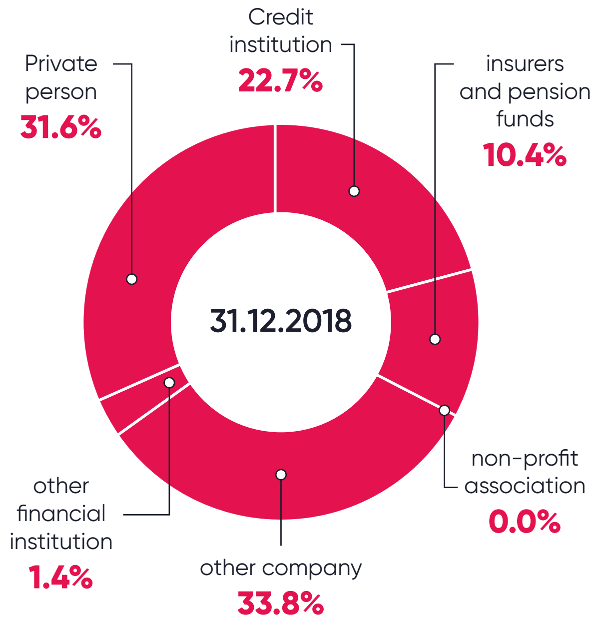
Name	Number of shares	%
Hans H. Luik	17 360 597	58.26%
Hans H. Luik	7 963 307	26.73%
Hans H. Luik, OÜ HHL Rühm	9 390 390	31.51%
Hans H. Luik, OÜ Minigert	6 900	0.02%
ING Luxembourg S.A.	4 002 052	13.43%
LHV Bank and funds managed by LHV Varahaldus	2 554 828	8.57%
SEB S.A. CLIENT ASSETS UCITS	1 273 394	4.27%
Other minority shareholders	4 588 443	15.40%
Treasury shares	17 527	0.06%
TOTAL	**29 796 841**	**100.0%**

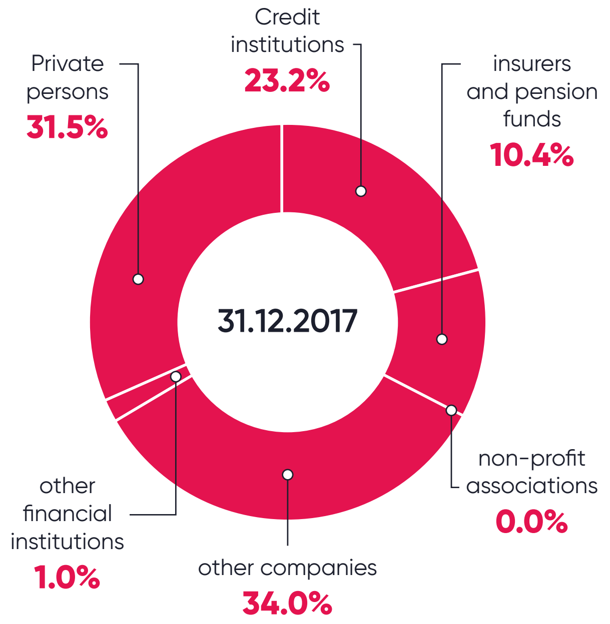
East Capital Asset Management AB has an ownership interest through the nominee account of SEB S.A. CLIENT ASSETS UCITS. KJK Fund SICAV-SIF has an ownership interest through the account of ING Luxembourg S.A.

As of 31.12.2018, the ownership interest of Hans H. Luik as the ultimate beneficiary of AS Ekspress Grupp is 54.48% (16 233 496 shares).

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

Category	31.12.2018 Number of shareholders	31.12.2018 Number of shares	31.12.2017 Number of shareholders	31.12.2017 Number of shares
Private persons	2 635	9 423 926	2 665	9 379 607
Other companies	197	10 070 708	203	10 120 578
Other financial institutions	47	428 677	47	308 066
Credit institutions	12	6 767 009	14	6 903 744
Insurance and retirement funds	8	3 106 102	7	3 084 427
Non-profit organisations	2	419	2	419
TOTAL	**2 901**	**29 796 841**	**2 938**	**29 796 841**





AS Ekspress Grupp share information and dividend policy

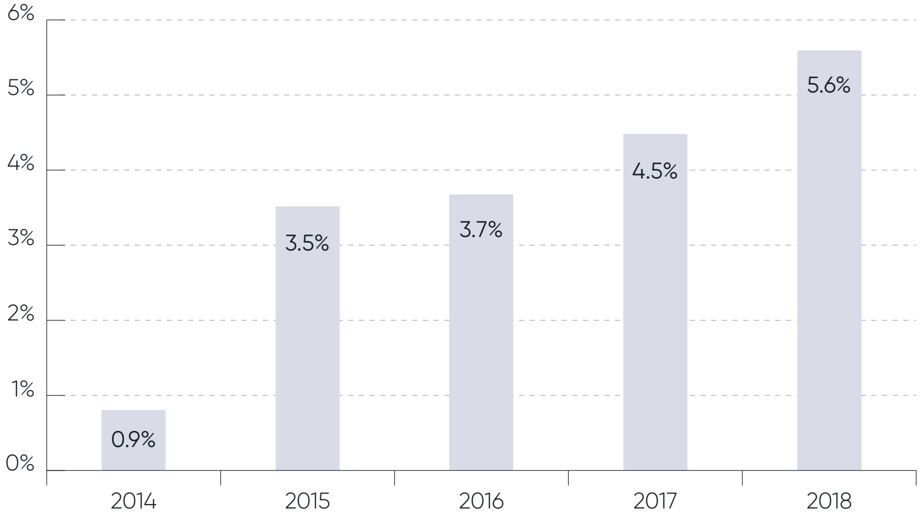
Share information

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

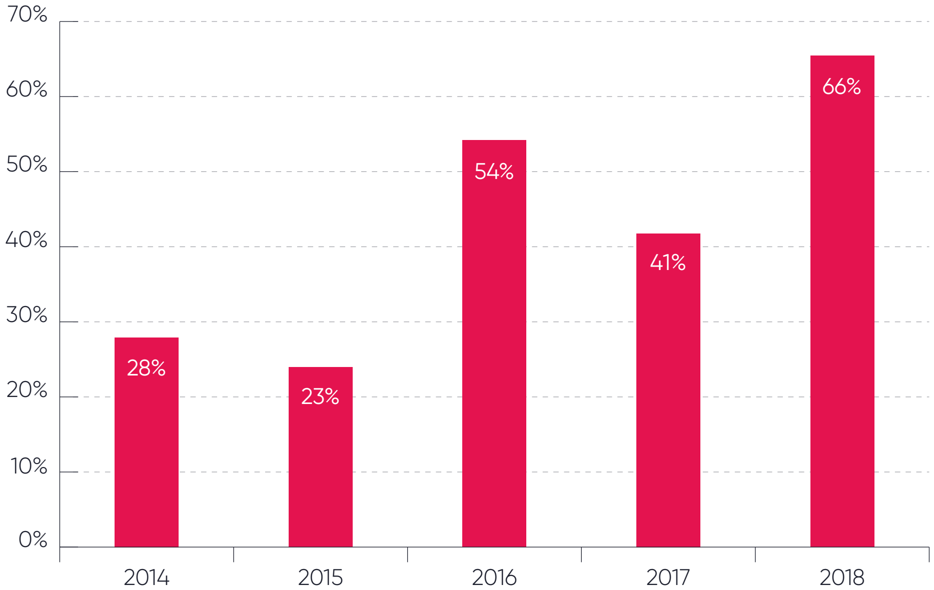
Payment of **dividends** is decided annually and it depends on the Group's results of operations, fulfilment of conditions laid down in the syndicated loan contract and potential investment needs.

