

# **EKSPRESS GRUPP**

**AS EKSPRESS GRUPP  
CONSOLIDATED INTERIM REPORT  
FOR THE THIRD QUARTER AND  
9 MONTHS OF 2017**

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## GENERAL INFORMATION

Beginning of reporting period	1 January 2017
End of reporting period	30 September 2017
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Parada 6, Tallinn 10151
Phone	669 8381
Fax	669 8081
E-mail	egrupp@egrupp.ee
Internet homepage	<a href="http://www.egrupp.ee">www.egrupp.ee</a>
Main field of activity	Publishing and related service
Management Board	Mari-Liis R��utsalu Pirje Raidma Andre Veskimeister
Supervisory Board	Gunnar Kobin (Chairman) Hans H. Luik Harri Helmer Roschier Indrek Kasela Marek Kiisa Peeter Saks Aleksandras ��esnavi��ius
Auditor	KPMG Baltics O��

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

The Management Board confirms that the management report and interim consolidated financial statements of AS Ekspress Grupp disclosed on pages 5 to 50 present a true and fair view of the key events which have occurred during the reporting period and their effect on the Group's financial position, results and cash flows, and they include a description of major risks and related party transactions of great significance.

Mari-Liis Rüütsalu	Chairman of the Management Board	<i>signed digitally</i>	31.10.2017
Pirje Raidma	member of the Management Board	<i>signed digitally</i>	31.10.2017
Andre Veskimeister	member of the Management Board	<i>signed digitally</i>	31.10.2017

## MANAGEMENT REPORT

The year 2017 has not brought significant surprises to the Group so far, and competition in the media and print services market remains strong. It's important to continuously test new products and opportunities to keep customers engaged. This approach has helped to increase the Group's revenue and provides a good basis for future growth, but in the short term it will lead to cost growth and lower profitability.

In the third quarter the **Group's consolidated revenue** grew by 4% and the 9-month revenue increase is 2%. In the third quarter, the revenue amounted to EUR 15.0 million and the 9-month revenue was EUR 46 million. Third-quarter EBITDA was EUR 1.8 million, which is 8% lower than the year before. In the 9-month period, the decline is 6% compared to the previous year and the EBITDA amounted to EUR 5.2 million. The Group earned a net profit of EUR 0.8 million in the third quarter and EUR 2.4 million in 9 months.

Online revenues increased strongly, especially in Latvia and Lithuania, where third-quarter growth was 15% and 17% respectively. Online revenues account for 31% of the Group's total revenue. The Estonian print media market remains stable, both in terms of advertising and paying readers. The circulations of our newspapers remain more stable than in the neighboring markets, thanks to strong consumption habits and the interest and need for reliable media, be it on paper or digital format.

The aforementioned numbers include the results of 50% of our joint ventures (AS SL Õhtuleht, AS Ajakirjade Kirjastus, AS Express Post and OÜ Linna Ekraanid).

The third-quarter revenue of the **media segment** increased by 6%, totalling EUR 10.6 million. The EBITDA amounted to EUR 1.1 million, which is 1% less than in the same period last year. The revenue growth was once again led by Latvia and Lithuania, but SL Õhtuleht and Ekspress Meedia also achieved a good result. The joint venture Ajakirjade Kirjastus is currently in the active investment phase to generate new revenue, which has slightly affected its profitability.

In the 9 month period, the segment's revenue has increased by 5% and the EBITDA has grown 9%, amounting to EUR 32 million and 3.1 million, respectively. In order to remain competitive, we are engaged in continuous innovation in the development of various products as well as technical platforms. The basis of our success is growing together with clients and their preferences. We have launched on the market an almost barrier-free content consumption model and it has contributed to a significant increase in our digital distribution revenues.

Rapid growth in Latvia continues. In the third quarter, the revenue of Delfi Latvia increased by 15%, amounting to EUR 0.9 million. The EBITDA remained below last year's level, but this is due to a one-off allowance for doubtful receivable. In July, the number of Internet users in Delfi Latvia exceeded one million, and in the whole third quarter Delfi has been the leader in Latvia in terms of the number of users. Delfi Latvia is recognized as the most trusted media channel in Latvia.

The third quarter revenue of Ekspress Meedia increased by 2% to EUR 4.7 million. The EBITDA was up 58% to EUR 0.5 million. The number of digital subscriptions increased by 5% compared to the second quarter and by 46% compared to the period a year earlier. To provide added value to our customers, we are organizing more experience marketing events. In August, on the re-independence day, Estonian rock band Ruja held a hugely successful reunion concert on the Song Festival Grounds, and there were also a number of smaller events aimed at subscribers under our various brands.

In the third quarter, the revenue of Delfi Lithuania increased by a significant 17% to EUR 2.3 million, while online revenues increased by as much as 26%. In the third quarter, the EBITDA amounted to EUR 0.5 million, par with the previous year. As the biggest initiative in its history, Delfi has launched a massive project "Idea for Lithuania", the aim of which is to find the three most prominent ideas for the country's future development, and also to make sure that these ideas are implemented. The initiative is supported by the

Lithuanian President, the Parliament Speaker and the Prime Minister. Other media companies are also involved.

The third-quarter revenue of Ajakirjade Kirjastus fell by 9% to EUR 2.1 million. The EBITDA remained modest and amounted to EUR 110 thousand, being significantly lower than a year ago. This is in particular attributable to the complicated situation on the print advertising market, changes in the sales team, and increased development costs, especially online. Also the amount of book titles published has been reduced, which in turn has affected the revenue figure. Half of the results is included in the consolidated figures of Ekspress Group. In the fourth quarter the company's book publishing department will be merged with the group's 100% subsidiary Hea Lugu, making it one of the Estonian five largest book publishers, and enabling for a more efficient operation. As a result of the transaction, Ajakirjade Kirjastus OÜ will own a third of OÜ Hea Lugu.

For SL Õhtuleht, the third quarter was successful. The revenue increased to EUR 2.2 million, which is 7% more than last year, whereas the EBITDA growth was 28% and amounted to EUR 210 thousand. Half of it is included in the consolidated figures of Ekspress Group. Compared to other market players, Õhtuleht is able to raise both advertising and subscription revenue thanks to its loyal customers. This is partly achieved by the increase in automated sales and the provision of special advertising solutions. In the last 12 months Õhtuleht has had the largest circulation in Estonia among daily newspapers. In addition, the number of digital subscribers is increasing strongly, having increased 10% quarter-on-quarter and has almost doubled over the past year.

The situation in the **printing services segment** has not changed and the usual hard struggle for every customer continues. Strong price competition, especially by printing houses in Latvia and Lithuania has reduced revenues and profitability. However Printall's revenue fell only 4% compared to last year, reaching EUR 5.4 million. The EBITDA remained below 13% last year's level, amounting to EUR 0.9 million. Over the last year, we have been more active towards Central Europe, which allows us to compete in larger markets and create new and profitable customer relationships there. High reputation and high quality of our printing house are the best reference in this regard.

**The Group's financial position** has substantially strengthened over the past year. Thanks to the amendments to the loan agreement, which ended the monthly loan repayments, we can even more actively invest in new companies and grow our business scope.

In the third quarter we acquired a 100% ownership in ACM LV SIA, which deals with the sale of digital outdoor advertising in Latvia and is our first such step in Latvia. The acquisition supports the Group's goal of developing a digital outdoor advertising business line.

In August, OÜ Kinnisvarakeskkond, a new affiliate with a holding of 49% was founded, whose main area of activity is the development of a new real estate portal.

The Group contributes more and more to expanding its business and increasing employee motivation. In the third quarter we launched Hans H Luik Educational Training Fund which has helped many employees to choose different courses that will help to develop further their competencies.

The quarter ended has added optimism about the potential growth of revenue, but due to increased investment in our employees and products it is not yet reflected in the EBITDA growth.

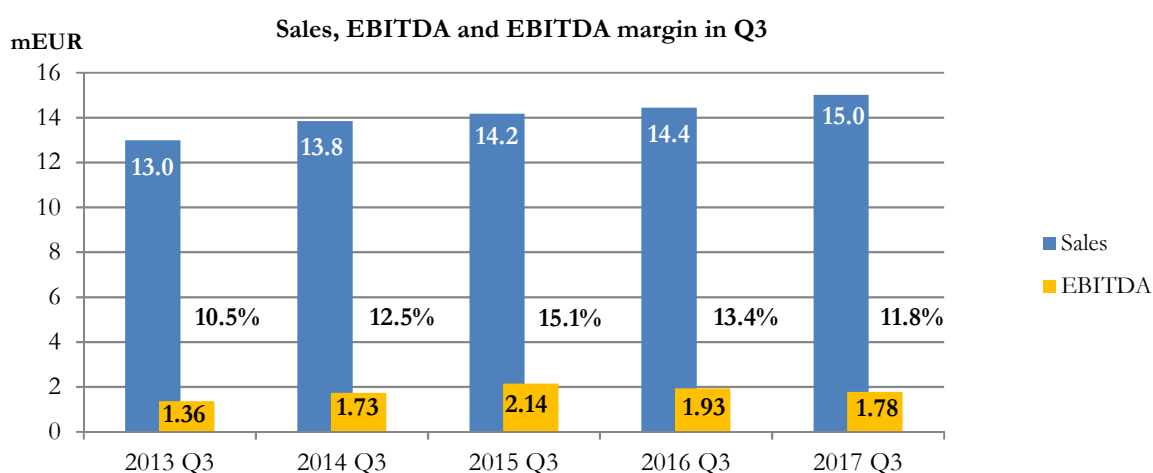
**Our ambition** remains to offer new and interesting experiences both on paper and in digital media, without ever compromising on news quality, choice of topics and journalistic objectivity.

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

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

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

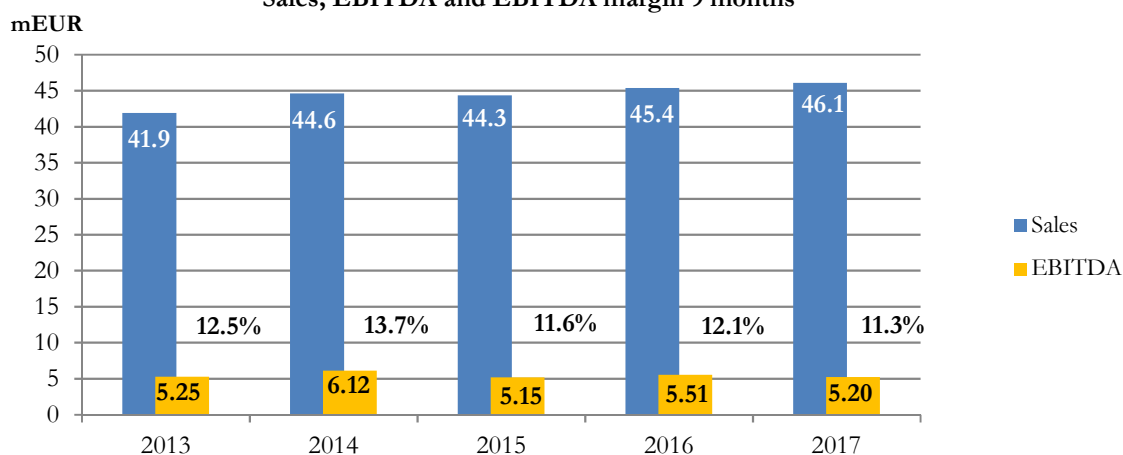
Performance indicators – joint ventures 50% consolidated (EUR thousand)	Q3 2017	Q3 2016	Change %	Q3 2015	Q3 2014	Q3 2013
<b>For the period</b>						
Sales	15 014	14 437	4%	14 169	13 833	12 977
<b>EBITDA</b>	<b>1 775</b>	<b>1 932</b>	<b>-8%</b>	<b>2 143</b>	<b>1 732</b>	<b>1 359</b>
<b>EBITDA margin (%)</b>	<b>11.8%</b>	<b>13.4%</b>		<b>15.1%</b>	<b>12.5%</b>	<b>10.5%</b>
Operating profit	1 005	1 085	-7%	1 423	872	718
<i>Operating margin (%)</i>	<i>6.7%</i>	<i>7.5%</i>		<i>10.0%</i>	<i>6.3%</i>	<i>5.5%</i>
Interest expenses	(102)	(125)	19%	(157)	(189)	(204)
<b>Net profit/(loss) for the period*</b>	<b>813</b>	<b>902</b>	<b>-10%</b>	<b>1 210</b>	<b>644</b>	<b>455</b>
<b>Net margin (%)*</b>	<b>5.4%</b>	<b>6.2%</b>		<b>8.5%</b>	<b>4.7%</b>	<b>3.5%</b>
Net profit for the period in financial statements (incl. write-downs and gain from change in ownership interest)	813	902	-10%	1 210	1 599	455
<i>Net margin (%)</i>	<i>5.4%</i>	<i>6.2%</i>		<i>8.5%</i>	<i>11.6%</i>	<i>3.5%</i>
Return on assets ROA (%)	1.1%	1.2%		1.6%	2.1%	0.6%
Return on equity ROE (%)	1.6%	1.9%		2.5%	3.6%	1.1%
<b>Earnings per share (EPS)</b>	<b>0.03</b>	<b>0.03</b>		<b>0.04</b>	<b>0.05</b>	<b>0.02</b>



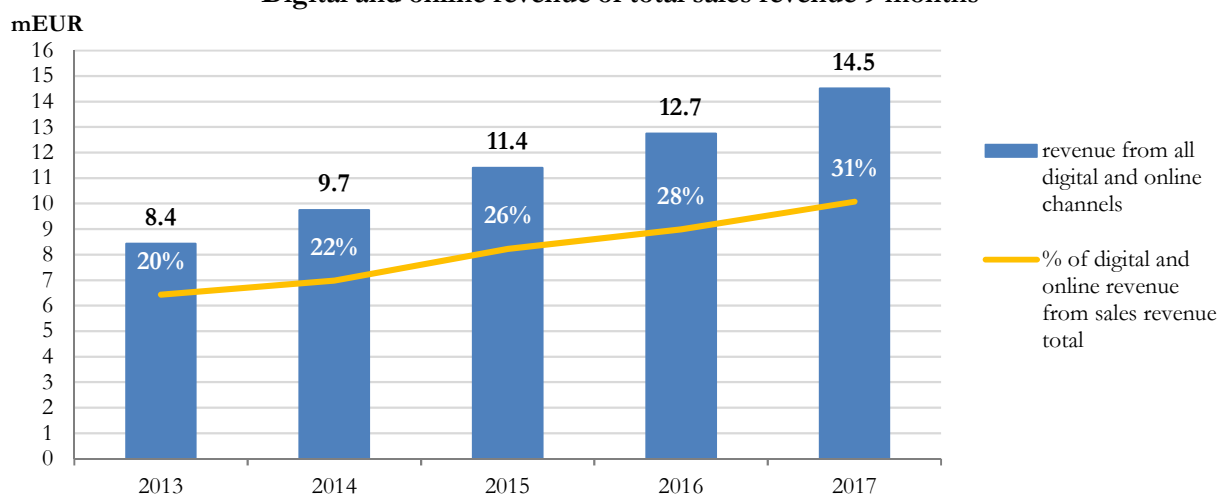
Performance indicators – joint ventures 50% consolidated (EUR thousand)	9 months 2017	9 months 2016	Change %	9 months 2015	9 months 2014	9 months 2013
<b>For the period</b>						
Sales	46 093	45 384	2%	44 346	44 606	41 901
<b>EBITDA</b>	<b>5 202</b>	<b>5 507</b>	<b>-6%</b>	<b>5 148</b>	<b>6 124</b>	<b>5 246</b>
<b>EBITDA margin (%)</b>	<b>11.3%</b>	<b>12.1%</b>		<b>11.6%</b>	<b>13.7%</b>	<b>12.5%</b>
Operating profit	2 896	3 108	-7%	2 930	3 743	3 299
Operating margin (%)	6.3%	6.8%		6.6%	8.4%	7.9%
Interest expenses	(324)	(394)	18%	(477)	(546)	(578)
<b>Net profit/(loss) for the period*</b>	<b>2 444</b>	<b>2 538</b>	<b>-4%</b>	<b>2 247</b>	<b>3 005</b>	<b>2 490</b>
<b>Net margin (%)*</b>	<b>5.3%</b>	<b>5.6%</b>		<b>5.1%</b>	<b>6.7%</b>	<b>5.9%</b>
Net profit for the period in financial statements (incl. write-downs and gain from change in ownership interest)	2 444	2 538	-4%	2 247	3 960	2 490
Net margin (%)	5.3%	5.6%		5.1%	8.9%	5.9%
Return on assets ROA (%)	3.2%	3.3%		2.9%	5.1%	3.2%
Return on equity ROE (%)	4.8%	5.2%		4.7%	9.0%	5.9%
<b>Earnings per share (EPS)</b>	<b>0.08</b>	<b>0.09</b>		<b>0.08</b>	<b>0.13</b>	<b>0.08</b>

\* The results exclude the revenue earned from the acquisition of shares of AS Ajakirjade Kirjastus and AS SL Õhtuleht from AS Eesti Meedia in 2014, their sale to OÜ Suits Meedia and further restructuring in the amount of EUR 1.0 million, where joint ventures with AS Eesti Meedia were essentially terminated and new joint ventures with OÜ Suits Meedia were created.

Sales, EBITDA and EBITDA margin 9 months

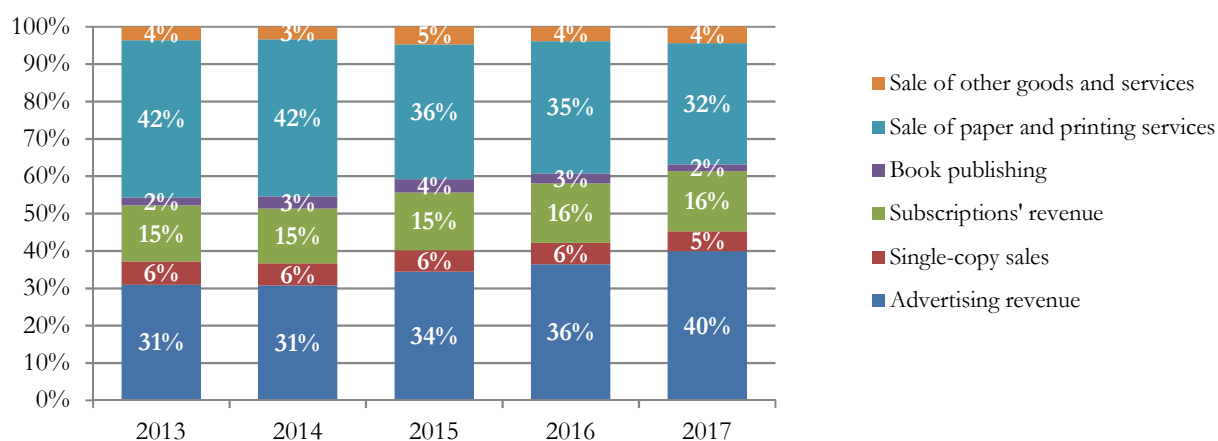


Digital and online revenue of total sales revenue 9 months





## Sales revenue by activity 9 months

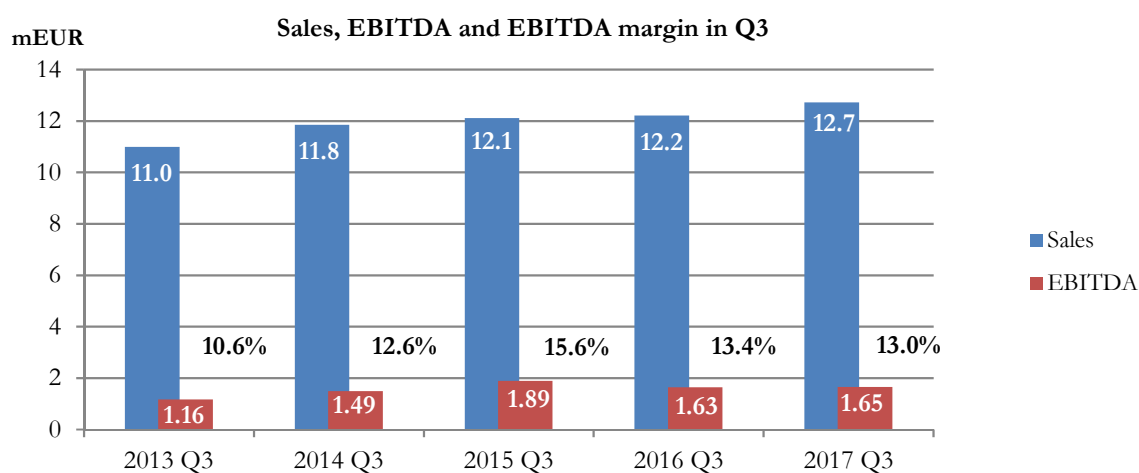


Balance sheet – joint ventures 50% consolidated (thousand EUR)	30.09.2017	31.12.2016	Change %
<b>As of the end of the period</b>			
Current assets	15 905	16 251	-2%
Non-current assets	60 997	61 506	-1%
<b>Total assets</b>	<b>76 902</b>	<b>77 757</b>	<b>-1%</b>
<i>incl. cash and bank</i>	2 987	4 572	-35%
<i>incl. goodwill</i>	39 208	38 904	1%
Current liabilities	9 290	12 222	-24%
Non-current liabilities	15 882	14 462	10%
<b>Total liabilities</b>	<b>25 172</b>	<b>26 684</b>	<b>-6%</b>
<i>incl. borrowings</i>	16 172	16 603	-3%
<b>Equity</b>	<b>51 730</b>	<b>51 073</b>	<b>1%</b>

Financial ratios (%) – joint ventures consolidated 50%	30.09.2017	31.12.2016
Equity ratio (%)	67%	66%
Debt to equity ratio (%)	31%	33%
Debt to capital ratio (%)	20%	19%
Total debt/EBITDA ratio	1.98	1.96
Liquidity ratio	1.71	1.33

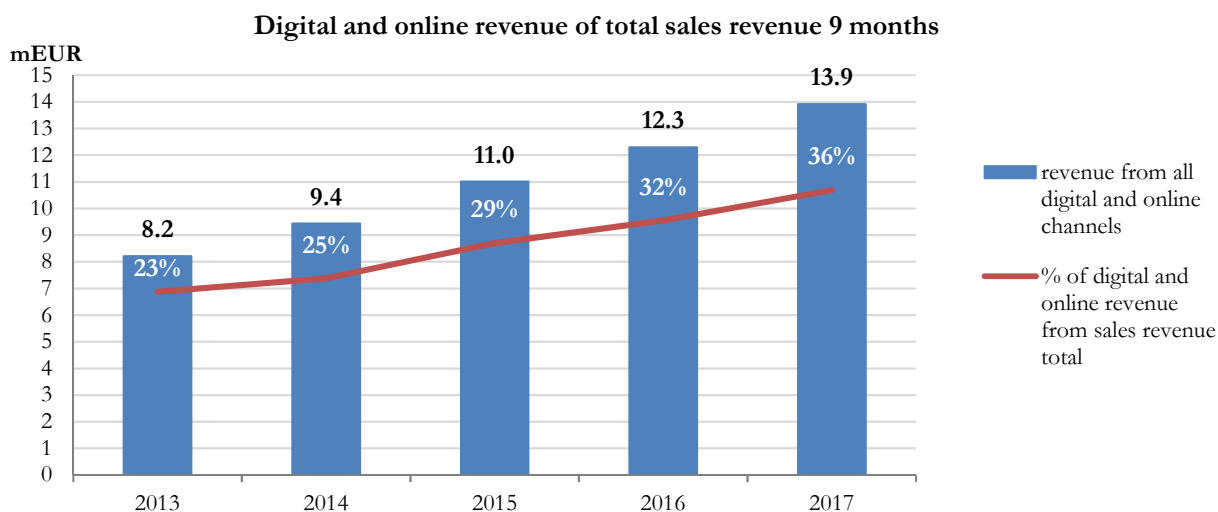
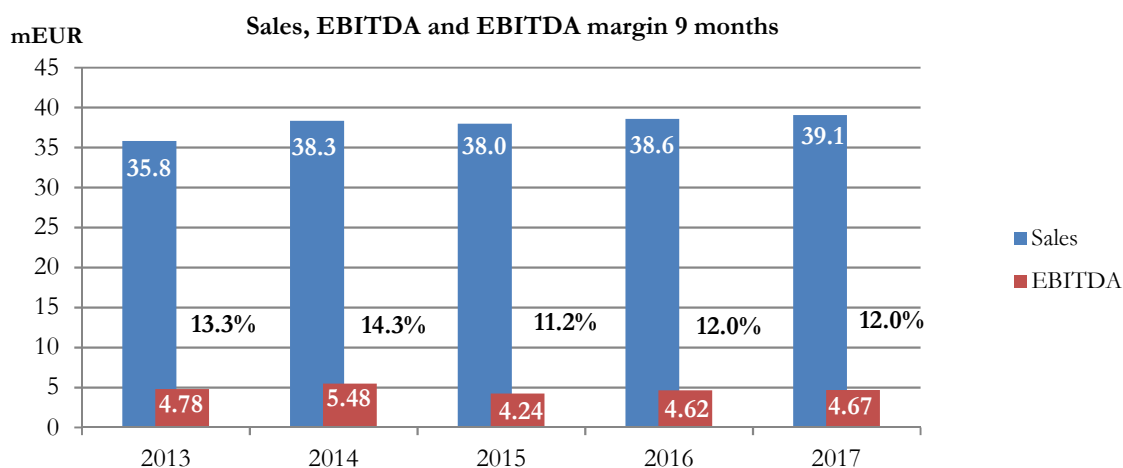
## FINANCIAL INDICATORS AND RATIOS – joint ventures recognised under the equity method