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

Dividend Yield (%) 2014–2018



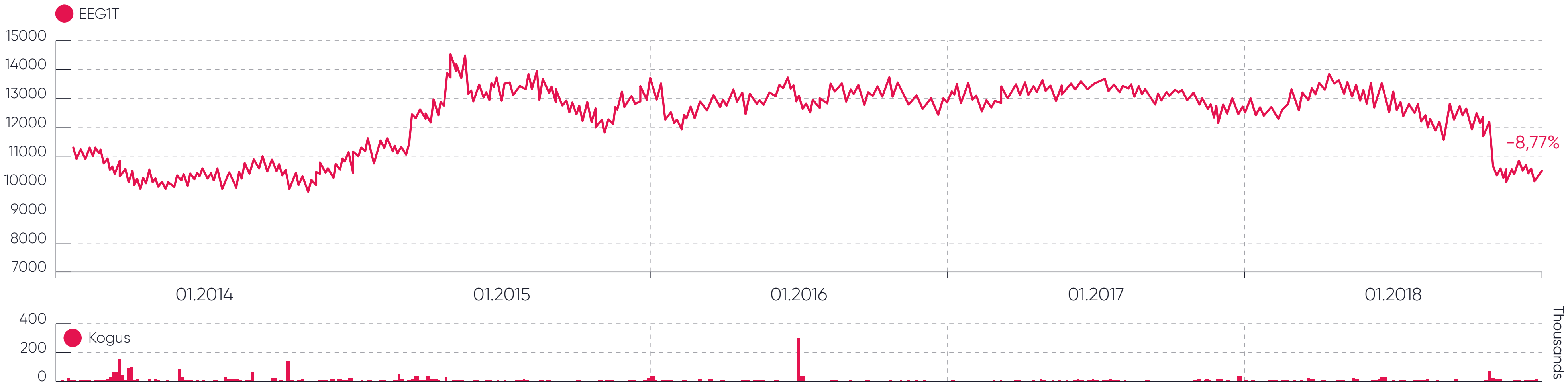
Dividend Pay-out-Ratio (%) 2014–2018



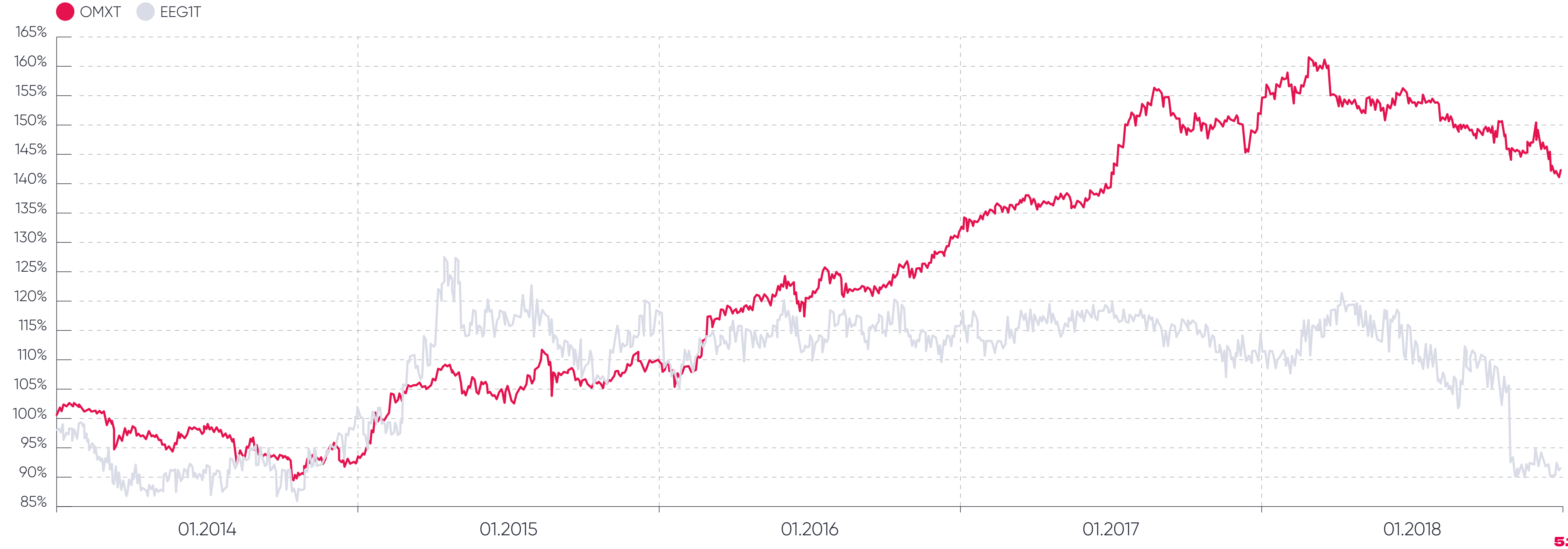
Securities trading history 2014–2018

Price (EUR)	2018	2017	2016	2015	2014
Opening price	1.26	1.32	1.35	1.15	1.12
Closing price	1.04	1.25	1.32	1.35	1.14
High	1.38	1.37	1.37	1.47	1.14
Low	0.99	1.21	1.18	1.07	0.79
Average	1.20	1.30	1.27	1.28	1.03
Traded shares, pieces	751 026	538 175	696 292	657 508	1 389 244
Sales, EUR million	0.90	0.70	0.88	0.84	1.43
Capitalisation at balance sheet date, EUR million	30.99	37.25	39.33	40.23	33.97
P/E ratio (price earnings ratio)	4 701.36	11.84	8.93	14.94	6.56

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on Nasdaq Tallinn Stock Exchange from 1 January 2014 until 31 December 2018.



The share price comparison (%) with Nasdaq Tallinn Stock Exchange index from 1 January 2014 – 31 December 2018.



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 and general rules of conduct as well as laws.

In its business activities, Ekspress Groups proceeds from legal 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 the equal treatment of its shareholders and investors. There is zero tolerance at the Group regarding conflict of interest, corruptive behaviour or dishonest competition.

Estonian media companies follow the code of ethics of the Estonian Newspaper Association and the Estonian Magazine Association; company-based ethics and behaviour codes are available at Delfi Latvia and Delfi Lithuania. In addition to ethical norms, Ekspress Group companies follow the local market's data protection, public information and other relevant laws in their media work. In unregulated situations, companies proceed from the public interest and integrity principle when making decisions. This is described in 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 taught the company's business philosophy, journalism ethics, source protection, sales and marketing issues, staff 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 targeted attention to making team cooperation, employee dialogue, information movement and assumption of personal responsibility more efficient.

At the Group level, regular information exchange 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 case of large-scale transactions, changes and decisions.

In 2018, 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 2018, 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").

For better implementation of the much debated EU General Data Protection Regulation entered into force in 2018, a large-scale audit was conducted throughout the Group's subsidiaries. It uncovered drawbacks in respect of new requirements and an action plan was put together for better implementation of the data protection system. A more detailed description of the Group's activities in ensuring data protection is provided in the financial statements' chapter "Customer experience and satisfaction".

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

GROUP'S LEGAL STRUCTURE

As of 31 December 2018, the Group consisted of 19 companies (31.12.2017: 23). A detailed list of group companies is disclosed in Note 1 to the financial statements.

Changes in the Group's legal structure

On 18 January 2018, Linna Ekraanid OÜ acquired a 100% ownership interest in LedScreen OÜ that is engaged in outdoor advertising sales in Tartu. The acquisition supports the Group's objective of developing digital outdoor advertising business in all three Baltic States and thereby enhancing the portfolio of its activities.

On 28 February 2018, a merger agreement was concluded to merge the subsidiary of Linna Ekraanid OÜ, i.e. LedScreen OÜ and the joint venture of AS Ekspress Grupp, i.e. Linna Ekraanid OÜ from 1 January 2018. 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 9 May 2018.

On 21 March 2018, the Competition Board approved the transaction where Ekspress Grupp and Suits Meedia restructured the activities of AS Ajakirjade Kirjastus. From 1 June 2018, the magazines previously owned by Ajakirjade Kirjastus, i.e. Eesti Naine, Anne and Stiil, Pere and Kodu, Oma Maitse, Tervis Pluss, Jana and Kroonika are published by Ekspress Meedia and the other magazines were moved to AS SL Õhtuleht. In the course of this transaction, this magazine business was sold to AS Ekspress Meedia on 31 May 2018, after which AS Ajakirjade Kirjastus merged with AS SL Õhtuleht on 1 June 2018 and it carries the name of AS Õhtuleht Kirjastus now. The ownership structure of the merged entity AS Õhtuleht Kirjastus did not change, Ekspress Grupp still owns 50% and Suits Meedia owns 50% of it. AS Ekspress Meedia paid EUR 1 million for the acquired magazine business (Note 12).

The restructuring was carried out to enhance the future outlook of the magazines. The main goal of the change is to create a better online outlet for the content of print periodicals of Ajakirjade Kirjastus, integrating them more tightly with the other strong web platforms of the owners.

On 8 October 2018 a merger agreement was concluded to merge the subsidiary of AS Ekspress Grupp OÜ, i.e. Zave Media with the subsidiary of AS Ekspress Grupp AS, i.e. Ekspress Meedia from 1 October 2018. The merger agreement was concluded for the purpose of simplifying the Group's management and legal structure. The entry into the Commercial Register was on 21 December 2018.

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 from which all transactions to be concluded by the companies being acquired shall be deemed as completed by the acquiring company was 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 this merger. The entry in the commercial registry is expected be made in the first half of the year.

GENERAL MEETING OF SHAREHOLDERS

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

The extraordinary general meeting of shareholders of AS Ekspress Grupp was held on 22 February 2018 at the seat of the company. All members of the Management Board participated in the meeting. At the general meeting:

- Member of the Supervisory Board Gunnar Kobin was recalled from the Supervisory Board of AS Ekspress Grupp
- Andre Veskimeister was elected as new member of the Supervisory Board.

The annual general meeting of shareholders of Ekspress Group was held on 6 June 2018 at the seat of the company. All members of the Management Board participated in the meeting. The annual general meeting:

- Approved Ekspress Group's consolidated annual report and profit distribution proposal for the year 2017. The net profit for 2017 in the amount of EUR 3 140 thousand was used to increase the statutory reserve capital by EUR 157 thousand, dividends of seven euro cents per share were paid to shareholders in the total amount of EUR 2 086 thousand and the remaining amount of EUR 897 thousand was transferred to retained earnings. The shareholders who had been included in the list of shareholders of AS Ekspress Grupp as of 20 June 2018 at 23:59 were entitled to receive dividends. The dividends were paid out on 3 July 2018.
- Member of the Supervisory Board Marek Kiisa was recalled from the Supervisory Board of AS Ekspress Grupp.

The extraordinary general meeting of shareholders of AS Ekspress Grupp was held on 22 November 2018 at the seat of the company. All members of the Management Board participated in the meeting. At the general meeting:

- Member of the Supervisory Board Andre Veskimeister was recalled from the Supervisory Board of AS Ekspress Grupp.
- Ahto Pärl was elected as new member of the Supervisory Board.

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

- Approved the merger agreement signed between AS Ekspress Grupp, OÜ Ekspress Finance and OÜ Ekspress Digital on December 19, 2018.

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. 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 6 June 2018, the Supervisory Board of Ekspress Group has six members instead of the former seven members.

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: -.

Hans H. Luik

(appointed until 20.05.2019)

- 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: 16 233 496 (54.48%)

Harri Helmer Roschier

(appointed until 20.05.2019)

independent Supervisory Board member

- Member of the Supervisory Board since 30.05.2007
- Chairman of the Board of (Directors) Avaus Marketing Innovations OY
- Chairman of the Board of (Directors) Rostek OY
- Member of the Board of (Directors) Futurice OY
- HRC Invest OY Chairman of the Management Board
- Completed graduate studies in economics
- Number of shares of AS Ekspress Grupp: -.

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Indrek Kasela

(appointed until 20.05.2019)

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: -.

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)

- 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: -.

Gunnar Kobin, a Chairman of the Supervisory Board from 01.01.2017 until 22.02.2018, was recalled from the Supervisory Board with the resolution of the General Meeting of Shareholders held at 22.02.2018. **Marek Kiisa**, an independent Supervisory Board member from 26.10.2016 until 06.06.2018, was recalled from the Supervisory Board with the resolution of the General Meeting of Shareholders held at 06.06.2018. **Andre Veskimeister**, a Chairman of the Supervisory Board and member of the Audit Committee from 22.02.2018 until 22.11.2018, was recalled from the Supervisory Board with the resolution of the General Meeting of Shareholders held at 22.11.2018.

MANAGEMENT BOARD

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board of Ekspress Group does not have any right to issue shares of the company. The 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 3 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: -.

Changes in the management of AS Ekspress Grupp

On 1 August 2018, Signe Kukin started her job as member of the Management Board and Chief Financial Officer of AS Ekspress Grupp. The employment agreement of current Chief Financial Officer Pirje Raidma expired on 31 July 2018.

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 2018 are shown below:

COMPANY*	SUPERVISORY BOARD	MANAGEMENT BOARD
Printall AS		
(28 086 854)	Hans Luik (Chairman), Kaspar Hanni, Signe Kukin, Mari-Liis Rüütsalu, Ahto Pärl	Andrus Takkin (Chairman), Evali Mülts, Tõnis Peebo
Ekspress Meedia AS		
(17 709 566)	Hans Luik (Chairman), Mari-Liis Rüütsalu, Kaspar Hanni, Signe Kukin	Argo Virkebau (Chairman) Urmo Soonvald, Tarvo Ulejev, Erle Laak-Sepp, Karin Vene
Delfi UAB		
(4 950 107)	Mari-Liis Rüütsalu (Chairman), Kaspar Hanni, Signe Kukin	Vytautas Benokraitis
Delfi Holding SIA		
(9 812 577)	-	Mari-Liis Rüütsalu (Chairman), Signe Kukin

* The amount of share capital of the key subsidiary that is held by the owners of the parent company as of 31 December 2018 is shown in parentheses.

Changes in the management of the Group's subsidiaries

The members of the Management Board of AS Ekspress Meedia are Argo Virkebau, Erle Laak-Sepp, Karin Vene, Tarvo Ulejev and Urmo Soonvald. In 2018, Karin Vene was elected as member of the Management Board (from 01.08.2018) and Andre Veskimeister was recalled from the Management Board (from 01.03.2018). The members of the Supervisory Board of AS Ekspress Meedia are Hans Luik, Mari-Liis Rüütsalu, Signe Kukin (from 01.08.2018) and Kaspar Hanni (from 01.02.2018). Gunnar Kobin (from 01.02.2018) and Pirje Raidma (from 01.08.2018) were recalled from the Supervisory Board.

The members of the Management Board of AS Printall are Andrus Takkin, Evali Mülts and Tõnis Peebo, no changes occurred in 2018. The members of the Supervisory Board of AS Printall are Hans Luik, Mari-Liis Rüütsalu, Ahto Pärl (from 15.11.2018), Signe Kukin (from 02.08.2018) and Kaspar Hanni (from 02.02.2018). Gunnar Kobin (from 02.02.2018), Pirje Raidma (from 01.08.2018) and Andre Veskimeister (from 15.11.2018) were recalled from the Supervisory Board.