Performance indicators – joint ventures under equity method (thousand EUR)	Q3 2017	Q3 2016	Change %	Q3 2015	Q3 2014	Q3 2013
<b>For the period</b>						
Sales (only subsidiaries)	12 723	12 205	4%	12 105	11 841	10 985
<b>EBITDA (only subsidiaries)</b>	<b>1 653</b>	<b>1 633</b>	<b>1%</b>	<b>1 889</b>	<b>1 487</b>	<b>1 164</b>
<b>EBITDA margin (%)</b>	<b>13.0%</b>	<b>13.4%</b>		<b>15.6%</b>	<b>12.6%</b>	<b>10.6%</b>
Operating profit (only subsidiaries)	974	867	12%	1 230	783	544
<i>Operating margin (%)</i>	<i>7.7%</i>	<i>7.1%</i>		<i>10.2%</i>	<i>6.6%</i>	<i>5.0%</i>
Interest expenses (only subsidiaries)	(95)	(117)	19%	(140)	(175)	(204)
Profit of joint ventures by equity method	22	206	-89%	170	87	174
<b>Net profit for the period*</b>	<b>813</b>	<b>902</b>	<b>-10%</b>	<b>1 210</b>	<b>658</b>	<b>455</b>
<b>Net margin (%)*</b>	<b>6.4%</b>	<b>7.4%</b>		<b>10.0%</b>	<b>5.6%</b>	<b>4.1%</b>
Net profit for the period in financial statements (incl. write-downs and gain from change in ownership interest)	813	902	-10%	1 210	1 613	455
<i>Net margin (%)</i>	<i>6.4%</i>	<i>7.4%</i>		<i>10.0%</i>	<i>13.6%</i>	<i>4.1%</i>
Return on assets ROA (%)	1.1%	1.3%		1.6%	2.2%	0.6%
Return on equity ROE (%)	1.6%	1.9%		2.5%	3.5%	1.1%
<b>Earnings per share (EPS)</b>	<b>0.03</b>	<b>0.03</b>		<b>0.04</b>	<b>0.05</b>	<b>0.02</b>

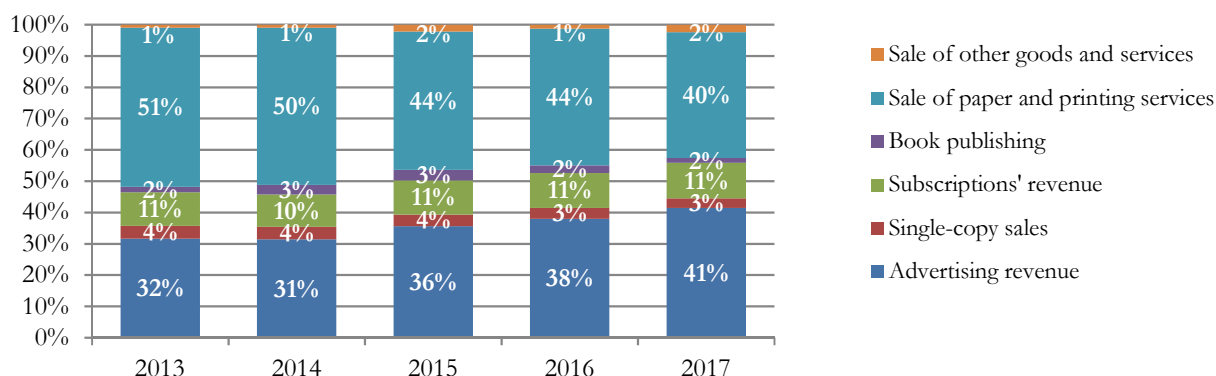


Performance indicators – joint ventures under equity method (thousand EUR)	9 months 2017	9 months 2016	Change %	9 months 2015	9 months 2014	9 months 2013
<b>For the period</b>						
Sales (only subsidiaries)	39 054	38 581	1%	37 962	38 338	35 796
<b>EBITDA (only subsidiaries)</b>	<b>4 671</b>	<b>4 620</b>	<b>1%</b>	<b>4 240</b>	<b>5 481</b>	<b>4 777</b>
<b>EBITDA margin (%)</b>	<b>12.0%</b>	<b>12.0%</b>		<b>11.2%</b>	<b>14.3%</b>	<b>13.3%</b>
Operating profit (only subsidiaries)	2 635	2 439	8%	2 202	3 313	2 897
<i>Operating margin (%)</i>	<i>6.7%</i>	<i>6.3%</i>		<i>5.8%</i>	<i>8.6%</i>	<i>8.1%</i>
Interest expenses (only subsidiaries)	(303)	(357)	15%	(425)	(531)	(578)
Profit of joint ventures by equity method	232	562	-59%	589	375	320
<b>Net profit for the period*</b>	<b>2 444</b>	<b>2 538</b>	<b>-4%</b>	<b>2 247</b>	<b>3 019</b>	<b>2 490</b>
<b>Net margin (%)*</b>	<b>6.3%</b>	<b>6.6%</b>		<b>5.9%</b>	<b>7.9%</b>	<b>7.0%</b>
Net profit for the period in financial statements (incl. write-downs and gain from change in ownership interest)	2 444	2 538	-4%	2 247	3 974	2 490
<i>Net margin (%)</i>	<i>6.3%</i>	<i>6.6%</i>		<i>5.9%</i>	<i>10.4%</i>	<i>7.0%</i>
Return on assets ROA (%)	3.3%	3.5%		3.0%	5.3%	3.3%
Return on equity ROE (%)	4.8%	5.2%		4.7%	9.0%	5.9%
<b>Earnings per share (EPS)</b>	<b>0.08</b>	<b>0.09</b>		<b>0.08</b>	<b>0.13</b>	<b>0.08</b>

\* The results exclude the revenue earned from the acquisition of shares of AS Ajakirjade Kirjastus and AS SL Õhtuleht from AS Eesti Meedia in 2014, their sale to OÜ Suits Meedia and further restructuring in the amount of EUR 1.0 million, where joint ventures with AS Eesti Meedia were essentially terminated and new joint ventures with OÜ Suits Meedia were created.



## Sales revenue by activity 9 months



Balance sheet – joint ventures under equity method (thousand EUR)	30.09.2017	31.12.2016	Change %
<b>As of the end of the period</b>			
Current assets	12 966	13 094	-1%
Non-current assets	60 801	61 074	0%
<b>Total assets</b>	<b>73 767</b>	<b>74 168</b>	<b>-1%</b>
<i>incl. cash and bank</i>	<i>1 391</i>	<i>2 856</i>	<i>-51%</i>
<i>incl. goodwill</i>	<i>37 258</i>	<i>36 953</i>	<i>1%</i>
Current liabilities	6 895	9 591	-28%
Non-current liabilities	15 142	13 504	12%
<b>Total liabilities</b>	<b>22 037</b>	<b>23 095</b>	<b>-5%</b>
<i>incl. borrowings</i>	<i>15 558</i>	<i>15 784</i>	<i>-1%</i>
<b>Equity</b>	<b>51 730</b>	<b>51 073</b>	<b>1%</b>

Financial ratios (%) – joint ventures consolidated under equity	30.09.2017	31.12.2016
Equity ratio (%)	70%	69%
Debt to equity ratio (%)	30%	31%
Debt to capital ratio (%)	21%	20%
Total debt/EBITDA ratio	2.12	2.17
Liquidity ratio	1.88	1.37

**Cyclicality**

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

**Seasonality**

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

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

## CORPORATE STRUCTURE as of 30.09.2017



## SEGMENT OVERVIEW

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

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

### Key financial data of the segments Q3 2013-2017

(thousand EUR)	Sales			Sales		
	Q3 2017	Q3 2016	Change %	Q3 2015	Q3 2014	Q3 2013
media segment (by equity method)	8 000	7 436	8%	7 098	6 017	5 551
<i>incl. revenue from all digital and online channels</i>	<i>4 617</i>	<i>3 996</i>	<i>16%</i>	<i>3 544</i>	<i>2 918</i>	<i>2 479</i>
printing services segment	5 418	5 629	-4%	5 753	6 596	6 147
entertainment segment	0	0	-	64	0	0
corporate functions	633	535	18%	434	427	396
intersegment eliminations	(1 328)	(1 395)		(1 245)	(1 200)	(1 109)
<b>TOTAL GROUP under equity method</b>	<b>12 723</b>	<b>12 205</b>	<b>4%</b>	<b>12 105</b>	<b>11 841</b>	<b>10 985</b>
media segment (by proportional consolidation)	10 601	9 965	6%	9 432	8 202	7 724
<i>incl. revenue from all digital and online channels</i>	<i>4 812</i>	<i>4 142</i>	<i>16%</i>	<i>3 678</i>	<i>3 008</i>	<i>2 550</i>
printing services segment	5 418	5 629	-4%	5 753	6 596	6 147
entertainment segment	0	0	-	64	0	0
corporate functions	633	535	18%	434	427	396
intersegment eliminations	(1 639)	(1 692)		(1 514)	(1 392)	(1 290)
<b>TOTAL GROUP by proportional consolidation</b>	<b>15 014</b>	<b>14 437</b>	<b>4%</b>	<b>14 169</b>	<b>13 833</b>	<b>12 977</b>

(thousand EUR)	EBITDA			EBITDA		
	Q3 2017	Q3 2016	Change %	Q3 2015	Q3 2014	Q3 2013
media segment by equity method	1 019	860	18%	889	323	102
<i>media segment by proportional consolidation</i>	<i>1 142</i>	<i>1 159</i>	<i>-1%</i>	<i>1 143</i>	<i>567</i>	<i>297</i>
printing services segment	860	986	-13%	1 178	1 326	1 245
entertainment segment	0	0	-	(1)	0	0
corporate functions	(226)	(213)	-6%	(178)	(162)	(183)
intersegment eliminations	0	0		0	0	0
<b>TOTAL GROUP under equity method</b>	<b>1 653</b>	<b>1 633</b>	<b>1%</b>	<b>1 889</b>	<b>1 487</b>	<b>1 164</b>
<b>TOTAL GROUP by proportional consolidation</b>	<b>1 775</b>	<b>1 932</b>	<b>-8%</b>	<b>2 143</b>	<b>1 732</b>	<b>1 359</b>

EBITDA margin	Q3 2017	Q3 2016	Q3 2015	Q3 2014	Q3 2013
media segment by equity method	13%	12%	13%	5%	2%
<i>media segment by proportional consolidation</i>	<i>11%</i>	<i>11%</i>	<i>12%</i>	<i>7%</i>	<i>4%</i>
printing services segment	16%	18%	20%	20%	20%
<b>TOTAL GROUP under equity method</b>	<b>13%</b>	<b>13%</b>	<b>16%</b>	<b>13%</b>	<b>11%</b>
<b>TOTAL GROUP by proportional consolidation</b>	<b>12%</b>	<b>13%</b>	<b>15%</b>	<b>13%</b>	<b>10%</b>

**Key financial data of the segments 9 months 2013-2017**

(thousand EUR)	Sales			Sales		
	9 months 2017	9 months 2016	Change %	9 months 2015	9 months 2014	9 months 2013
media segment (by equity method)	24 049	22 718	6%	21 663	19 923	18 225
<i>incl. revenue from all digital and online channels</i>	<i>13 916</i>	<i>12 294</i>	<i>13%</i>	<i>11 011</i>	<i>9 434</i>	<i>8 206</i>
printing services segment	17 383	18 633	-7%	18 457	20 868	19 896
entertainment segment	0	0	-	517	0	0
corporate functions	1 799	1 667	8%	1 394	1 271	1 137
intersegment eliminations	(4 177)	(4 438)		(4 068)	(3 725)	(3 462)
<b>TOTAL GROUP under equity method</b>	<b>39 054</b>	<b>38 581</b>	<b>1%</b>	<b>37 962</b>	<b>38 338</b>	<b>35 796</b>
media segment (by equity method)	32 037	30 394	5%	28 899	26 788	24 912
<i>incl. revenue from all digital and online channels</i>	<i>14 511</i>	<i>12 744</i>	<i>14%</i>	<i>11 394</i>	<i>9 740</i>	<i>8 423</i>
printing services segment	17 383	18 633	-7%	18 457	20 868	19 896
entertainment segment	0	0	-	517	0	0
corporate functions	1 799	1 667	8%	1 394	1 271	1 137
intersegment eliminations	(5 126)	(5 310)		(4 921)	(4 321)	(4 044)
<b>TOTAL GROUP by proportional consolidation</b>	<b>46 093</b>	<b>45 384</b>	<b>2%</b>	<b>44 346</b>	<b>44 606</b>	<b>41 901</b>

(thousand EUR)	EBITDA			EBITDA		
	9 months 2017	9 months 2016	Change %	9 months 2015	9 months 2014	9 months 2013
media segment (by equity method)	2 562	1 954	31%	2 425	1 922	1 109
<i>media segment by proportional consolidation</i>	<i>3 093</i>	<i>2 840</i>	<i>9%</i>	<i>3 334</i>	<i>2 565</i>	<i>1 579</i>
printing services segment	2 782	3 317	-16%	3 611	4 321	4 258
entertainment segment	0	(1)	-	(1 106)	0	0
corporate functions	(672)	(649)	-4%	(689)	(763)	(593)
intersegment eliminations	0	0		0	0	2
<b>TOTAL GROUP under equity method</b>	<b>4 671</b>	<b>4 620</b>	<b>1%</b>	<b>4 240</b>	<b>5 481</b>	<b>4 777</b>
<b>TOTAL GROUP by proportional consolidation</b>	<b>5 202</b>	<b>5 507</b>	<b>-6%</b>	<b>5 148</b>	<b>6 124</b>	<b>5 246</b>

EBITDA margin	9 months 2017	9 months 2016	9 months 2015	9 months 2014	9 months 2013
media segment (by equity method)	11%	9%	11%	10%	6%
<i>media segment by proportional consolidation</i>	<i>10%</i>	<i>9%</i>	<i>12%</i>	<i>10%</i>	<i>6%</i>
printing services segment	16%	18%	20%	21%	21%
<b>TOTAL GROUP under equity method</b>	<b>12%</b>	<b>12%</b>	<b>11%</b>	<b>14%</b>	<b>13%</b>
<b>TOTAL GROUP by proportional consolidation</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>	<b>14%</b>	<b>13%</b>



**MEDIA SEGMENT**

The media segment includes Delfi operations in wholly-owned subsidiaries in Estonia, Latvia and Lithuania, publishing of Estonian newspapers Maaleht, Eesti Ekspress and Eesti Päevaleht, book publishing in Estonia, magazine publishing in Lithuania, activities of the retail offer portal Zave, outdoor screen company ACL LV acquired in the 3rd quarter of 2017 and holding company Delfi Holding. This segment also includes 50% joint ventures AS SL Õhtuleht (publisher of Õhtuleht and Linnaleht), magazine publisher AS Ajakirjade Kirjastus, home delivery company AS Express Post and, since the summer 2016, OÜ Linna Ekraanid, engaged in sale of digital outdoor advertising.

**News portals owned by the Group**

Owner	Portal	Owner	Portal
Ekspress Meedia	<a href="http://www.delfi.ee">www.delfi.ee</a>	Ekspress Meedia	<a href="http://www.ekspress.ee">www.ekspress.ee</a>
	rus.delfi.ee		<a href="http://www.maaleht.ee">www.maaleht.ee</a>
Delfi Latvia	<a href="http://www.delfi.lv">www.delfi.lv</a>		<a href="http://www.epl.ee">www.epl.ee</a>
	rus.delfi.lv		
Delfi Lithuania	<a href="http://www.delfi.lt">www.delfi.lt</a>	SL Õhtuleht	<a href="http://www.oh tuleht.ee">www.oh tuleht.ee</a>
	ru.delfi.lt		<a href="http://www.veccherka.ee">www.veccherka.ee</a>

(thousand EUR)	Sales			EBITDA		
	Q3 2017	Q3 2016	Change %	Q3 2017	Q3 2016	Change %
Ekspress Meedia	4 709	4 601	2%	519	328	58%
<i>incl. Delfi Estonia online revenue</i>	<i>1 661</i>	<i>1 615</i>	<i>3%</i>			
Delfi Latvia	863	751	15%	46	58	-21%
Delfi Lithuania	2 314	1 979	17%	475	474	0%
<i>incl. Delfi Lithuania online revenue</i>	<i>1 892</i>	<i>1 498</i>	<i>26%</i>			
Hea Lugu	96	106	-9%	(3)	0	-
Zave Media	0	0	-	0	0	-
ACM LV	21	-	-	(18)	-	-
Other companies	-	-	-	0	0	-
Intersegment eliminations	(3)	(1)		0	0	
<b>TOTAL subsidiaries</b>	<b>8 000</b>	<b>7 436</b>	<b>8%</b>	<b>1 019</b>	<b>860</b>	<b>19%</b>
SL Õhtuleht*	1 111	1 034	7%	104	81	28%
Ajakirjade Kirjastus*	1 039	1 139	-9%	55	181	-70%
Express Post*	543	612	-11%	(55)	35	-259%
Linna Ekraanid*	153	51	200%	18	2	662%
Intersegment eliminations	(243)	(306)		0	0	
<b>TOTAL subsidiaries</b>	<b>2 602</b>	<b>2 529</b>	<b>3%</b>	<b>122</b>	<b>299</b>	<b>-59%</b>
<b>TOTAL segment by proportional consolidation</b>	<b>10 601</b>	<b>9 965</b>	<b>6%</b>	<b>1 142</b>	<b>1 159</b>	<b>-1%</b>

\* Proportional share of joint ventures

(thousand EUR)	Sales			EBITDA		
	9 months 2017	9 months 2016	Change %	9 months 2017	9 months 2016	Change %
Ekspress Meedia	14 270	14 031	2%	1 163	1 005	16%
<i>incl. Delfi Estonia online revenue</i>	5 100	4 957	3%			
Delfi Latvia	2 725	2 378	15%	263	150	75%
Delfi Lithuania	6 758	6 005	13%	1 171	876	34%
<i>incl. Delfi Lithuania online revenue</i>	5 504	4 560	21%			
Hea Lugu	282	307	-8%	(17)	(17)	0%
Zave Media	0	1	-100%	0	(60)	100%
ACMLV	21	-	-	(18)	-	-
Other companies	-	-	-	(1)	(1)	0%
Intersegment eliminations	(7)	(4)		1	2	-
<b>TOTAL subsidiaries</b>	<b>24 049</b>	<b>22 718</b>	<b>6%</b>	<b>2 562</b>	<b>1 954</b>	<b>31%</b>
SL Õhtuleht*	3 389	3 195	6%	362	328	10%
Ajakirjade Kirjastus*	3 331	3 398	-2%	192	384	-50%
Express Post*	1 730	1 933	-11%	(81)	172	-147%
Linna Ekraanid*	327	51	542%	57	2	2276%
Intersegment eliminations	(787)	(901)		(0)	(0)	-1200%
<b>TOTAL subsidiaries</b>	<b>7 989</b>	<b>7 675</b>	<b>4%</b>	<b>530</b>	<b>887</b>	<b>-40%</b>
<b>TOTAL segment by proportional consolidation</b>	<b>32 037</b>	<b>30 394</b>	<b>5%</b>	<b>3 093</b>	<b>2 840</b>	<b>9%</b>

\* Proportional share of joint ventures

## ONLINE MEDIA AND DELFI

As the market leader, Delfi continues to invest into new technologies and IT solutions, with the goal of improving the user experience of its reader and advertisers.

This year the zlick innovation has been developed further that now enables to buy paid content with zero click in all our channels. Ad-free Delfi has been launched enabling to read ad-free Delfi portal for a monthly fee. Delfi Sport launched a separate mobile application. In digital newspapers the Android application of Eesti Ekspress now also includes an offline option. The family package that includes all Estonian digital newspapers and magazines of our Group enables access from a separate Android application. Android application enables to send the so-called push messages containing images. Launch of Delfi TV Youtube and Facebook channel. Delfi Latvia has transferred all its verticals to the so-called responsive design and has renewed its local news portal atverskapi.lv. Delfi Lithuania was the first local portal in Lithuania to launch an innovative voiceover solution that enables to listen to the news. Ads.txt solution was also taken into use that enables ad buyers to avoid illegitimate sellers that arbitrage inventory and spoof domains.

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

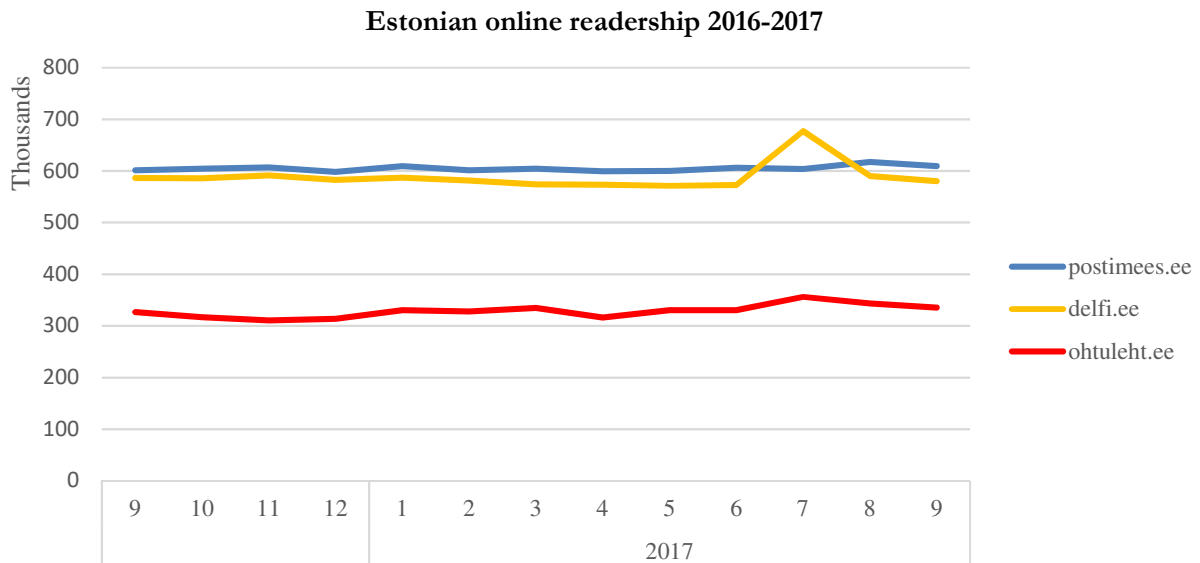
The range and content of vertical products continues to expand. Delfi Estonia launched a new Russian language portal – Polesnoje. An agreement was been concluded to broadcast WTA tennis tournaments in order to show the matches of Anett Kontaveit. Exclusive blog and content cooperation is conducted with Estonian rally driver Ott Tänak. Delfi Latvia has been actively broadcasting Latvia's local elections through various multi-media and video projects. Various projects and sub-sites such as "Latvia 2020" and "200 Years of Latvian Art" were also launched. Delfi Lithuania launched new sub-sites "Delfi Food", "Delfi Travel Guide" and "Delfi Home". The National Basketball Association (NBA) and Delfi Lithuania started a multi-year cooperation project and launched NBA's first official Lithuanian online portal in the Delfi environment

at [www.delfi.lt/nba](http://www.delfi.lt/nba). To fight fake news, a separate disclose portal was set up at [www.demaskuok.lt](http://www.demaskuok.lt) consisting of information that is distributed, but is not true.

In addition to technological and content improvements, we also focus on design. In the third quarter, Delfi Lithuania launched new, more modern and cleaner design for the portal.

Testing of various e-commerce projects and development of classified portals in Latvia and Lithuania continues.