Signe Kukin was elected as member of the Management Board of OÜ Ekspress Finance on 24.09.2018. Pirje Raidma was recalled from the Management Board on 27.09.2018.

Member of the Management Board of UAB Delfi is Vytautas Benokraitis. The members of the Supervisory Board of UAB Delfi are Mari-Liis Rüütsalu (from 12.06.2018), Kaspar Hanni (from 12.06.2018) and Signe Kukin (from 22.11.2018). Hans Luik (from 12.06.2018), Gunnar Kobin (from 12.06.2018) and Andre Veskimeister (from 22.11.2018) were recalled from the Supervisory Board.

Signe Kukin (from 13.09.2018) and Mari-Liis Rüütsalu (from 16.11.2018) were appointed as members of the Management Board of SIA Delfi Holding. Pirje Raidma (from 13.09.2018) and Andre Veskimeister (from 16.11.2018) were recalled from the Management Board.

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. Andre Veskimeister was a member of the Audit Committee from 22.02.2018 until 22.11.2018. Ahto Pärl is a member of the Audit Committee since 22.11.2018.

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 2018 audits (including all joint ventures) is EUR 68 thousand.

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 31.12.2018, the company's insider register had 55 persons with a permanent access (31.12.2017: 50 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 2018 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, OÜ Laulumaa, 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
Harri Helmer Roschier	HRC Invest Oy, Rostek Oy, Avaus Marketing Innovation Oy
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, OÜ Temnikova & Kasela Galerii, Saue 3K Capital OÜ, OÜ Ühinenud Inglid, UA Management Assets 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 2018 is disclosed in Note 31 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 Eesti Meedia, has the right to acquire the joint venture's 50% ownership interest at a fair value from Ekspress Group. Ekspress Group has the same right in case of a change in the shareholding of AS Eesti Meedia according to the existing agreement between current shareholders.

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 twelve 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 2018, 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 2018, 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 2019 are as follows:

DATE	EVENT
28 February 2019	Unaudited interim financial statements for the twelve months and fourth quarter of 2018
01 April 2019	Audited annual report for 2018
30 April 2019	Unaudited interim financial statements for the three months and first quarter of 2019
31 July 2019	Unaudited interim financial statements for the six months and second quarter of 2019
31 October 2019	Unaudited interim financial statements for the nine months and third quarter of 2019

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2018	31.12.2017	Notes
ASSETS			
Current assets			
Cash and cash equivalents	1 268	1 073	5
Trade and other receivables	9 154	9 917	6
Corporate income tax prepayment	27	4	
Inventories	3 382	2 832	10
Total current assets	**13 831**	**13 827**	
Non-current assets			
Other receivables and investments	1 588	1 750	11
Deferred tax asset	44	47	
Investments in joint ventures	2 345	2 372	13
Investments in associates	319	354	14
Property, plant and equipment	11 921	12 189	15
Intangible assets	46 691	45 419	16
Total non-current assets	**62 907**	**62 130**	
TOTAL ASSETS	**76 738**	**75 957**	
LIABILITIES			
Current liabilities			
Borrowings	1 356	166	18
Trade and other payables	10 801	8 095	17
Corporate income tax payable	29	111	
Total current liabilities	**12 186**	**8 372**	
Non-current liabilities			
Long-term borrowings	14 118	15 091	18
Total non-current liabilities	**14 118**	**15 091**	
TOTAL LIABILITIES	**26 304**	**23 463**	
EQUITY			
Minority interest	87	68	
Capital and reserves attributable to equity holders of parent company:			
Share capital	17 878	17 878	29
Share premium	14 277	14 277	29
Treasury shares	(22)	(22)	
Reserves	1 688	1 531	29
Retained earnings	16 526	18 762	
Total capital and reserves attributable to equity holders of parent company	**50 347**	**52 426**	
TOTAL EQUITY	**50 434**	**52 494**	
TOTAL LIABILITIES AND EQUITY	**76 738**	**75 957**	

The Notes presented on pages 64-112 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

(EUR thousand)	2018	2017	Notes
Sales revenue	60 489	54 070	22
Cost of sales	(48 874)	(42 869)	23
Gross profit	**11 615**	**11 201**	
Other income	394	1 383	27
Marketing expenses	(3 108)	(2 898)	24
Administrative expenses	(7 609)	(5 921)	25
Other expenses	(82)	(97)	
Operating profit	**1 211**	**3 669**	
Interest income	143	173	
Interest expenses	(443)	(400)	
Other finance income/ (costs)	(103)	118	
Net finance cost	**(403)**	**(109)**	
Profit (loss) on shares of joint ventures	(273)	(2)	13
Profit (loss) on shares of associates	(234)	(68)	14
Profit before income tax	**302**	**3 490**	
Income tax expense	(276)	(344)	8
Net profit for the reporting period	**25**	**3 146**	
Net profit for the reporting period attributable to			
Equity holders of the parent company	6	3 140	
Minority shareholders	19	6	
Total comprehensive income	**25**	**3 146**	
Comprehensive income for the reporting period attributable to			
Equity holders of the parent company	6	3 140	
Minority shareholders	19	6	
Basic and diluted earnings per share	0.00	0.11	29

The Notes presented on pages 64-112 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(EUR thousand)	Attributable to equity holders of parent company							
	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total	Minority nterest	**Total equity**
Balance on 31.12.2016	**17 878**	**14 277**	**(863)**	**2 058**	**17 723**	**51 073**	**0**	**51 073**
Increase of statutory reserve capital	0	0	0	220	(220)	0	0	**0**
Share option	0	0	841	(747)	(94)	0	0	**0**
Dividends paid	0	0	0	0	(1 787)	(1 787)	0	**(1 787)**
Other changes	0	0	0	0	0	0	62	**62**
Total transactions with owners	0	0	841	(527)	(2 101)	(1 787)	62	**(1 725)**
Net profit for the reporting period	0	0	0	0	3 140	3 140	6	**3 146**
Total comprehensive income for the reporting period	0	0	0	0	3 140	3 140	6	**3 146**
Balance on 31.12.2017	**17 878**	**14 277**	**(22)**	**1 531**	**18 762**	**52 426**	**68**	**52 494**
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 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**

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

The Notes presented on pages 64 to 112 form an integral part of the consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousand)	2018	2017	Notes
Cash flows from operating activities			
Operating profit for the reporting year	1 211	3 669	
Adjustments for:			
Depreciation, amortisation and impairment	3 052	2 787	15,16
Gain from selling business assets	0	(194)	
(Gain)/loss on sale and write-down of property, plant and equipment	(5)	(11)	
Cash flows from operating activities:			
Trade and other receivables	(397)	(105)	
Inventories	(550)	(62)	
Trade and other payables	2 449	(497)	
Cash generated from operations	**5 760**	**5 587**	
Income tax paid	(379)	(371)	
Interest paid	(462)	(448)	
Net cash generated from operating activities	**4 920**	**4 769**	
Cash flows from investing activities			
Acquisition of subsidiaries (less cash acquired)	0	(546)	
Acquisition of associate	0	(74)	
Purchase and receipts of other investments	(995)	(785)	
Proceeds from sale of business assets	0	130	
Interest received	127	169	
Purchase of property, plant and equipment and intangible assets	(3 082)	(2 023)	15,16
Proceeds from sale of property, plant and equipment and intangible assets	29	12	15,16
Loans granted	(700)	(2 227)	
Loan repayments received	1 763	1 054	
Net cash used in investing activities	**(2 858)**	**(4 290)**	
Cash flows from financing activities			
Dividends paid	(2 085)	(1 787)	
Dividends received	0	56	
Finance lease payments made	(74)	(71)	19
Change in overdraft	1 191	92	18
Loans received	1 000	0	
Repayments of bank loans	(1 900)	(552)	18
Net cash used in financing activities	**(1 868)**	**(2 261)**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**194**	**(1 782)**	
Cash and cash equivalents at the beginning of the year	1 073	2 856	5
Cash and cash equivalents at the end of the year	1 268	1 073	5

The Notes presented on pages 64 to 112 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 28 March 2019.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2018 reflect the results of the following group companies.

Company name	Status	Ownership interest 31.12.2018	Ownership interest 31.12.2017	Main field of activity	Domicile
Operating segment: corporate functions					
Ekspress Grupp AS	Parent company			Holding company and support services	Estonia
Ekspress Digital OÜ	Subsidiary	-	100%	Provision of IT services. From 1 October 2018 merged with Ekspress Grupp AS.	Estonia
Ekspress Finance OÜ	Subsidiary	-	100%	Provision of financing for the Group. From 1 2018 October merged with Ekspress Grupp AS.	Estonia
Operating segment: media (online and print media)					
Ekspress Meedia AS (former Delfi AS)	Subsidiary	100%	100%	Online media, publishing of daily and weekly newspapers. From 1 June, also publishing of magazines.	Estonia
Delfi A/S	Subsidiary	100%	100%	Online media	Latvia
ACM LV SIA	Subsidiary	100%	100%	Sale of outdoor advertising (acquired in July 2017)	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media (magazine business was sold in December 2017)	Lithuania
Sport Media UAB	Subsidiary	51%	51%	Currently dormant	Lithuania
Delfi Holding SIA	Subsidiary	100%	100%	Holding company (previously parent company to Delfi companies in different countries)	Latvia
Hea Lugu OÜ	Subsidiary	83%	83%	Book publishing (merged with the book-publishing department of Ajakirjade Kirjastus in 2017)	Estonia
Adnet Media UAB	Subsidiary	100%	100%	Online advertising solutions and network	Lithuania
Adnet Media OÜ	Subsidiary	100%	100%	Online advertising solutions and network	Estonia
Adnet Media SIA	Subsidiary	100%	100%	Online advertising solutions and network	Latvia
Videotinklas UAB	Associate	45%	-	Content creation production studio	Lithuania
Zave Media OÜ	Subsidiary	-	100%	Operations moved to Delfi local companies. From 1 October 2018 merged with AS Ekspress Meedia	Estonia
Ajakirjade Kirjastus AS	Joint venture	-	50%	Magazine publishing. Reorganised on 1June 2018 and merged with Õhtuleht Kirjastus AS	Estonia
Õhtuleht Kirjastus AS (former SL Õhtuleht AS)	Joint venture	50%	50%	Newspaper publishing. From 1 June 2018 also publishing of magazines as an outcome of the merger with Ajakirjade Kirjastus AS.	Estonia
Express Post AS	Joint venture	50%	50%	Home delivery of periodicals	Estonia
Linna Ekraanid OÜ	Joint venture	50%	50%	Sale of digital outdoor advertising	Estonia
Babahh Media OÜ	Associate	49%	49%	Sale of video production, media and infrastructure solutions	Estonia
Kinnisvarakeskkond OÜ	Associate	49%	49%	Development of a real estate portal (established in August 2017)	Estonia
Operating segment: printing services					
Printall AS	Subsidiary	100%	100%	Printing services	Estonia
Operating segment: entertainment					
Delfi Entertainment SIA	Subsidiary	100%	100%	Currently dormant	Latvia

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

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

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

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

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

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

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Apart from providing more extensive disclosures on the Group's revenue transactions, the application of IFRS 15 had no impact on the Group's balance sheet as at 1 January 2018 and as at 31 December 2018 and its statement of comprehensive income and statement of cash flows for the year ended 31 December 2018.