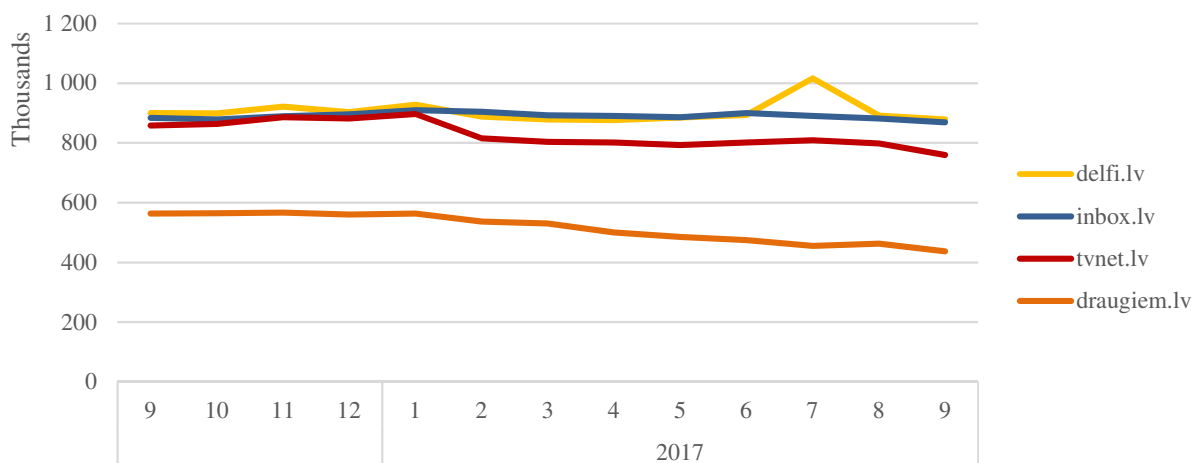
A lot of attention is being paid on socially responsible behaviour and to supporting various charity projects, cultural, sport, social and business events in all Baltic countries.



*Gemius OPA monthly audience survey*

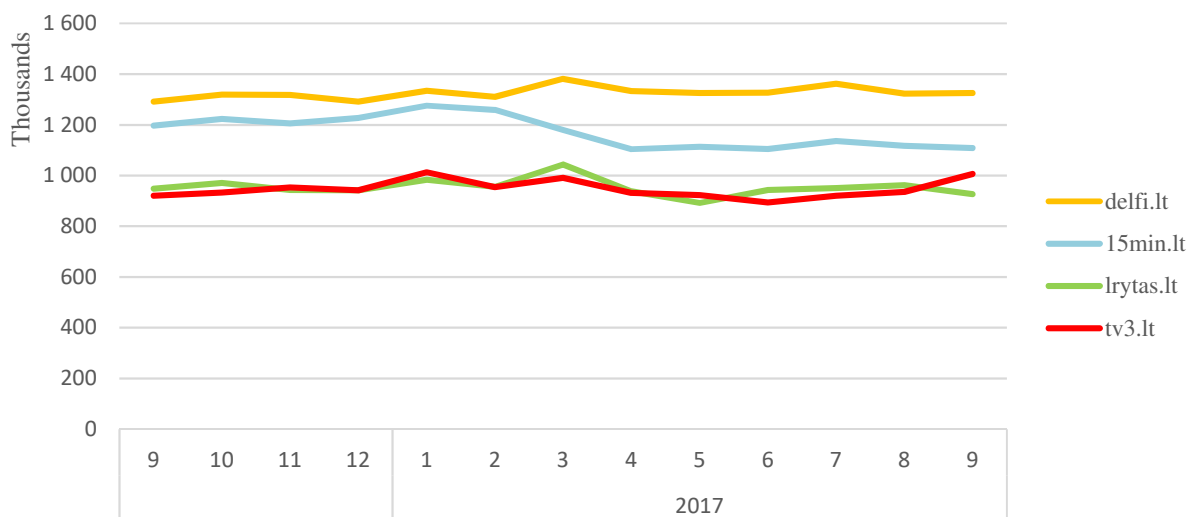
In the third quarter 2016, Gemius changed the methodology of the online readership survey in Estonia, Latvia and Lithuania, as a result of which the readership of mobile devices and tablet PCs was added to the above readership of computer users. Comparable data from Estonia are available from September 2016.

In the measurement period, the readership of Delfi and Postimees has been relatively stable. In the first quarter of 2016, Postimees merged classified portals [www.kv.ee](http://www.kv.ee) and [www.osta.ee](http://www.osta.ee) owned by Eesti Meedia into its [postimees.ee](http://postimees.ee) domain. By adding the number of users of classified portals Postimees achieved a higher number of users than Delfi. Delfi usership increase in July 2017 is technical and does not represent a real growth.

**Latvian online readership 2016-2017**

*Gemius OPA monthly audience survey*

At the beginning of 2016 research company Gemius changed its method of online survey. These figures now show the number of users of Latvian Internet portals in computers, mobile devices and tablet PCs. Delfi remains stable and is the largest new portal in Latvia by online readership. The number of users of Latvian portals has been relatively stable and is similar for all portals. According to the survey commissioned by the Latvian government in the spring 2017, Latvia's most trusted media channel is Delfi.lv that is trusted more than even the state-owned TV station. Tvnet.lv that belongs to Eesti Meedia has lost users and the gap between Delfi.lv is the biggest during last several years. Also Draugiem is losing users at a stable rate. Delfi usership increase in July 2017 is technical and does not represent a real growth.

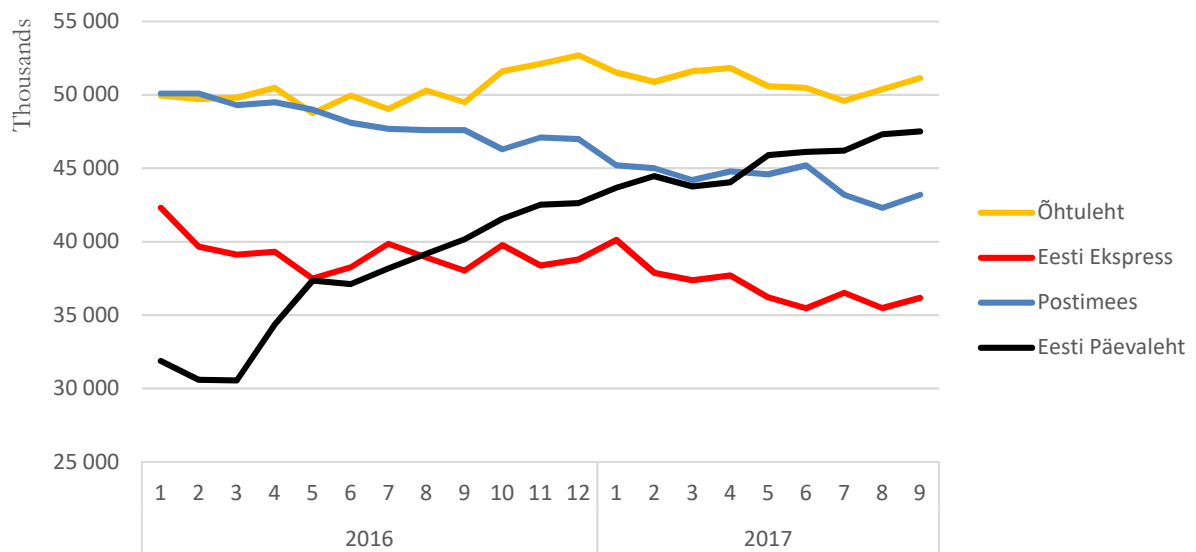
**Lithuanian online readership 2016-2017**

*Gemius OPA monthly audience survey*

At the beginning of 2016 research company Gemius changed its method of online survey. These figures now show the number of users of Lithuanian Internet portals in computers, mobile devices and tablet PCs.

Delfi.lt remains Lithuania's largest online portal. In the third quarter 2016, 15min.lt merged several portals that did not belong to this media group and therefore, the number of users of 15min.lt domain increased in the fourth quarter 2016. This growth does not show the number of users of media services and therefore cannot be regarded as the improvement of the market situation of 15min.lt. In March 2017 the readership of such third portals is no longer considered part of 15min.lt and, as a result, the readership of 15min.lt has decreased notably. Tv3.lt has been growing usership and 15min.lt that belongs to Eesti Meedis has been surrendering users.

## NEWSPAPERS IN ESTONIA



*Estonian Newspaper Association, Ekspress Grupp*

To get a fair picture of the newspaper market, one must look at the circulation of newspapers together with the number of subscribers of digital newspaper. The newspaper with the largest circulation in Estonia is Õhtuleht whose number of users exceeded 51 thousand in September 2017. Päevaleht has about 48 thousand and Eesti Ekspress has 36 thousand users. The number of users of digital newspapers has notably increased in the recent year and exceeds the decrease in the readership of paper newspapers. For Postimees, the data on users of digital newspapers are not available and the graph shows the number of readers of paper newspapers only.

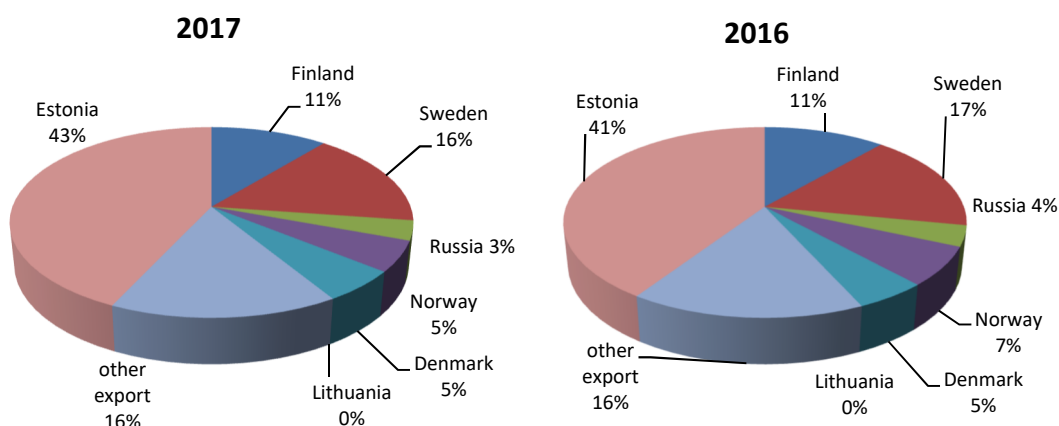
**PRINTING SERVICES SEGMENT**

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

(thousand EUR)	Sales			EBITDA		
	Q3 2017	Q3 2016	Change %	Q3 2017	Q3 2016	Change %
<b>Printall</b>	5 418	5 629	-4%	860	986	-13%

(thousand EUR)	Sales			EBITDA		
	9 months 2017	9 months 2016	Change %	9 months 2017	9 months 2016	Change %
<b>Printall</b>	17 383	18 633	-7%	2 782	3 317	-16%

The printing services segment continues to be impacted by the economic recession which also has a negative impact on our printing plant. The production volume of Printall continues to increase, but the price pressure is still strong due to the production capacity which has become available in Scandinavia as well as the activities of competitors in the Baltic States. A sheet-fed machine acquired two years ago has helped to prevent a steeper revenue decline, and has helped to expand the product range outside the normal media sector. More active sales approach has been taken outside of Nordic countries.

**Geographical break-down of printing services**

## ENVIRONMENTAL PROTECTION

### Environmental management

Among the companies of Ekspress Group, the company with the most significant environmental impact is printing house Printall. In addition to its business efficiency goals, Printall recognises its responsibility for preserving the natural environment and focuses on environmentally responsible production. The company has introduced an environmental policy to ensure that its business and development are sustainable.

The systematic approach of Printall in managing environmental impacts is proven by the following environmental certificates.

- FSC CoC (Chain of Custody) - this product supply chain tracking and compliance certificate is issued to businesses that comply with the FSC (Forest Stewardship Council) requirements. Companies that are granted a FSC certificate support in their operations environmentally friendly, socially fair and economically viable management of the global forest economy.
- PEFC CoC (Chain of Custody) - this product supply chain tracking and compliance certificate is issued to businesses that comply with PEFC (Programme for the endorsement of Forest Certification) requirements. Companies that are granted the PEFC certificate support through their operations environmentally friendly, socially fair and sustainable forest management.
- ISO 14001: 2015 - international environmental management standard.
- ISO 9001: 2015 - international quality management standard.
- Nordic Ecolabel - In 2010, Printall was awarded "The Nordic Ecolabel" as proof that Printall's manufacturing process and printing products meet the criteria of the environmental label. This means that Printall has the right to label all its print products with a European-wide environmental label as proof that it is an environmentally friendly printed matter.
- Green Choice certification confirms that Printall procures electricity generated by using 100% renewable energy sources.

In compliance with the requirements of the ISO 14001 environmental management system standard, the Company has described its environmental procedures and practices, and job responsibilities. The management system will help to ensure that its environmental policies and rules are sound and trackable.

### Developments and investments for reducing environmental impact

Printall has invested in high-end printing technology, and constantly develops and enhances its equipment and technology to meet increasingly tougher environmental standards.

The main environmental impacts in the printing industry are reflected in use of resources, including consumption of energy and water and waste generation. In order to ensure the efficiency and reduce the environmental impact, Printall has implemented the following developments:

- For increasing production reliability and efficiency the company replaced printing plates last year. The investment helps to make workflow more resource-efficient and manages disruption risks.
- As a significant improvement in reducing the environmental impact of its operations, the company replaced the entire lighting system in its production floors. The use of lamps with lower power consumption increased light intensity, improved the work environment and achieved more efficient energy consumption.
- For increasing the efficiency of water consumption and for reuse of washing water the company built a new water purification system which enables to use washing water in production. The new system was launched in the first quarter of 2017.
- With the investments in the control of the ventilation system, gas consumption was reduced (8% less per thousand sheets printed in magazine print).
- In cooperation with Ajakirjade Kirjastus, new solutions were developed for the introduction of environmentally friendly materials. It was decided to end varnishing of magazine covers, which makes recycling of magazines much easier. In addition, the activity has given a positive momentum to the entire market, and created a new pattern of behaviour that is showing the way also for other publishers.

- In a complex printing process, the company focuses not only on transition to more environmentally friendly materials, but also on minimising hazardous waste.
- To save energy costs, the production aspiration system has been rebuilt to use variable speed drive for transmission.

**Procurement activities**

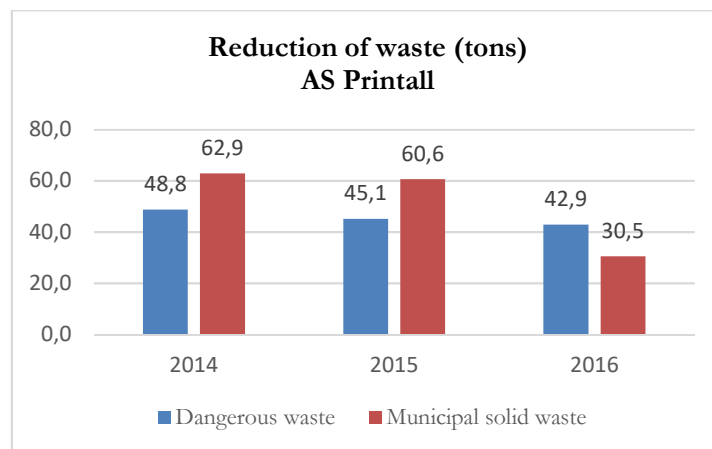
In Printall, procured materials account for almost all volume of procured goods. The Company uses annually almost 90 suppliers, including distributors and manufacturers. Local suppliers account for 7%. Raw material suppliers are selected on the basis of Printall's environmental principles and in the transport of raw materials it prefers environmentally greener shipping to trucking.

**Waste reduction and recycling of materials**

Being aware that its production process generates significant amount of waste, Printall pays great attention to waste reduction. For printing, the company mainly uses the most environmentally friendly raw materials. Without exception, all magazines produced in Printall are printed on FSC and PEFC certified paper. The company uses 95% of paper waste that is collected by recycling organisations.

For reducing waste, the Company's employees are trained to sort waste. Over the past three years the Company has upgraded its system of containers that is location-based according to where the waste is generated. Due to the more effective sorting of waste and more precise mapping of paper dust, the annual waste volume has been reduced year after year.

Estonian Minister of Environment and waste management company AS Ragn-Sells have recognised Printall with the Major Recycler of the Year Award since the company recycles 95% of the waste that it generates.





## **EMPLOYEES AND WORK ENVIRONMENT**

### **Ekspress Group as an employer**

As a good and caring employer, Ekspress Group is taking action to provide its employees with a motivating environment, exciting work, development opportunities and balance between work and private life. Group companies need employees who are professional, result-oriented and follow ethical standards in the media sector, because this is how you can provide the most modern and high-quality media service.

The Group's focus on sustainability of business activities includes long-term personnel planning, retention of existing employees and ensuring competent succession.

### **Creating a motivating work environment**

The common objective of the companies of Ekspress Group is to offer their employees a developing and inspiring work environment.

In view of the rapid development of technology, the Group emphasises the importance of development and offers employees opportunities for personal fulfilment and a sense of perspective. Versatile and flexible workflow allows employees to get involved in various work areas. At the same time work in a media organisation is hectic and requires considerable stress-resistance from the staff. With its focus on results and balance between work and private life, Ekspress Group considers it important to prevent possible workload-related problems by providing flexible work time, and allows employees to take a leave also outside the agreed schedule or work from home.

For ensuring a safe, comfortable and result-oriented work environment, the Company pays attention to the ergonomics of office equipment and invests in modern tools and methods.

Ekspress Group pays close attention to the safety of the work environment. All employees of printing company Printall receive training in occupational safety. Each department and shift has selected job safety representatives and the company's workplaces are equipped with materials' safety cards, protective equipment, safety signage, emergency response plan, etc. Other Group companies are also constantly involved in occupational safety and improving the work environment.

To maintain the balance between work and private life and family values, Group companies organise employee events (summer days, Christmas parties, etc.) so that the staff can also spend time together outside the office environment. Attention is also paid to employees' children for whom an annual Christmas party is organised. Employees are also supported in family events (wedding, death of a relative, childbirth allowance, granting parents of a first grader a free day on September 1).

### **Filling of vacancies and succession**

The hiring process is open and transparent. For promoting in-house succession, the Company informs employees about vacancies prior to the public announcement of the competition. Both in case of in-house and public hiring process, candidates are selected based on their professional competence, values, personal qualities, fit into the Company's culture and motivation. The Company treats all candidates fairly, honestly and courteously.

To ensure that orientation of new employees is smooth and efficient, the Company assigns a supervisor to support and teach the new employee, if necessary.

Ekspress Group wants ethical journalism traineeship to be sustainable and efficient also in the future. To ensure succession, the Company focuses on attracting the interest of young people towards a career in the media sector and has initiated various activities in Estonia, Latvia and Lithuania.

## **Development and acknowledgment of employees**

For supplementing and developing knowledge of employees, Ekspress Group has developed and introduced a variety of study and training concepts. For supporting the development of managers and raising their competence, Ekspress Meedia has, among others, launched a strategic management development programme. The training model consisting of four modules is also a platform that helps to harmonise the quality of management, and introduce common governance after mergers.

Ekspress Group wishes to keep its employees informed about the best practices in the media sector. To this aim, the Company organises study tours for its media sector employees to foreign media organisations. For knowledge-building, employees have visited the largest media organisations in Scandinavia, England and Europe. Ekspress Group also enables the employees of its publications to participate in international training programs for journalists.

In the third quarter 2017, a virtual educational training scholarship named after Hans H Luik was created in the Group with the aim of providing all Group employees with an opportunity to develop their professional skills. Our scholarship programme was born out of our desire to help group employees to find motivation outside work to develop their professional skills, learn and thus create a strong foundation to do well and feel satisfied.

Internal training courses where training is provided by own staff have become routine. Special knowledge-sharing evening events occur regularly, the objective of which is to share experience and knowledge that employees have accumulated from conferences abroad, seminars and study tours. For instance, Delfi Latvia has within the internal training framework prepared its own Journalism Quality Book Manual as a valuable guide material and basis for conducting tests in editorial teams. In Printall qualifying system is in place according to which a new employee starts as a trainee in printing and after gaining experience and obtaining enough knowledge will move up and can obtain Master status.

In addition to training and continuing education programs, the company's personnel development programme includes a system of annual appraisals in which the manager and the employee once a year assess the attainment of personal goals and set new development targets. In addition to creating development prospects for the personnel, the company also motivates employees in all three markets through internal recognition. The criteria for recognition of the best employees are the impact of their reporting on the society and changes for the better.

## SOCIAL ACTIVITIES

### Community relations and collaboration with educational institutions

Ekspress Group contributes to initiatives that create positive long-term value, in addition to its day-to-day work characterised as watchful, accurate, balanced, reasonable, varied, and inclusive. The priority in collaborative CSR projects is to make sure that they represent the interests and values of as many target groups as possible. The main areas supported in the three markets are the promotion of sports and culture and support of youth development.

- Ekspress Meedia has for three years been actively involved in the Opinion Festival, where the organisation's managers and editors have the opportunity to be in direct contact with the audience and discuss the most acute current issues in the society.
- In 2016 Eesti Päävaleht and Delfi started cooperation with the civic initiative Teomeeter set up at the Healthy Estonia Foundation.
- Delfi Lithuania and government agencies are managing the largest environmental website Grynas that is aimed at raising people's awareness of environmental issues. The project has been running for two years and clearly shows positive changes in people's behaviour patterns.

For ensuring that the succession is competent, responsible and has the right values, the company contributes to the development of young people with the following activities.

- Ekspress Group has taken the initiative in cooperation with educational institutions aimed at raising awareness of young people of media-related career choices and challenges. For diversification of teaching the Company's leaders are holding lectures at schools. Cooperation with educational institution in Estonia, Latvia and Lithuania is close.
- In the autumn of 2016, Ekspress Meedia and 16 schools launched a project of school newspapers. The idea behind the initiative is that for every school the editorial department offers a journalist who visits the school to give advice and guidance on how to make high-quality newspapers.
- Ekspress Meedia takes an active part in the Back to School project in the course of which students are visited in various schools all over Estonia to tell them about the journalist's profession and educating and inspiring young people.
- Each year, Ekspress Group receives student groups in all three countries with the aim of introducing the activities, policies and challenges of its affiliates.
- The involvement of summer trainees and participation in the job-shadowing project have become traditionally powerful activities.
- The annual project of Ekspress Group's Newspaper Boys and Girls has been well accepted by the public and it has become a popular way of acquiring work experience. The project aims to promote an entrepreneurial spirit among children and give them a real work habit.
- Printall provides regular trainee programme for students studying printing technology.

## SHARES AND SHAREHOLDERS OF EKSPRESS GRUPP

As of 30.09.2017, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share. The share capital and the total number of shares have remained unchanged since 31.12.2011.

All shares are of one type and there are no ownership restrictions. The company does not have any shares granting specific controlling rights and the company lacks information about agreements dealing with the restrictions on voting rights of shareholders. The articles of association of the public limited company set no restrictions on the transfer of the shares of the public limited company. The agreements 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.

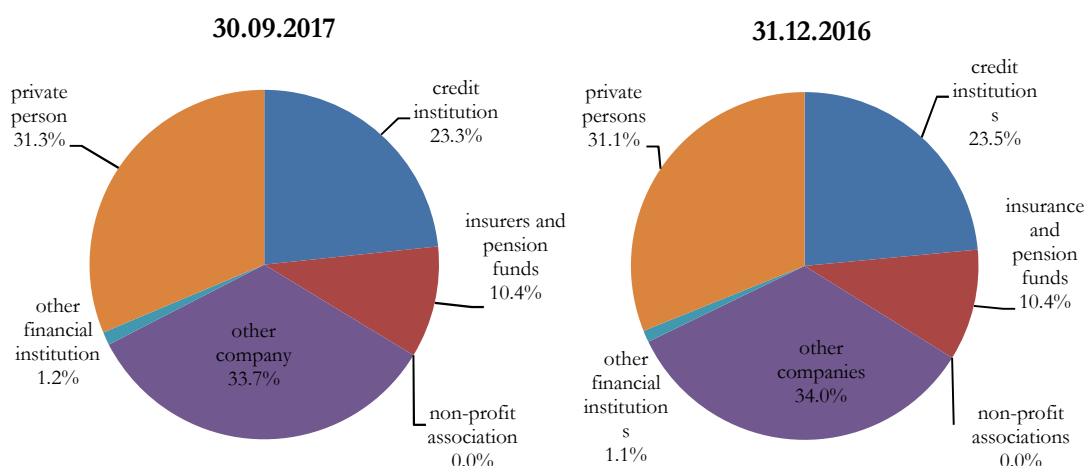
### Structure of shareholders as of 30.09.2017 according to the Estonian Central Register of Securities

Name	Number of shares	%
Hans Luik	17 257 932	57.92%
Hans Luik	7 963 307	26.73%
Hans Luik, OÜ HHL Rühm	9 287 725	31.17%
Hans Luik, OÜ Minigert	6 900	0.02%
ING Luxembourg S.A.	4 002 052	13.43%
LHV Bank and funds managed by LHV Varahaldus	2 551 908	8.56%
SEB S.A. CLIENT ASSETS UCITS	1 273 394	4.27%
Members of the Management and Supervisory Boards and their close relatives	1 900	0.01%
Pirje Raidma, OÜ Aniston Trade	1 900	0.01%
Other minority shareholders	4 692 128	15.75%
Treasury shares	17 527	0.06%
<b>Total</b>	<b>29 796 841</b>	<b>100.0%</b>

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

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

Category	30.09.2017		31.12.2016	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	2 686	9 338 115	2 731	9 268 573
Other companies	219	10 050 573	231	10 119 455
Other financial institutions	50	368 834	44	318 078
Credit institutions	14	6 954 473	14	7 005 889
Insurance and retirement funds	7	3 084 427	10	3 084 427
Non-profit organisations	2	419	2	419
<b>TOTAL</b>	<b>2 978</b>	<b>29 796 841</b>	<b>3 032</b>	<b>29 796 841</b>

**AS Ekspress Grupp share information and dividend policy****Share information**

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

Payment of **dividends** is decided annually and it depends on the Group's results of operations, fulfilment of conditions laid down in the syndicated loan contract and potential investment needs. The company expects to continue with regular dividend payments to its investors.