IFRS 9 Financial Instruments (2014) - effective for annual periods beginning on or after 1 January 2018.

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

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

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and avaliable for sale.

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

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

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new impairment model applies to financial assets measured at amotised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

As at 1 January 2018, management reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9. According to valuation, management came to the conclusion that the expected impairment loss as at 1 January 2018 is not substantially different from the loss recognized under IAS 39 as at 31 December 2017.

The following tables provide information about the original measurement categories under IAS 39 and the new measurement categories under IFRS 9. Adopting IFRS 9 at 1 January 2018 had no effect on the carrying amounts of financial assets and financial liability neither from reclassification or remeasurement.

Financial asset (EUR thousand)	Classification and measurement of financial asset	Classification under IAS 39	Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade and other receivables	The business model is to hold assets to earn future contractual cash flows from them. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.	Loans and receivables	Amortised cost	8 074	8 074
Loans granted	The business model is to hold instruments until the end of their life (i.e. to collect principal payments and interest) and not to sell them. Loans granted that were classified as loans and receivables under IAS 39 are now classified at amortised cost.	Loans and receivables	Amortised cost	2 093	2 093
Cash and cash equivalents		Loans and receivables	Amortised cost	1 073	1 073
Financial investments	The business model is to hold assets to earn future contractual cash flows from them. Under IAS 39, these financial investments were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets are now classified as mandatorily measured at FVTPL under IFRS 9.	Designated as at FVTPL	Mandatorily at FVTPL	873	873
Total financial assets				**12 113**	**12 113**

Classification under IFRS 9 did not have any impact on the measurement of financial assets and financial liabilities compared to IAS 39.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described as follows. The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. If there had been significant differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, it would have been recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

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

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

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

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

Financial liabilities (EUR thousand)	Classification under IAS 39	Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Bank overdrafts	Amortised cost	Amortised cost	92	92
Secured bank loans	Amortised cost	Amortised cost	14 894	14 894
Finance lease liabilities	Amortised cost	Amortised cost	271	271
Trade and other payables	Amortised cost	Amortised cost	2 273	2 273
Total financial liabilities			**17 530**	**17 530**

IFRIC 22 Foreign Currency Transactions and Advance Consideration – effective for annual periods beginning on or after 1 January 2018.

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

The application of the interpretation does not have a material impact on the financial statements.

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

None of these changes do not have a material impact on the 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 2018 and have not been applied in preparing these consolidated financial statements.

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

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

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

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

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

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

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

The Group will recognise new assets and liabilities for its operating leases of office facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected from the Group's finance leases as recognised under IAS 17 as at 31 December 2018.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of EUR 3 302 thousand and right-of-use assets of EUR 3 084 thousand as at 1 January 2019. The change does not affect the specific terms of the existing loan agreements.

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

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

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

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

IFRIC 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 Group does not expect that the interpretation, when initially applied, will 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. This pronouncement is not yet endorsed by European Commission.

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

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
- clarify that the entity should always account for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and

- clarify that in computing the capitalisation rate for funds borrowed generally, an entity should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs related to specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing costs of the entity.

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

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

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.

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. Early adoption is permitted. This pronouncement is not yet endorsed by the EU.

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).

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.

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 – Policy applicable from 1 January 2018

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 assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

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.

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into following categories:

- loans and receivables;
- at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

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.

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.

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 – Policy applicable from 1 January 2018

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.

Impairment of financial assets - Policy applicable before 1 January 2018

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

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.

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

Finance and operating lease

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

The Group as a lessee

Finance lease payments are recognised in the balance sheet as an asset and liability at the lower of the fair value of the leased asset and the present value of minimum lease payments. Rental payments are divided into finance costs (interest expense) and a reduction of the outstanding balance of the liability. Finance costs are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded in the 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 (applicable from 01.01.2018)	Revenue recognition under IAS 18 (applicable before 01.01.2018)
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.	Upon the sale and intermediation of media and advertising services, revenue was recognised at the time the advertisement appears in media. Revenue to be received from periodic advertisement packages was allocated in proportion to their duration. For barter transactions, advertising revenue was recognised at the time the advertisement appears in media and according to the terms laid down in the agreement either goods or services were received from the other party which are recognised as an expense at the time the goods or services are received. Revenue from the provision of services was recognised at the fair value of the consideration received or receivable, taking into account any discounts and rebates (e.g. agency commissions).
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.	Revenue from the sale of goods was recognised when the goods have been delivered to the customer, the customer has accepted the goods and the collection of the receivable from the sale is probable. The returns of goods were recognised as a reduction of revenue at the time of revenue recognition. The sale of published books was 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.	Customer payments for subscribed books, newspapers and magazines were allocated to the subscription period and recognised in revenue in accordance with the publishing of the periodical. Payments received for future subscriptions were recognised as deferred income. For packages of subscriptions, the price of the package was 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.	Sales revenue was recognised at the fair value of the consideration received or receivable, taking into account all discounts and rebates, when all significant risks related to ownership have been passed from the seller to the buyer, the revenue and cost related to the transaction can be estimated reliably and the consideration to be received from the transaction was probable. Revenue from the sale of a service was recognised after the provision of the service. The period of provision of a service was short at the company; therefore, the company did not use the stage of completion method for provision of services.

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.

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

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

The carrying amounts of deferred tax assets and liabilities were reversed and changes were charged to profit or loss in 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, 28).

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 and Babahh Media. Along with impairment tests for goodwill the value of other assets will also be assessed because the recoverable amounts of cash-generating units should cover goodwill as well as other assets related to cash-generating units like trademarks, intangible and tangible assets, net current assets. For finding the recoverable amount of the assets of all cash-generating units, the future expected cash flows have been discounted using the weighted average cost of capital (WACC). A more detailed overview of impairment tests is disclosed in Note 16.

As of 31.12.2018 and 31.12.2017, 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.

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 30 years. The useful lives of print media trademarks are generally estimated to be between 5-10 years.

Carrying amount of trademarks as of 31.12.2018 is EUR 6 761 thousand (31.12.2017: EUR 6 259 thousand). If useful lives of online trademarks increased or decreased by 10%, the annual amortisation charge would increase or decrease, respectively, by EUR 27/33 thousand.

Valuation of useful lives of property, plant and equipment

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

If the useful lives increased/decreased by 10%, the annual depreciation charge would increase/decrease by EUR 21/26 thousand, EUR 143/175 thousand and EUR 44/53 thousand of ‘Buildings’, ‘Machinery and equipment’ and ‘Other equipment’, respectively. The total increase/decrease in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 208/254 thousand.

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.

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 31.12.2018, EUR 342 thousand and as of 31.12.2017, EUR 352 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 31.12.2018, EUR 2 687 thousand and as of 31.12.2017, EUR 2 161 thousand) their potential use in producing finished goods and generating income is considered. Upon valuation of work in progress (carrying amount as of 31.12.2018, EUR 347 thousand and as of 31.12.2017, EUR 292 thousand) their stage of completion that can reliably be measured is considered.

Note 4. Financial risk management

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

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

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

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

Credit risk

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

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

Bank	Moody`s	Standard & Poor`s	31.12.2018	31.12.2017
SEB	Aa2	A+	360	339
Swedbank	Aa2	AA-	884	519
Luminor/LHV	Aa2/-	AA-/-	9	201
Total			**1 253**	**1 059**

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

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

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

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

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

31.12.2018 (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**

31.12.2017 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables (Note 6)	5 422	1 398	823	96	7 739
Other short-term receivables (Note 6)	1 553	0	0	0	1 553
Other long-term receivables (Note 11)	875	0	0	0	875
TOTAL	**7 850**	**1 398**	**823**	**96**	**10 167**

In 2018, the Group has written down doubtful receivables in the amount of EUR 279 thousand (31.12.2017: EUR 363 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 31.12.2018 the credit risk has not increased significantly. Since a significant part of other receivables is due from the joint ventures, the management estimates that the receivables do not contain substantial credit risk, as the financial health is regularly monitored and the management of Parent Company has substantial influence over the joint ventures.

Liquidity risk

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

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

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

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

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

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

31.12.2017 (EUR thousand)	Undiscounted				
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	Carrying amount
Bank loans (Note 18)	28	52	337	15 463	**14 986**
Finance lease payments (Note 18,19)	6	13	59	202	**271**
Trade payables (Note 17)	2 151	0	2	0	**2 153**
Other payables	867	0	0	0	**867**
TOTAL	**3 052**	**65**	**398**	**15 665**	**18 277**

More information about loan payments is disclosed in Note 18 and 32.
Other payables include payables to joint ventures, accrued interest and other accrued liabilities, see Note 17

Interest rate risk

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

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

Type of interest	Interest rate	31.12.2018 (EUR thousand)	<= 1 year	>1 year and <=5 years	Carrying amount
Fixed and floating interest rate	0%+2.15%	Syndicated loan (Parent Company)	0	8 392	8 392
	0%+2.15%	Syndicated loan (Printall)	0	5 602	5 602
	1-month Euribor + 2.3%	Finance lease (Printall)	73	124	197
	1-month Euribor + 1.9%	Overdraft	1 284	0	1 284

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

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 2018, such foreign exchange risk was on a level of ca 1% of Group's revenue (in 2017: ca 2%). 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 31.12.2018, the Group's foreign currency risk related to NOK was EUR 67 thousand and to other currencies (SEK, GBP, USD), EUR 34 thousand. As of 31.12.2017, the Group foreign currency risk related to SEK was EUR 55 thousand and to other currencies (NOK, USD), EUR 103 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)	31.12.2018	31.12.2017
Interest-bearing debt	15 474	15 257
Cash and bank accounts	1 268	1 073
Net debt	14 207	14 184
Equity	50 434	52 494
Total capital	64 641	66 678
Debt to capital ratio	**22%**	**21%**
Total assets	76 738	75 957
Equity ratio	**66%**	**69%**

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17,18,19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2018 and 31 December 2017. The Group's interest bearing liabilities were refinanced in 2017 and Euribor was fixed to zero which reflects the adequate situation of current market interest rates. Also, the Group's risk margins correspond to market conditions. Based on that, the management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments. Trade receivables and trade payables are recognised at amortised cost, due to which the management estimates that their carrying amount approximates their fair value.

The fair value of other investments through profit or loss was 860 thousand euros as at 31.12.2018 (31.12.2017 873 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.

Note 5. Cash and bank

(EUR thousand)	31.12.2018	31.12.2017
Cash in hand	15	14
Cash at bank	1 253	1 023
Cash and cash equivalents	**1 268**	**1 037**
Term deposit	0	36
Total cash and bank	**1 268**	**1 073**

Note 6. Trade and other receivables

(EUR thousand)	31.12.2018	31.12.2017
Trade receivables (Note 7)	8 153	7 739
Other tax receivables	115	107
Other receivables (Note 9)	430	1 553
Prepayments	455	519
Total trade and other receivables	**9 154**	**9 917**

Note 7. Trade receivables

(EUR thousand)	31.12.2018	31.12.2017
Trade receivables	8 343	8 148
Allowance for doubtful receivables	(190)	(410)
Total trade receivables (Note 6)	**8 153**	**7 739**

(EUR thousand)	2018	2017
Allowance for doubtful receivables at the beginning of the period	(410)	(350)
Proceeds from doubtful receivables during the period	210	207
Allowance for doubtful receivables recognised during the period	(279)	(363)
Receivables written off from balance sheet during the period	289	97
Allowance for doubtful receivables at the end of the period	**(190)**	**(410)**

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)	2018	2017
Corporate income tax expense	276	376
Deferred income tax expense	0	(33)
Total income tax expense	**276**	**344**

Corporate income tax

(EUR thousand)	2018	2017
Latvia		
Profit (loss) before tax	-	518
Tax rate	-	15%
Estimated income tax	-	(78)
Impact of not taxable income/expenses not deductible for tax purposes	-	8
Current income tax expense	**(10)**	**(103)**
Deferred income tax gains (losses)	**-**	**33**
Lithuania		
Profit (loss) before tax	1 702	2 030
Tax rate	15%	15%
Estimated income tax	(255)	(305)
Impact of income not taxable/expenses not deductible for tax purposes	(11)	32
Current income tax expense	**(266)**	**(273)**
Deferred income tax gains (losses)	**0**	**0**

Note 9. Other short-term receivables

(EUR thousand)	31.12.2018	31.12.2017
Receivables from associates (Note 31)	**21**	**186**
Trade receivables	8	53
Loans granted	13	133
Receivables from joint ventures (Note 31)	**251**	**297**
Trade receivables	142	203
Loans granted	100	80
Other receivables	9	13
Receivables from related parties (Note 31)	**2**	**1**
Other receivables	2	1
Other short-term receivables	**156**	**1 069**
Loans granted	2	1 005
Other receivables	155	64
Total other short-term receivables (Note 6)	**430**	**1 553**

Note 10. Inventories

(EUR thousand)	31.12.2018	31.12.2017
Raw materials	2 687	2 161
Work in progress	347	292
Finished goods	342	352
Goods for resale	6	27
Total inventories	**3 382**	**2 832**

(EUR thousand)	2018	2017
Impairment of finished goods	74	62
Allowance for impairment recognised in profit or loss	**74**	**62**

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)	31.12.2018	31.12.2017
Receivables from associates and joint ventures (Note 31)	728	875
Prepayments	0	3
Other investments - mandatorily as fair value through profit or loss	860	873
Total long-term receivables	**1 588**	**1 751**

Note 12. Business combinations and business combinations involving entities under commmon control

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 from which all transactions to be concluded by the companies being acquired shall be deemed as completed by the acquiring company was 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 this merger. The entry in the commercial registry is expected be made in the first half of the year.

On 8 October 2018, the merger agreement was signed whereby AS Ekspress Grupp's subsidiary OÜ Zave Media will be merged with AS Ekspress Grupp's subsidiary AS Ekspress Meedia from 1 October 2018. The merger agreement was concluded for the purpose of simplifying the Group's management and legal structure. The mergers of subsidiaries with AS Ekspress Grupp in 2018 had no impact on the consolidated financial statements.

On 21 March 2018, the Estonian Competition Authority approved the transaction for reorganisation of AS Ajakirjade Kirjastus by Ekspress Grupp and Suits Meedia. From 1 June 2018, the magazines Eesti Naine, Anne and Stiil, Pere and Kodu, Oma Maitse, Tervis Pluss, Jana and Kroonika owned by AS Ajakirjade Kirjastus are published by Ekspress Meedia and the other magazines were moved to AS SL Õhtuleht. In the course of this transaction, the magazine business was sold to AS Ekspress Meedia on 31 May 2018, after which AS Ajakirjade Kirjastus merged with AS SL Õhtuleht on 1 June with a new business name AS Õhtuleht Kirjastus. The ownership structure of the merged entity AS Õhtuleht Kirjastus did not change. Ekspress Grupp still owns 50% and Suits Meedia owns 50% of the company. AS Ekspress Meedia paid EUR 1 million for the acquired magazines, which is fair value as of the acquisition date. Upon acquisition the fair value of trademarks were recognised in the amount of EUR 795 thousand and customer relationships were recognised in the amount of EUR 200 thousand by the management. The estimated useful life of trademarks is 10 years and customer relationships is 2 years.

Reorganisations will be carried out to enhance the future outlook of the magazines. The main goal of the change is to create a better online output for the content of printed magazines of Ajakirjade Kirjastus, integrating these more tightly with other strong digital publishing platforms of the owners.

On November 16, 2017, AS Ekspress Grupp acquired 51% of the shares in UAB Adnet Media after obtaining a permission from the Lithuanian Competition Authority. As a result, AS Ekspress Grupp now owns 100% of the company's shares. AS Ekspress Grupp owned 49% of the company's shares since autumn 2014. UAB Adnet Media is engaged in the sale of internet advertising in Estonia, Latvia and Lithuania. The acquisition price was EUR 415 thousand. In accounting, the transaction was recognised in two parts: the sale of a 49% stake acquired previously and the acquisition of 100% of the company and control thereof. In the case of the sale transaction, profit In the amount of EUR 190 thousand is included in financial income.

On 17 July 2017 A/S Delfi (Latvia) acquired a 100% stake in ACM LV SIA, which is engaged in sales of digital outdoor advertising in Latvia. The acquisition price was EUR 390 thousand. The purchase supports the Group's goal to develop digital outdoor advertising in all three Baltic countries and thereby increase its portfolio of activities.

The following table provides an overview of acquired identifiable assets and liabilities at the time of acquisition. The purchase analysis is based on liabilities and assets related to magazines acquired from AS Ajakirjade Kirjastus as of 31.05.218, the balance sheet of Adnet Media UAB as of 30.11.2017 and ACM LV SIA as of 31.07.2017.

(EUR thousand)	Adnet Meedia UAB (100%)		ACM LV SIA (100%)		Magazines of AS Ajakirjade Kirjastus	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Net assets	103	103	85	85	5	5
Intangible assets	0	0	0	0	0	0
Total identifiable assets	**103**	**103**	**85**	**85**	**5**	**5**
Goodwill	**712**		**305**		**0**	
Trademarks	**0**		**0**		**795**	
Customer relationships	**0**		**0**		**200**	
Cost of ownership interest	815		390		1 000	
Paid for ownership interest in cash	415		390		1 000	
Cash and cash equivalent in acquired company	248		12		529	
Cash effect on Group	**(167)**		**(378)**		**(471)**	

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

If the magazines of AS Ajakirjade Kirjastus had been acquired as at 1 January 2018 then the revenues of the Group would have been 1.9 million euros bigger and net profit by -0.1 million euros less.

Note 13. Joint ventures

Company name	Ownership interest %		Co-owner
	31.12.2018	31.12.2017	31.12.2018
AS Õhtuleht Kirjastus	50%	50%	OÜ Suits Meedia
AS Express Post	50%	50%	AS Eesti Meedia
Linna Ekraanid OÜ	50%	50%	Private individuals
AS Ajakirjade Kirjastus	-	50%	-

AS Ekspress Grupp has a liability to purchase remaining 50% of the shares in Linna Ekraanid in the first half of 2019. The acquisition price of the remaining 50% of the ownership interest is tied to the company's actual target results which will become known at the beginning of 2019.

The main activity of joint ventures is described in Note 1.
In June 2018 AS Ajakirjade Kirjatus was reorganised and merged with AS Õhtuleht Kirjastus (see Note 12).

(EUR thousand)	AS Ajakirjade Kirjastus	AS Õhtuleht Kirjastus	AS Express Post	Linna Ekraanid OÜ	**Total**
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)**
31.12.2017					
Net assets of the joint venture	1 070	1 726	297	249	**3 342**
Proportion of ownership in the joint venture	50%	50%	50%	50%	
Goodwill	0	0	0	672	**672**
Other adjustments	(62)	0	0	91	**29**
Carrying amount of interest in the joint venture	**474**	**863**	**149**	**887**	**2 372**
Profit / (loss) on shares of joint ventures	(142)	258	(134)	17	**(1)**

Financial information of joint ventures

(EUR thousand)	AS Ajakirjade Kirjastus	AS Õhtuleht Kirjastus	AS Express Post	Linna Ekraanid OÜ	Total
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**
31.12.2017					
Current assets	2 516	2 207	1 473	143	**6 339**
Non-current assets	1 952	2 773	65	362	**5 151**
Total assets	**4 467**	**4 979**	**1 538**	**505**	**11 491**
Current liabilities	2 133	2 397	1 241	190	**5 961**
Non-current liabilities	1 264	856	0	67	**2 187**
Total liabilities	**3 397**	**3 253**	**1 241**	**257**	**8 148**
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	*888*	*1 666*	*872*	*63*	**3 489**
Current financial liabilities (excluding trade and other payables and provisions)	*240*	*372*	*0*	*20*	**632**
Non-current financial liabilities (excluding trade and other payables and provisions)	*260*	*110*	*0*	*67*	**437**

(EUR thousand)	AS Ajakirjade Kirjastus	AS Õhtuleht Kirjastus	AS Express Post	Linna Ekraanid OÜ	**Total**
2018					
Revenue	3 709	11 723	4 420	1 009	**20 860**
Depreciation and amortisation	(133)	(472)	(39)	(110)	**(754)**
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)**
2017					
Revenue	9 125	9 154	4 739	770	**23 788**
Depreciation and amortisation	(354)	(315)	(34)	(40)	**(744)**
Interest expense	(40)	(36)	0	(1)	**(78)**
Profit / (loss) before income tax	**(236)**	**516**	**(268)**	**91**	**103**
Income tax expense	0	0	0	0	**0**
Profit / (loss) for the reporting period	**(236)**	**516**	**(268)**	**91**	**103**
Other comprehensive income	0	0	0	0	**0**
Total comprehensive income	**(236)**	**516**	**(268)**	**91**	**103**

Note 14. Associates

(EUR thousand)	31.12.2018	31.12.2017
Acquisition of associates	1	74
Disposal of associate interest	0	(210)
Dividend paid	0	56
Impairment loss recognised for the receivables of associates (Note 31)	(198)	(23)
Shares of associates in the balance sheet	319	353
Share of loss in associates recognised in statement of comprehensive income		
Profit (loss) under the equity method	(234)	(68)
Total profit (loss) of associates	**(234)**	**(68)**

	Ownership interest %	
Company name	31.12.2018	31.12.2017
Babahh Meedia OÜ	49%	49%
Videotinklas UAB	45%	-
Kinnisvarakeskond OÜ	49%	49%

Financial information of associate

(EUR thousand)	Videotinklas UAB	Babahh Media OÜ	Kinnisvarakeskkond OÜ
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)**
31.12.2017			
Total assets	-	359	360
Total liabilities	-	288	282
Total revenue	-	609	0
Total expenses	-	601	72
Net profit (loss)	**-**	**8**	**(72)**

Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total
31.12.2016						
Cost	409	5 872	24 708	2 184	(6)	**33 166**
Accumulated depreciation	0	(2 589)	(16 348)	(1 508)	0	**(20 446)**
Carrying amount	**409**	**3 282**	**8 359**	**676**	**(6)**	**12 722**
Acquisitions and improvements	0	0	109	279	1 241	**1 629**
Disposals (at carrying amount)	0	0	(15)	(8)	0	**(23)**
Write-offs (at carrying amount)	0	0	(2)	(12)	0	**(14)**
Reclassification	0	46	47	224	(318)	**0**
Acquired through business combination	0	0	0	72	0	**72**
Depreciation	0	(226)	(1 612)	(359)	0	**(2 197)**
31.12.2017						
Cost	409	5 918	23 992	2 756	918	**33 992**
Accumulated depreciation	0	(2 816)	(17 105)	(1 883)	0	**(21 804)**
Carrying amount	**409**	**3 102**	**6 887**	**872**	**918**	**12 189**
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	**0**
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	1 139	**35 421**
Accumulated depreciation	0	(2 965)	(18 470)	(2 066)	0	**(23 500)**
Carrying amount	**409**	**3 669**	**5 607**	**1 096**	**1 139**	**11 921**

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

Note 16. Intangible assets

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

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

Goodwill by cash-generating units

	EUR	
(in thousands)	31.12.2018	31.12.2017
Delfi	35 441	35 441
Adnet	712	712
Maaleht	1 816	1 816
Total goodwill	**37 969**	**37 969**

As of 31.12.2017, Delfi (Estonia, Latvia and Lithuania) was determined as separate cash-generating units. As of 31.12.2017, the goodwill of Delfi Estonia was EUR 15 281 thousand, Delfi Latvia EUR 7 312 thousand and Delfi Lithuania EUR 12 848 thousand.