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

The table below shows the stock trading history 2013-2017

Price (EUR)	9 months 2017	9 months 2016	9 months 2015	9 months 2014	9 months 2013
Opening price	1.32	1.35	1.15	1.12	1.06
Closing price	1.33	1.34	1.25	1.00	1.19
High	1.37	1.37	1.47	1.13	1.22
Low	1.26	1.18	1.07	0.79	1.03
Average	1.32	1.27	1.28	1.03	1.12
Traded shares, pieces	352 658	636 487	549 143	1 076 879	1 198 856
Sales, millions	0.47	0.81	0.70	1.11	1.34
Capitalisation at balance sheet date in millions euros	39.61	39.93	39.33	29.80	35.46

The price of the share of Ekspress Group (EEG1T) in euros and the trading statistics on OMX Tallinn Stock Exchange from 1 January 2012 until 30 September 2017.



The share price comparison (%) with OMX Tallinn Stock Exchange index from 1 January 2012 – 30 September 2017.



## **SUPERVISORY AND MANAGEMENT BOARDS OF AS EKSPRESS GRUPP**

From 1 January 2017, the **Supervisory Board** has seven members.

### **Gunnar Kobin (appointed until 01.01.2022)**

- Chairman of the Supervisory Board and member of the Audit Committee since 2017
- Chairman of the Management Board of AS Ekspress Grupp since 2009 until 31 December 2016
- The board member of the companies Griffen Management OÜ, Griffen Invest OÜ, Jolanthe OÜ, Griffen Holding OÜ and Feedback wizards

### **Hans H. Luik (appointed until 20.05.2019)**

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

### **Harri Helmer Roschier (appointed until 20.05.2019) – independent Supervisory Board member**

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

### **Indrek Kasela (appointed until 20.05.2019) - independent supervisory board member**

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

### **Marek Kiisa (appointed until 26.10.2021) – independent supervisory board member**

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

### **Peeter Saks (appointed until 26.10.2021) – independent supervisory board member**

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

### **Aleksandras Česnavičius (appointed until 26.10.2021)**

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

### **Management Board**

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

#### **Mari-Liis Rüütsalu**

- Chairman of the Management Board and Chief Executive Officer of the Group since 2017
- 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



#### **Andre Veskimeister**

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



#### **Pirje Raidma**

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





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

(thousand EUR)	30.09.2017	31.12.2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1 355	2 805
Term deposits	36	51
Trade and other receivables	8 506	7 468
Corporate income tax prepayment	207	0
Inventories	1 862	2 770
<b>Total current assets</b>	<b>12 966</b>	<b>13 094</b>
<b>Non-current assets</b>		
Trade and other receivables	993	982
Deferred tax asset	34	34
Investments in joint ventures	2 667	2 435
Investments in associates	578	591
Property, plant and equipment (Note 5)	12 044	12 722
Intangible assets (Note 5)	44 485	44 310
<b>Total non-current assets</b>	<b>60 801</b>	<b>61 074</b>
<b>TOTAL ASSETS</b>	<b>73 767</b>	<b>74 168</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings (Note 7)	449	2 313
Trade and other payables	6 286	7 170
Corporate income tax payable	160	108
<b>Total current liabilities</b>	<b>6 895</b>	<b>9 591</b>
<b>Non-current liabilities</b>		
Long-term borrowings (Note 7)	15 109	13 471
Deferred tax liability	33	33
<b>Total non-current liabilities</b>	<b>15 142</b>	<b>13 504</b>
<b>TOTAL LIABILITIES</b>	<b>22 037</b>	<b>23 095</b>
<b>EQUITY</b>		
Share capital (Note 11)	17 878	17 878
Share premium	14 277	14 277
Treasury shares (Note 11)	(22)	(863)
Reserves (Note 11)	1 531	2 058
Retained earnings	18 066	17 723
<b>TOTAL EQUITY</b>	<b>51 730</b>	<b>51 073</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>73 767</b>	<b>74 168</b>

The Notes presented on pages 37-50 form an integral part of the consolidated interim report.

**Consolidated statement of comprehensive income (unaudited)**

(thousand EUR)	Q3 2017	Q3 2016	9 months 2017	9 months 2016
Sales revenue	12 723	12 205	39 054	38 581
Cost of sales	(10 168)	(9 812)	(30 968)	(30 959)
<b>Gross profit</b>	<b>2 555</b>	<b>2 393</b>	<b>8 086</b>	<b>7 622</b>
Other income	269	270	717	505
Marketing expenses	(563)	(517)	(2 077)	(1 717)
Administrative expenses	(1 275)	(1 262)	(4 037)	(3 911)
Other expenses	(12)	(17)	(54)	(60)
<b>Operating profit</b>	<b>974</b>	<b>867</b>	<b>2 635</b>	<b>2 439</b>
Interest income	23	6	137	25
Interest expense	(95)	(117)	(303)	(357)
Other finance costs	(19)	(17)	(52)	(49)
<b>Net finance cost</b>	<b>(91)</b>	<b>(128)</b>	<b>(218)</b>	<b>(381)</b>
Profit on shares of joint ventures	22	206	232	562
Profit/(loss) from shares of associates	(28)	25	(51)	41
<b>Profit before income tax</b>	<b>877</b>	<b>970</b>	<b>2 598</b>	<b>2 661</b>
Income tax expense	(64)	(68)	(154)	(123)
<b>Net profit for the reporting period</b>	<b>813</b>	<b>902</b>	<b>2 444</b>	<b>2 538</b>
<b>Net profit for the reporting period attributable to:</b>				
Equity holders of the parent company	813	902	2 444	2 538
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>813</b>	<b>902</b>	<b>2 444</b>	<b>2 538</b>
Attributable to equity holders of the parent company	813	902	2 444	2 538
Basic and diluted earnings per share (Note 9)	0.03	0.03	0.08	0.09

The Notes presented on pages 37-50 form an integral part of the consolidated interim report.

**Consolidated statement of changes in equity (unaudited)**

(thousand EUR)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total equity
<b>Balance on 31.12.2015</b>	<b>17 878</b>	<b>14 277</b>	<b>(176)</b>	<b>1 787</b>	<b>14 908</b>	<b>48 674</b>
Increase of statutory reserve capital	0	0	0	135	(135)	0
Purchase of treasury shares	0	0	(687)	0	0	(687)
Share option	0	0	0	102	0	102
Paid dividends	0	0	0	0	(1 456)	(1 456)
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>(687)</i>	<i>237</i>	<i>(1 591)</i>	<i>(2 075)</i>
Net profit for the reporting period	0	0	0	0	2 538	2 538
<i>Total comprehensive income for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2 538</i>	<i>2 538</i>
<b>Balance on 30.09.2016</b>	<b>17 878</b>	<b>14 277</b>	<b>(863)</b>	<b>2 024</b>	<b>15 855</b>	<b>49 171</b>
<b>Balance on 31.12.2016</b>	<b>17 878</b>	<b>14 277</b>	<b>(863)</b>	<b>2 058</b>	<b>17 723</b>	<b>51 073</b>
Increase of statutory reserve capital	0	0	0	220	(220)	0
Share option	0	0	841	(747)	(94)	0
Paid dividends	0	0	0	0	(1 787)	(1 787)
<i>Total transactions with owners</i>	<i>0</i>	<i>0</i>	<i>841</i>	<i>(527)</i>	<i>(2 101)</i>	<i>(1 787)</i>
Net profit for the reporting period	0	0	0	0	2 444	2 444
<i>Total comprehensive income for the reporting period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2 444</i>	<i>2 444</i>
<b>Balance on 30.09.2017</b>	<b>17 878</b>	<b>14 277</b>	<b>(22)</b>	<b>1 531</b>	<b>18 066</b>	<b>51 730</b>

The Notes presented on pages 37-50 form an integral part of the consolidated interim report.

**Consolidated cash flow statement (unaudited)**

(thousand EUR)	9 months 2017	9 months 2016
<b>Cash flows from operating activities</b>		
Operating profit for the reporting year	2 635	2 439
<u>Adjustments for:</u>		
Depreciation, amortisation and impairment (Note 5)	2 036	2 180
(Gain)/loss on sale and write-down of property, plant and equipment	(4)	(25)
Change in value of share option (Note 10)	0	102
<b>Cash flows from operating activities:</b>		
Trade and other receivables	20	(319)
Inventories	(92)	267
Trade and other payables	(936)	(496)
<b>Cash generated from operations</b>	<b>3 649</b>	<b>4 148</b>
Income tax paid	(309)	(231)
Interest paid	(303)	(357)
<b>Net cash generated from operating activities</b>	<b>3 047</b>	<b>3 560</b>
<b>Cash flows from investing activities</b>		
Interest received	144	25
Purchase of subsidiary	(390)	0
Purchase of joint venture	0	(868)
Purchase of associate	(74)	(311)
Purchase of other investments	(35)	0
Purchase of property, plant and equipment (Note 5)	(1 185)	(866)
Proceeds from sale of property, plant and equipment	14	31
Loans granted	(2 079)	(25)
Loan repayments received	1 053	12
<b>Net cash used in investing activities</b>	<b>(2 552)</b>	<b>(2 002)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(1 787)	(1 456)
Dividends received	56	246
Change in overdraft	376	0
Finance lease payments made	(52)	(52)
Loan received (Note 7)	0	11
Repayments of bank loans (Note 7)	(552)	(1 634)
Purchase of treasury shares (Note 11)	0	(687)
<b>Net cash used in financing activities</b>	<b>(1 960)</b>	<b>(3 572)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1 465)</b>	<b>(2 014)</b>
Cash and cash equivalents at the beginning of the year	2 856	2 927
Cash and cash equivalents at the end of the year	1 391	913

The Notes presented on pages 37-50 form an integral part of the consolidated interim report.

## SELECTED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries include online media, publishing of newspapers, magazines and books, and provision of printing services.

AS Ekspress Grupp (registration number 10004677, address: Parda 6, 10151 Tallinn) is a holding company registered and operating in the Republic of Estonia. The Group consists of the subsidiaries, joint ventures and associates listed below.

These interim financial statements were approved and signed by the Management Board on 31 October 2017.