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.

From 2018, the Group determines Delfi (Estonia, Latvia and Lithuania) as one cash-generating unit. At the beginning of 2018, IT solution of Delfi platform was changed, resulting in a more centralized administration and management of the asset. As a result, the assets required for core business can no longer be distinguished between different cash-generating units, and the Group will consider Delfi as the smallest single asset group from 2018, that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by Group's other assets.

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 2017, no impairment test for Adnet Media was done, as the full ownership was only acquired in November 2017 and the purchase price allocation was performed at that time.

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Delfi	7.8%-10.2%	7.5%-10.2%	3.5%	3.5%
Adnet Media	17.3%	-	3%	-
Maaleht	0%	0%	0%	0%

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 10.0%-11.8% (2017: 10.5%-11.8%) and the return on debt is 2.8%-3.6% (2017: 2.5%-3.2%). The debt to equity ratio is based on the latest average debt to equity ratio in publishing and newspapers sector provided by the database of Damodaran Online. The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The latest average unleveraged beta of the publishing and newspaper industry based on Damodaran Online database has been used as one component. The yields on long-term government bonds with maturities of close to ten years issued by Latvia and Lithuania provided by the European Central Bank have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the long-term euro bond yield of Germany, plus the default spread for Estonia according to the database of Damodaran Online.

In 2018 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	31.12.2018	31.12.2017
Delfi	8.01%-9.56%	8.17%-9.19%
Adnet Media	8.01%	-
Maaleht	8.35%	9.03%

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.

	31.12.2018			31.12.2017		
(EUR thousand)	Recoverable Amount	Carrying amount (prior to impairment)	Difference	Recoverable Amount	Carrying amount (prior to impairment)	Erinevus
Delfi	78 155	43 846	34 309	77 177	44 259	32 918
Adnet Media	5 692	1 572	4 120	-	-	-
Maaleht	4 769	1 641	3 128	5 424	1 635	3 789

As of 31.12.2017, Delfi (Estonia, Latvia and Lithuania) was determined as separate cash-generating units. As of 31.12.2017, the recoverable amount of Delfi Estonia was EUR 20 308 thousand and carrying amount (prior to impairment) EUR 17 736 thousand, the recoverable amount of Delfi Latvia was EUR 11 605 thousand and carrying amount (prior to impairment) EUR 9 693 thousand, the recoverable amount of Delfi Lithuania was EUR 45 264 thousand and carrying amount (prior to impairment) EUR 16 830 thousand.

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

Note 17. Trade and other payables

(EUR thousand)	31.12.2018	31.12.2017
Trade payables	3 150	2 153
incl. payables to related parties (Note 31)	*12*	*14*
Payables to employees	2 138	1 768
Other taxes payable	1 661	1 640
Contract liability (Note 22)	2 031	1 661
Payables to joint ventures (Note 31)	132	111
Payables to associates (Note 31)	3	7
Accrued interest	2	2
Other accrued liabilities	1 685	754
Total trade and other payables	**10 802**	**8 095**

Contract liability includes mainly the client prepayments for subscriptions of periodicals.

Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	Between 1-5 years
Balance as of 31.12.2018			
Overdraft	**1 284**	1 284	0
Long-term bank loans	**13 994**	0	13 994
incl. syndicated loan (AS Ekspress Grupp)	***8 392***	*0*	*8 392*
incl. syndicated and mortgage loan (AS Printall)	***5 602***	*0*	*5 602*
Finance lease (Note 19)	**197**	73	124
Total	**15 474**	**1 356**	**14 118**
Balance as of 31.12.2017			
Overdraft	**92**	92	0
Long-term bank loans	**14 894**	0	14 894
incl. syndicated loan (AS Ekspress Grupp)	***9 067***	*0*	*9 067*
incl. syndicated and mortgage loan (AS Printall)	***5 827***	*0*	*5 827*
Finance lease (Note 19)	**271**	74	197
Total	**15 257**	**166**	**15 091**

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

The syndicated loan is guaranteed by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 17 million, the commercial pledge on the assets of AS Printall in the amount of EUR 19 million, the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is included within the net assets of the Group. In addition, a mortgage has been set on the registered immovable and production facilities of AS Printall. As of 31.12.2018, the carrying amount of the building was EUR 3.3 million and that of the registered immovable was EUR 0.4 million. The ultimate controlling shareholder has also given a personal guarantee in the amount of EUR 4 million to cover the syndicated loan and overdraft agreements.

According to the conditions of the loan agreement, the borrower needs to keep the total debt/EBITDA ratio below 3.0. If the latter rises above 2.5, the monthly loan payments shall be resumed. As of 31.12.2018, the total debt/EBITDA ratio calculated in accordance with the adjustments laid down in the loan contract was 2.98 (unadjusted ratio was 3.70). From October 2018, the Group has made monthly loan repayments. In addition, the liquidity reserve should be held at the bank in the amount of EUR 1 million.

In January 2019, the syndicated loan was refinanced. Additional information on the refinancing of the syndicated loan is disclosed in Note 32.

Overdraft facilities

As at 31.12.2018, 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 31.12.2018, the Group had used overdraft facilities in the amount of EUR 1 284 thousand. As of 31.12.2017, the amount of the overdraft limit used was EUR 92 thousand.

Note 19. Finance lease

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2018	
Cost	440
Accumulated depreciation	(114)
Carrying amount	**326**
Balance as of 31.12.2017	
Cost	440
Accumulated depreciation	(68)
Carrying amount	**372**

(EUR thousand)	2018	2017
Finance lease liabilities at the end of the year (Note 18)	**197**	**271**
Principal payments in the financial year	74	71
Interest expenses in the financial year	4	6
Average annual interest rate p.a.	1.78%	1.95%

(EUR thousand)	2018	2017
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	76	78
Later than 1 year and not later than 5 years	126	202
Total	**202**	**280**
Future finance charges on finance leases	5	9
Present value of finance lease liabilities	197	271

Note 20. Operating lease

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

(EUR thousand)	2018	2017
Operating lease payments (Notes 23, 24, 25, 26)	**1 648**	**1 455**
Office rental	830	652
Motor vehicles and other machinery and equipment	818	803
Future minimum lease payments under non-cancellable operating leases	**2 229**	**1 761**
Not later than 1 year	955	690
Later than 1 year but not later than 5 years	1 274	1 072

Note 21. Segment reporting

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

Media segment: management of online news portals and classified portals, advertising sales in own portals in the Baltics and publishing of newspapers, magazines, customer publications and books in Estonia and Lithuania (until 2017).

This segment includes subsidiaries Ekspress Meedia AS, AS Delfi (Latvia), UAB Delfi (Lithuania), Delfi Holding SIA (Latvia), OÜ Hea Lugu (Estonia), OÜ Zave Media (Estonia - merged with Ekspress Meedia AS from 1 October 2018), ACM LV SIA (Latvia) and Adnet Media (Lithuania, Estonia, Latvia). The latter was acquired in December 2017 when a 100% holding was acquired.

This segment also includes the joint ventures Linna Ekraanid OÜ, AS Ajakirjade Kirjastus (until its reorganisation on 1 June 2018), AS Õhtuleht Kirjastus 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, sales of advertising space in newspapers and magazines, revenue from subscriptions and single copy sales of newspapers and magazines, sales of books and miscellaneous book series, services fees for preparation of customer materials and other projects.

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

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

The **Group's corporate functions** are shown separately and they do not form a separate business segment. It includes the Parent Company AS Ekspress Grupp, which provides legal advice and accounting services to its group companies, a subsidiary OÜ Ekspress Digital that provides intra-group IT services (until September 2018, from 1 October 2018 merged with Ekspress Grupp AS.), and OÜ Ekspress Finance, the main activity of which is intra-group financing (until September 2018, from 1 October 2018 merged with Ekspress Grupp AS.).

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

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

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

2017 (EUR thousand)	Media	Printing services	Corporate functions	Eliminations	Total Group
Sales to external customers (subsidiaries)	**31 750**	**21 895**	**424**	**0**	**54 070**
Effect of joint ventures	10 851	(1 048)	(174)	0	9 629
Inter-segment sales	3	3 032	2 236	(5 270)	0
Total segment sales, incl. joint ventures	*42 604*	*23 879*	*2 486*	*(5 270)*	*63 699*
EBITDA (subsidiaries)	**3 729**	**3 734**	**(1 201)**	**0**	**6 261**
EBITDA margin (subsidiaries)	**12%**	**17%**			**12%**
EBITDA incl. joint ventures	*4 181*	*3 734*	*(1 201)*		*6 713*
EBITDA margin incl. joint ventures	*10%*	*16%*			*11%*
Depreciation (subsidiaries) (Note 15,16)					2 787
Gain from selling business assets					194
Operating profit (subsidiaries)					**3 669**
Investments (subsidiaries) (Note 15,16)					2 307

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

- In Latvia, EUR 2.0 million as of 31.12.2018 (EUR 2.1 million as of 31.12.2017)
- In Lithuania, EUR 1.8 million as of 31.12.2018 (EUR 1.9 million as of 31.12.2017)

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

- Delfi Latvia EUR 7.3 million as of 31.12.2018 (EUR 7.3 million as of 31.12.2017)
- Delfi Lithuania EUR 12.8 million as of 31.12.2018 (EUR 12.8 million as of 31.12.2017)
- Adnet Lithuania EUR 0.7 million as of 31.12.2018 (EUR 0.7 million as of 31.12.2017)

Note 22. Sales revenue

	Media		Printing services		Corporate functions		Total	
(EUR thousand)	2018	2017	2018	2017	2018	2017	2018	2017
Major products/service lines								
Advertising revenue	26 429	22 582	0	0	0	0	**26 429**	**22 582**
incl. barter deals	692	815	0	0	0	0	**692**	**815**
Single-copy sales	1 863	1 573	0	0	0	0	**1 863**	**1 573**
Subscriptions' revenue	6 687	5 938	0	0	0	0	**6 687**	**5 938**
Book publishing	1 002	978	0	0	0	0	**1 002**	**978**
Sale of paper and printing services	0	0	22 571	21 644	0	0	**22 571**	**21 644**
Sale of other goods and services	1 260	680	228	251	449	424	**1 937**	**1 355**
Total	**37 241**	**31 751**	**22 799**	**21 895**	**449**	**424**	**60 489**	**54 070**
Timing of revenue recognition								
Goods and services transferred at a point in time and over time	37 241	31 751	22 799	21 895	449	424	**60 489**	**54 070**
Revenue from contracts with customers total	**37 241**	**31 751**	**22 799**	**21 895**	**449**	**424**	**60 489**	**54 070**

(EUR thousand)	2018	2017
Sales revenue by geographical area		
Estonia	29 754	27 608
Scandinavia	10 743	9 217
Lithuania	7 023	8 684
Latvia	6 469	4 544
Other Europe	4 916	3 207
Other countries	1 585	809
Total	**60 489**	**54 070**

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

(EUR thousand)	31.12.2018	01.01.2018
Contract assets	323	286
Contract liabilities (Note 17)	2 031	1 661

Total contract liability as of 01.01.2018 has been reclassified as sales revenue as of reporting date.

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.

The impact on contract liabilities as a result of business combination in 2018 was in amount of EUR 527 thousand.

Note 23. Cost of sales

(EUR thousand)	2018	2017
Raw materials and consumables used	13 925	12 186
Services purchased	8 990	6 387
Salaries and social taxes	20 823	19 486
Rental expenses (Note 20)	502	553
Other expenses	2 520	2 112
Depreciation and amortisation (Note 15,16)	2 113	2 145
Total expenses	**48 874**	**42 869**

Note 24. Marketing expenses

(EUR thousand)	2018	2017
Marketing	1 943	1 819
Salaries and social taxes	1 121	1 046
Rental expenses (Note 20)	40	29
Depreciation and amortisation (Note 15,16)	4	4
Total marketing expenses	**3 108**	**2 898**

Note 25. Administrative expenses

(EUR thousand)	2018	2017
Raw materials and consumables used	125	79
Repairs and maintenance	550	477
Communication expenses	125	118
Rental expenses (Note 20)	1 106	873
Services purchased	1 506	901
Salaries and social taxes	3 262	2 836
incl. cost of the share options issued	208	189
Depreciation and amortisation (Note 15,16)	935	637
Total administrative expenses	**7 609**	**5 921**

Note 26. Expenses by type

(EUR thousand)	2018	2017
Salaries and social taxes	25 206	23 368
Raw materials and consumables used	14 050	12 265
Rental expenses (Note 20)	1 648	1 455
Services purchased	10 495	7 288
Marketing expenses	1 943	1 819
Repairs and maintenance	550	477
Communication expenses	125	118
Other expenses	2 520	2 112
Depreciation and amortisation	3 052	2 786
Total cost of sales, marketing and administrative expenses	**59 590**	**51 688**
Average number of employees	**859**	**839**

Note 27. Other income

(EUR thousand)	2018	2017
Government projects	0	758
Subsidized projects	224	230
Other income	170	201
Gain from selling business assets	0	194
Total other income	**394**	**1 383**

Note 28. Share option plans

In June 2017, the General Meeting of Shareholders approved the share option plan of new key employees.

As of 31.12.2018, 736 thousand options have been issued in the framework of this stock option plan (as of 31.12.2017: 435 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 31.12.2018, the liability of the mentioned stock option amounted to EUR 460 thousand (31.12.2017: EUR 189 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 1.04-1.35, dividend rate: EUR 0.06-0.07 per share, risk-free interest rate: 1.10% -1.38%, option term: 3 years, standard deviation 1.83%.

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

Note 29. Equity

Share capital

As of 31 December 2018 and 31 December 2017, 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 31.12.2018 and 31.12.2017, 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 will be no additional tax to be paid on distribution of dividends from the Parent Company.

Reserves

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

	EUR	
(EUR thousand)	31.12.2018	31.12.2017
Statutory reserve capital	1 049	892
Additional cash contribution from shareholder	639	639
Total reserves	**1 688**	**1 531**

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	2018	2017
Profit attributable to equity holders	6 491	3 139 994
Average number of ordinary shares	29 779 314	29 779 314
Basic and diluted earnings per share	**0.00**	**0.11**

As the Group had no instruments diluting earnings per share as of 31.12.2018 and 31.12.2017 diluted net profit per share was equal to regular net profit per share.

Note 30. Contingent assets and liabilities

Contingent income tax liability

As of 31.12.2018, the consolidated retained earnings of the Group amounted to EUR 16 526 thousand (31.12.2017: EUR 18 762 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 31.12.2018, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 21 186 thousand (as of 31.12.2017: EUR 21 427 thousand). Upon the payment of all possible retained earnings as at 31.12.2018, no potential income tax liability occurs.

Contingent assets and liabilities arising from pending court cases

OÜ Grupivara, minority shareholder of AS Ekspress Grupp, holding 100 shares in the Company, has challenged in the court the results of the impairment tests of goodwill of Delfi Latvia and Delfi Estonia in the financial statements for the years 2013, 2014 and 2015. The Management Board of AS Ekspress Grupp and its independent auditors are of opinion that the financial statements for all the years, present fairly, in all material respects, the financial position and financial performance of the Company in accordance with the International Financial Reporting Standards as adopted by the European Commission. In relation to the years 2013 and 2014, the Supreme Court has also confirmed the Management Board's and auditors' opinion. Harju County Court has also confirmed the same related to the year 2015. OÜ Grupivara appealed the judgment of Harju County Court. On 22nd of November, 2018 Tallinn Circuit Court decided to dismiss the appeal filed by OÜ Grupivara and to leave the judgement unchanged made by Harju County Court on 12th of April, 2018. OÜ Grupivara didn't appeal the judgement of the Circuit Court.

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

Note 31. Related party transactions

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

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

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

SALES (EUR thousand)	2018	2017
Sales of goods		
Associates	0	589
Total sale of goods	**0**	**589**
Sale of services		
Members of Supervisory Board and companies related to them	18	13
Associates	152	145
Joint ventures	1 855	2 578
Total sale of services	**2 025**	**2 737**
Total sales	**2 025**	**3 325**

PURCHASES (EUR thousand)	2018	2017
Purchase of services		
Members of Management Board and companies related to them	13	9
Members of Supervisory Board and companies related to them	389	300
Associates	85	199
Joint ventures	1 006	823
Total purchases of services	**1 493**	**1 330**

RECEIVABLES (EUR thousand)	31.12.2018	31.12.2017
Short-term receivables		
Members of Supervisory Board and companies related to them (Note 9)	2	1
Associates (Note 9)	21	186
Joint ventures (Note 9)	251	297
Total short-term receivables	**274**	**484**
Long-term receivables		
Associates (Note 11)	160	0
Joint ventures (Note 11)	568	875
Total long-term receivables	**728**	**875**
Total receivables	**1 001**	**1 359**

As of 31.12.2018 impairment loss was recognised for the receivables of associates in amount of EUR 198 thousand.

LIABILITIES (EUR thousand)	31.12.2018	31.12.2017
Current liabilities		
Members of Management Board and companies related to them (Note 17)	2	1
Members of Supervisory Board and companies related to them (Note 17)	10	13
Associates (Note 17)	3	7
Joint ventures (Note 17)	132	111
Total liabilities	**147**	**132**

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik will be paid a guarantee fee of 1.5% per annum on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. During the 12 months of 2018, a payment of EUR 60 thousand (2017: EUR 60 thousand) was paid for the personal guarantee and there are no outstanding liabilities as of 31 December 2018 and 31 December 2017.

Remuneration of members of the Management Boards of the consolidation group

(EUR thousand)	2018	2017
Salaries and other benefits (without social tax)	1 590	1 308
Termination benefits (without social tax)	14	102
Share option	99	0
Total (without social tax)	**1 703**	**1 410**

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 12 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 31.12.2018, the maximum gross amount of potential Key Management termination benefits was EUR 634 thousand (31.12.2017: EUR 537 thousand). No remuneration is paid separately or in addition to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

Note 32.
Subsequent events

In January 2019 the current syndicate loan was refinanced. New loan agreements between AS SEB Pank, AS Ekspress Meedia, Delfi UAB and AS Printall were signed in total amount of EUR 14 200 thousand and the balance of syndicate loan EUR 13 994 was fully repaid.

The maturity date is 20 October 2021. Loans are carrying interest between 2.15% - 2.6% plus fixed base rate of 0%. AS Ekspress Meedia and Delfi UAB loans are with bullet payment, AS Printall's loan will be repaid by monthly instalments of EUR 200 thousand.

New loans are guaranteed by:

- the shares of AS Ekspress Meedia, Delfi UAB and AS Printall;
- the guarantees of AS Ekspress Grupp in the amount of EUR 14.2 million, Printall AS in the amount of EUR 10.2 million, Delfi UAB in the amount of EUR 8 million and AS Ekspress Meedia in the amount of EUR 5 million;
- the commercial pledge on the assets of AS Printall in the amount of EUR 19 million;
- the trademarks of Delfi, Eesti Ekspress, Maaleht and Eesti Päevaleht in the amount of EUR 4.9 million;
- in addition, a mortgage has been set on the registered immovable and production facilities of AS Printall;
- the ultimate controlling shareholder has also given a personal guarantee in the amount of EUR 4 million to cover the loan contracts and overdraft agreements.

According to the conditions of loan agreements, AS Ekspress Grupp (using the consolidated financials) needs to keep the total debt/EBITDA ratio below 3.0. If the latter is lower than 2.5, the lower interest margin shall be applied. In addition, a liquidity reserve 1 million euros must be kept in the bank.

On 7 March 2019, UAB Delfi, 100% subsidiary of AS Ekspress Grupp, has signed contract with UAB Small Talk Ideas and Arnoldas Rogoznyj to acquire 100% stake in Lithuanian technology and innovation conference company UAB Login Conferences.

UAB Login Conferences main activity is to organise the Technology and Innovation Conference Login.

The aim of the acquisition is to enter the conference management market and turn this innovation and technology event into the most popular innovation festival in the Baltic States.

On 8 March 2019 AS Ekspress Grupp acquired 100% holding in the company Linna Ekraanid OÜ, which is engaged in the sale of digital outdoor advertising in Estonia. So far, AS Ekpress Grupp owned 50% of the company.

In July 2016 group acquired 50% stake of OÜ Linna Ekraanid. The purpose of the acquisition was to create preconditions for AS Ekspress Grupp to set off a new business line and thereby enlarge the group's business areas portfolio. The group is continiously focusing long-term on developing digital outdoor advertising business line and take the leading role in the named business market. Accoring to the agreement signed in 2016, Ekspress Grupp had an obligation to acquire remaining 50% shares of the company in 2019.

Note 33. 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.

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

(EUR thousand)	2018	2017
Sales revenue	1 157	577
Cost of sales	(177)	(5)
Gross profit	**980**	**572**
Other income	0	190
Marketing expenses	(1)	(12)
Administrative expenses	(1 732)	(1 590)
Other expenses	(4)	(1)
Finance income and costs on shares of subsidiaries	2 630	5 410
Finance income and costs on shares of joint ventures	(273)	(2)
Finance income and costs on shares of associates	(234)	(17)
Interest income	186	184
Interest expenses	(1 451)	(1 535)
Other finance income and costs	(96)	(60)
Financial income and expense	**763**	**3 981**
PROFIT FOR THE YEAR	**6**	**3 140**
Other comprehensive income (expense) for the year	0	0
Total comprehensive income for the year	**6**	**3 140**

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2018	31.12.2017
ASSETS		
Trade and other receivables	2 709	2 889
Total current assets	**2 709**	**2 889**
Non-current assets		
Trade and other receivables	1 337	1 275
Other investments	858	869
Investments in subsidiaries	89 909	111 680
Investments in joint ventures	2 345	2 372
Investments in associates	319	354
Property, plant and equipment	355	26
Intangible assets	366	39
Total non-current assets	**95 490**	**116 614**
TOTAL ASSETS	**98 199**	**119 503**
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	1 284	92
Trade and other payables	11 176	18 467
Total current liabilities	**12 460**	**18 559**
Long-term borrowings	8 392	9 067
Other long-term liabilities towards subsidiaries	27 000	39 450
Total long-term trade and other payables	**35 392**	**48 517**
Total liabilities	**47 852**	**67 077**
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	892
Other reserves	639	639
Retained earnings	16 526	18 762
Total equity	**50 347**	**52 426**
TOTAL LIABILITIES AND EQUITY	**98 199**	**119 503**

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

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total equity
Balance on 31.12.2016	**17 878**	**14 277**	**(863)**	**2 058**	**17 723**	**51 073**
Increase of statutory reserve capital	0	0	0	220	(220)	0
Share option	0	0	841	(747)	(94)	0
Dividends paid	0	0	0	0	(1 787)	(1 787)
Other changes	0	0	0	0	0	0
Total transactions with owners	*0*	*0*	*841*	*(527)*	*(2 101)*	*(1 787)*
Net profit for the reporting period	0	0	0	0	3 140	3 140
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*3 140*	*3 140*
Balance on 31.12.2017	**17 878**	**14 277**	**(22)**	**1 531**	**18 762**	**52 426**
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 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**

Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2018	2017
Cash flows from operating activities		
Operating profit (loss) for the period	(757)	(1 031)
Adjustments for:		
Depreciation, amortisation and impairment	74	37
(Gain)/loss on sale and write-down of property, plant and equipment	3	0
Changes in working capital:		
Trade and other receivables	(975)	(13)
Trade and other payables	614	202
Cash generated from operations	**(1 041)**	**(804)**
Interest paid	(1 233)	(1 356)
Net cash generated from operating activities	**(2 274)**	**(2 160)**
Cash flows from investing activities		
Investment in subsidiaries	0	(415)
Acquisition of associate	0	(74)
Purchase and receipts of other investments	5	(785)
Interest received	140	187
Dividends received	1 788	56
Purchase of property, plant and equipment	(377)	(15)
Loans granted	(928)	(2 983)
Loan repayments received	1 871	1 942
Net cash from investing activities	**2 498**	**(2 085)**
Cash flows from financing activities		
Change in overdraft used	1 191	92
Change in cash pool account	1 345	6 320
Loans received	1 000	0
Repayments of borrowings	(1 675)	(381)
Dividends paid	(2 085)	(1 787)
Net cash generated from financing activities	**(224)**	**4 245**
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 2018, 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 2018,
- 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 5 of the Group's 23 entities to be significant Group components and we subjected those components to a full scope audit. These components include Ekspress Grupp AS, Ekspress Meedia AS, Printall AS, Delfi A/S and Delfi UAB.

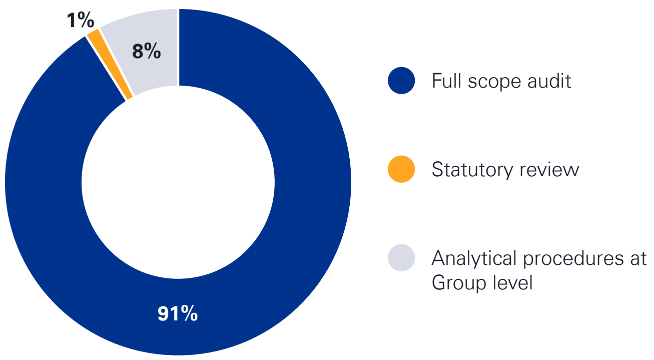
We have used the results of statutory audits of financial statements of Õhtuleht Kirjastus AS, Ajakirjade Kirjastus AS, Ekspress Finance OÜ and the results of statutory review of financial statements of Ekspress Digital OÜ to provide audit evidence for the Group audit.

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

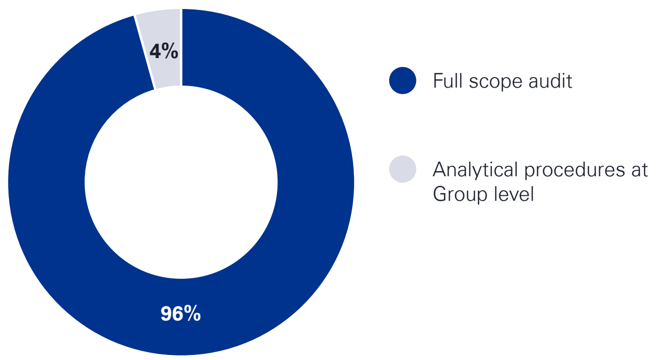
We also performed procedures over the consolidation process at Group level.

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

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.

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

Key Audit Matters

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

Valuation of goodwill

Refer to 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 2018 includes goodwill in the amount of EUR 37,969 thousand, further discussed in note 16. The goodwill has been allocated to three cash-generating units (CGUs). Relevant financial reporting standards require that goodwill is tested, at least annually, for impairment. The assessment of the recoverability of goodwill requires significant judgment in determining the future performance of the CGUs to which goodwill was allocated. The recoverable amount of goodwill is determined by calculating the value in use of the relevant CGUs using the discounted cash flow method whose key inputs such as discount rates, expected future revenue and terminal value growth rates depend on management's significant judgment and estimates. The determination of whether the internal and external inputs used by the Group to calculate the recoverable amount of goodwill were based on reasonable and appropriate estimates required our particular attention in the audit. Even small changes in the inputs may have a significant impact on the estimate of the recoverable amount of goodwill and, thus, also on the Group's financial results.	In this area, we conducted, among others, the following audit procedures: ▸ We assessed whether management had appropriately allocated assets to CGUs based on our understanding of the Group's operations; ▸ We assessed the model used for calculating the recoverable amount of goodwill against the requirements of the relevant financial reporting standards; ▸ Assisted by our own valuation specialists, we evaluated and challenged the key assumptions used in respect of discount rates, expected future revenue and terminal value growth rates; ▸ We compared the data used in the model with the budgets and strategy approved by the Group's council and assessed the historical accuracy of the Group's budgeting process by comparing recent years' actual revenue and 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 is two years, covering the periods ended 31 December 2017 to 31 December 2018.

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

Tallinn, 28 March 2018

/Digitally signed/

Indrek Alliksaar
Certified Public Accountant, Licence No 446
KPMG Baltics OÜ
Licence No 17

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Tallinn 10117
Estonia
Tel +372 626 8700
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PROPOSAL FOR PROFIT ALLOCATION FOR THE YEAR 2018

The Management Board of AS Ekspress Grupp proposes to allocate the consolidated net profit for the financial year ended 31 December 2018 in the amount of EUR 6 thousand as follows:

(EUR thousand)	
Consolidated net profit attributable to equity holders of AS Ekspress Grupp	**6**
Increase in statutory reserve (1/20 from the profit)	0
Profit for the financial year to be transferred to retained earnings	6
Statutory reserve before increase	1 049
Statutory reserve after the increase	**1 049**
Retained earnings before profit allocation	16 526
Total consolidated retained earnings after profit distribution	**16 526**

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 2018.

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
Harri Helmer Roschier

Signed digitally
Member of the
Supervisory Board
Aleksandras Česnavičius

Signed digitally
Member of the
Supervisory Board
Peeter Saks

KEY FINANCIAL INDICATORS IN 2014–2018

Consolidated income statement

(EUR thousand)	2018	2017	2016	2015	2014
Sales revenue	60 489	54 070	53 324	52 773	52 793
Cost of sales	(48 874)	(42 869)	(42 122)	(41 781)	(40 688)
Gross profit	**11 615**	**11 201**	**11 202**	**10 992**	**12 105**
Other income	394	1 383	1 085	659	470
Marketing expenses	(3 108)	(2 898)	(2 488)	(2 377)	(2 011)
Administrative expenses	(7 609)	(5 921)	(5 357)	(5 236)	(5 438)
Other expenses	(82)	(97)	(114)	(118)	(153)
Gain from change in ownership interest in joint ventures	0	0	0	0	1 933
Impairment of goodwill	0	0	0	(1 200)	(1 443)
Operating profit	**1 211**	**3 669**	**4 328**	**2 720**	**5 463**
Interest income	143	173	32	42	27
Interest expenses	(443)	(400)	(471)	(550)	(689)
Other finance income/ (costs)	(103)	118	(66)	(77)	(57)
Net finance cost	**(403)**	**(109)**	**(505)**	**(585)**	**(719)**
Profit (loss) on shares of joint ventures	(273)	(2)	772	785	557
Profit (loss) on shares of associates	(234)	(68)	113	86	23
Profit before income tax	**302**	**3 490**	**4 708**	**3 006**	**5 324**
Income tax expense	(276)	(344)	(302)	(299)	(214)
Net profit for the reporting period	**25**	**3 146**	**4 406**	**2 707**	**5 110**
Net profit for the reporting period attributable to					
Equity holders of the parent company	6	3 140	4 406	2 707	5 110
Minority shareholders	19	6	0	0	0
Other comprehensive income					
Currency translation differences	0	0	0	0	(34)
Total comprehensive income	**25**	**3 146**	**4 406**	**2 707**	**5 076**
Comprehensive income for the reporting period attributable to					
Equity holders of the parent company	6	3 140	4 406	2 707	5 076
Minority shareholders	19	6	0	0	0

Consolidated balance sheet

(EUR thousand)	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
ASSETS					
Current assets					
Cash and cash equivalents	1 268	1 073	2 856	2 927	3 675
Trade and other receivables	9 154	9 917	7 468	6 741	6 519
Corporate income tax prepayment	27	4	0	0	37
Inventories	3 382	2 832	2 770	2 718	2 072
Total current assets	**13 831**	**13 827**	**13 094**	**12 386**	**12 303**
Non-current assets					
Term deposit	0	0	0	0	1 600
Other receivables and investments	1 588	1 750	982	1 149	1 170
Deferred tax asset	44	47	34	42	65
Investments in joint ventures	2 345	2 372	2 435	1 007	500
Investments in associates	319	354	591	215	164
Property, plant and equipment	11 921	12 189	12 722	13 791	14 506
Intangible assets	46 691	45 419	44 310	44 590	46 287
Total non-current assets	**62 907**	**62 130**	**61 074**	**60 794**	**64 292**
TOTAL ASSETS	**76 738**	**75 957**	**74 168**	**73 180**	**76 595**
LIABILITIES					
Current liabilities					
Borrowings	1 356	166	2 313	2 240	5 213
Trade and other payables	10 801	8 095	7 170	6 679	6 249
Corporate income tax payable	29	111	108	114	19
Total current liabilities	**12 186**	**8 372**	**9 591**	**9 033**	**11 481**
Non-current liabilities					
Long-term borrowings	14 118	15 091	13 471	15 447	17 939
Deferred tax liability	0	0	33	26	0
Total non-current liabilities	**14 118**	**15 091**	**13 504**	**15 473**	**17 939**
TOTAL LIABILITIES	**26 304**	**23 463**	**23 095**	**24 506**	**29 420**
EQUITY					
Minority interest	87	68	0	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)	(863)	(176)	(64)
Reserves	1 688	1 531	2 058	1 787	1 440
Retained earnings	16 526	18 762	17 723	14 908	13 644
Total capital and reserves attributable to equity holders of parent company	**50 347**	**52 426**	**51 073**	**48 674**	**47 175**
TOTAL EQUITY	**50 434**	**52 494**	**51 073**	**48 674**	**47 175**
TOTAL LIABILITIES AND EQUITY	**76 738**	**75 957**	**74 168**	**73 180**	**76 595**