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

Company name	Status	Owner ship interest 30.09. 2017	Owner ship interest 31.12. 2016	Main field of activity	Domicile
<b>Operating segment: corporate functions</b>					
Ekspress Grupp AS	Parent comp.			Holding company and support services	Estonia
Ekspress Digital OÜ	Subsidiary	100%	100%	Provision of IT services	Estonia
Ekspress Finance OÜ	Subsidiary	100%	100%	Provision of financing for the Group	Estonia
<b>Operating segment: media (online and print media)</b>					
Ekspress Meedia AS (former Delfi AS)	Subsidiary	100%	100%	Online media, publishing of daily and weekly newspapers	Estonia
Delfi A/S	Subsidiary	100%	100%	Online media	Latvia
ACM LV SIA	Subsidiary	100%	-	Sale of outdoor advertising (acquired in July 2017)	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media and newspaper publishing	Lithuania
Sport Media UAB	Subsidiary	51%	51%	Currently dormant	Lithuania
Medipreza UAB	Associate	40%	40%	Wholesale of magazines and books	Lithuania
Delfi Holding SIA	Subsidiary	100%	100%	Holding company (previously parent company to Delfi companies in different countries)	Latvia
Zave Media OÜ	Subsidiary	100%	100%	Developer of sales offers portals throughout Baltics (operations moved to Delfi local companies)	Estonia
Hea Lugu OÜ	Subsidiary	100%	100%	Book publishing	Estonia
Ajakirjade Kirjastus AS	Joint venture	50%	50%	Magazine publishing	Estonia
SL Õhtuleht AS	Joint venture	50%	50%	Newspaper publishing	Estonia
Express Post AS	Joint venture	50%	50%	Home delivery of periodicals	Estonia
Linna Ekraanid OÜ	Joint venture	50%	50%	Sale of digital outdoor advertising (acquired in July 2016)	Estonia
Babahh Media OÜ	Associate	49%	49%	Sale of video production, media and infrastructure solutions (acquired in September 2016)	Estonia
Babahh Productions OÜ	Associate	49%	49%	Video production (being merged with parent company Babahh Media OÜ)	Estonia
Adnet Media UAB	Associate	49%	49%	Online advertising solutions and network	Lithuania
Adnet Media OÜ	Associate	49%	49%	Online advertising solutions and network	Estonia
Adnet Media SIA	Associate	49%	49%	Online advertising solutions and network	Latvia
Kinnisvarakeskkond OÜ	Associate	49%	-	Development of real estate portal (founded in August 2017)	Estonia
<b>Operating segment: printing services</b>					
Printall AS	Subsidiary	100%	100%	Printing services	Estonia
<b>Operating segment: entertainment</b>					
Delfi Entertainment SIA	Subsidiary	100%	100%	Arrangement of exhibitions (currently dormant)	Latvia

## Note 2. Bases of preparation

The consolidated interim financial statements of AS Ekspress Grupp for the 3<sup>rd</sup> quarter ended on 30.09.2017 and first nine months of the have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The condensed interim consolidated financial statements should be read together to the annual report for the financial year ended 31 December 2016.

The Management Board estimates that the interim consolidated financial statements for the first nine months of 2017 present a true and fair view of the Group’s operating results, and all group companies are going concerns. These interim financial statements have neither been audited nor reviewed in any other way by auditors. These consolidated interim financial statements are presented in thousands of euros, unless otherwise indicated.

Starting from 1 January 2017, several new standards, amendments to standards and interpretations were entered into force which became mandatory for the Group but none of which have an impact on the Group’s interim financial statements.

## Note 3. Financial risk management

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

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

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

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

### Credit risk

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

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

Bank name	Moody’s	Standard & Poor’s	30.09.2017	31.12.2016
SEB	Aa3	A+	291	2 153
Swedbank	Aa3	AA-	688	330
Nordea/Danske	Aa3/A2	AA-/A	403	359
<b>Total</b>			<b>1 382</b>	<b>2 842</b>

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

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

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

### **Liquidity risk**

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

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

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

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

### **Interest rate risk**

Interest rate risk means that a change in interest rates results in a change in the cash flow and profit of the Group. The interest rates of loans granted and taken by the Group are all tied to Euribor.

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

Type of interest	Interest rate	30.09.2017 (thousand EUR)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	3-month Euribor + 2.15%	Syndicated loan ( <i>Parent Company</i> )	0	9 067	9 067
	3-month Euribor + 2.15%	Syndicated loan ( <i>Printall</i> )	0	5 827	5 827
	1-month Euribor + 2.3%	Finance lease ( <i>Printall</i> )	73	215	288
	1-month Euribor + 1.9%	Overdraft	376	0	376

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

### 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 the first half-year of 2017, such foreign exchange risk was on a level of ca 2% of Group's revenue (in H1 2016: ca 4.8%). 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 30.09.2017, the had foreign currency risk related to the Swedish krona in the amount of EUR 48 thousand and other currencies (NOK, USD) in the amount of EUR 131 thousand. As of 31.12.2016, the Group had foreign currency risk related to the Swedish krona in the amount of EUR 141 thousand and other currencies (NOK, USD, RUB) in the amount of EUR 96 thousand.

### Price risk

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

### Operational risk

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

The involvement of employees in the risk assessment process improves the general risk culture. For performing transactions different limits are used to minimise possible losses. The four-eye principle in use, under which the confirmation of at least two employees independent of each other or that of a unit is necessary for the performance of a transaction or a procedure, reduces the possible occurrence of human errors and mistakes. The four-eye principle is also applied during negotiations related to purchase and sales as well as other transactions. Drafts of important agreements prepared by law offices are reviewed by the management and in-house lawyers. The management considers the legal protection of the Group to be good.



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

### Capital risk

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

According to the common industry practice, the Group uses the debt to capital ratio to monitor its capital. The debt to capital ratio is calculated as the ratio of net debt to total capital. Net debt is calculated by deducting cash and bank accounts from total debt (short and long-term interest bearing liabilities recognised in the consolidated balance sheet). Total capital is recognised as the aggregate of equity and net debt. The ratio of equity to total assets (one of criteria measured quarterly according to the syndicated loan contract) is also monitored. As of the balance sheet date, the equity ratio of the Group has been in compliance with conditions set in the syndicate loan contract.

### Equity ratios of the Group

(thousand EUR)	30.09.2017	31.12.2016
Interest-bearing debt	15 558	15 784
Cash and bank accounts	1 391	2 856
Net debt	14 167	12 928
Equity	51 730	51 073
Total capital	65 897	64 001
<b>Debt to capital ratio</b>	<b>21%</b>	<b>20%</b>
Total assets	73 767	74 168
<b>Equity ratio</b>	<b>70%</b>	<b>69%</b>

### Note 4. Business combinations

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

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

In August 2017, a new associate OÜ Kinnisvarakeskond was established with the 49% ownership interest, whose main activity is a development of a real estate portal. A contribution to share capital was made and a loan was granted to launch the business operations in the amount of EUR 130 thousand.

AS Ekspress Grupp has submitted a notice to the Lithuanian Competition Council in order to acquire 100% of the shares of UAB Adnet Media. Since 2014 the Group holds 49% of ownership in UAB Adnet Media.

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

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

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

(thousand EUR)	ACM LV SIA (100%)		Linna Ekraanid OÜ (50%)		Babahh Media OÜ (49%)	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Net assets	85	85	66	66	26	26
Intangible assets	0	0	131	0	0	0
<b>Total identifiable assets</b>	<b>85</b>	<b>85</b>	<b>197</b>	<b>66</b>	<b>26</b>	<b>26</b>
<b>Goodwill</b>	<b>305</b>		<b>671</b>		<b>285</b>	
Cost of ownership interest	390		868		311	
Paid for ownership interest in cash	390		868		311	
Cash and cash equivalents in acquired entity	12		6		19	
<b>Total cash effect on the Group</b>	<b>(378)</b>		<b>(862)</b>		<b>(292)</b>	

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

(thousand EUR)	Property, plant and equipment		Intangible assets	
	9 months 2017	9 months 2016	9 months 2017	9 months 2016
<b>Balance at beginning of the period</b>				
Cost	33 166	32 542	64 329	63 834
Accumulated depreciation and amortisation	(20 446)	(18 752)	(20 018)	(19 244)
<b>Carrying amount</b>	<b>12 722</b>	<b>13 791</b>	<b>44 310</b>	<b>44 590</b>
Acquisitions and improvements	894	910	291	301
Acquired through business combinations	64	0	305	0
Disposals (at carrying amount)	(10)	(5)	0	0
Write-offs and write-downs of PPE	(10)	(1)	0	0
Depreciation and amortisation	(1 616)	(1 536)	(420)	(644)
<b>Balance at end of the period</b>				
Cost	33 560	33 279	64 924	64 136
Accumulated depreciation and amortisation	(21 516)	(20 120)	(20 438)	(19 888)
<b>Carrying amount</b>	<b>12 044</b>	<b>13 159</b>	<b>44 485</b>	<b>44 248</b>

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

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

(in thousands)	EUR	
	30.09.2017	31.12.2016
Goodwill	37 258	36 953
Trademarks	6 320	6 505
Other intangible assets	907	852
<b>Total intangible assets</b>	<b>44 485</b>	<b>44 310</b>

**Goodwill by cash-generating units and segments**

(in thousands)	EUR	
	30.09.2017	31.12.2016
Delfi Estonia	15 281	15 281
Delfi Latvia	7 312	7 007
Delfi Lithuania	12 848	12 848
Maaleht	1 816	1 816
<b>Total goodwill</b>	<b>37 258</b>	<b>36 953</b>

**Note 7. Bank loans and borrowings**

(thousand EUR)	Total amount	Repayment term	
		Up to 1 year	During 1-5 years
<b>Balance as of 30.09.2017</b>			
Overdraft	376	376	0
Long-term bank loans	14 894	0	14 894
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	9 067	0	9 067
<i>incl. syndicated and mortgage loan (AS Printall)</i>	5 827	0	5 827
Finance lease	288	73	215
<b>Total</b>	<b>15 558</b>	<b>449</b>	<b>15 109</b>
<b>Balance as of 31.12.2016</b>			
Long-term bank loans	15 446	2 243	13 203
<i>incl. syndicated loan (AS Ekspress Grupp)</i>	9 448	1 546	7 902
<i>incl. syndicated and mortgage loan (AS Printall)</i>	5 998	697	5 301
Finance lease	338	70	268
<b>Total</b>	<b>15 784</b>	<b>2 313</b>	<b>13 471</b>

The effective interest rates are very close to the nominal interest rates. The fair value of the loan liabilities is close to its book value as the interest rate is floating and related to Euribor and the margin has been negotiated based on market terms. The loan liabilities are within level 3 of the fair value hierarchy.

**Long term bank loan**

In April 2017, an amendment to the syndicated loan agreement was signed with AS SEB Pank, terminating the monthly loan payments and the loan shall be paid back in a lump sum in October 2020. Previously, the loan was repaid as monthly annuity payments. The interest rate on the loan is 3-month EURIBOR (capped to zero if in minus) plus a margin.

The syndicated loan is still guaranteed by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 17 million, the commercial pledge on the assets of AS Printall in the amount of EUR 19 million, the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is included within the net assets of the Group. In addition, a mortgage has been set on the registered immovable and production facilities of AS Printall. As of 30.09.2017, the carrying amount of the building was EUR 3.1 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 30.09.2017, the total debt/EBITDA ratio was 1.98.

**Overdraft facilities**

As of 30.09.2017, the Group had entered into entered into a long-term overdraft facility with SEB Bank in the amount of EUR 3 million with the due date of 25.10.2020 of which EUR 376 thousand had been used by the balance sheet date. No overdraft had been used by the balance sheet date of 31.12.2016.

## Note 8. Segment reporting

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

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

This segment includes subsidiaries AS Ekspress Meedia (former AS Delfi and AS Eesti Ajalehed in Estonia), AS Delfi (Latvia), UAB Delfi (Lithuania), Delfi Holding SIA (Latvia), OÜ Hea Lugu (Estonia), OÜ Zave Media (Estonia) and ACMLV SIA (Latvia).

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

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

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

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

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

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

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

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

Q3 2017 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
<b>Sales to external customers (subsidiaries)</b>	<b>7 999</b>	<b>4 985</b>	<b>0</b>	<b>100</b>	<b>(361)</b>	<b>12 723</b>
Effect of joint ventures	2 602	(247)	0	(46)	(18)	2 291
Inter-segment sales	0	680	0	579	(1 259)	0
<i>Total segment sales, incl. joint ventures</i>	10 601	5 418	0	633	(1 638)	15 014
<b>EBITDA (subsidiaries)</b>	<b>1 019</b>	<b>860</b>	<b>0</b>	<b>(226)</b>	<b>0</b>	<b>1 653</b>
<b>EBITDA margin (subsidiaries)</b>	<b>13%</b>	<b>16%</b>	<b>-</b>			<b>13%</b>
<i>EBITDA incl. joint ventures</i>	1 142	860	0	(226)	0	1 775
<i>EBITDA margin incl. joint ventures</i>	11%	16%	-			12%
Depreciation (subsidiaries) (Note 5)						699
Operating profit (subsidiaries)						974
Investments (subsidiaries) (Note 5)						371

9 months 2017 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
<b>Sales to external customers (subsidiaries)</b>	<b>24 048</b>	<b>15 901</b>	<b>0</b>	<b>265</b>	<b>(1 159)</b>	<b>39 054</b>
Effect of joint ventures	7 989	(768)	0	(126)	(57)	7 039
Inter-segment sales	1	2 250	0	1 660	(3 911)	0
<i>Total segment sales, incl. joint ventures</i>	32 037	17 383	0	1 799	(5 126)	46 093
<b>EBITDA (subsidiaries)</b>	<b>2 562</b>	<b>2 782</b>	<b>0</b>	<b>(672)</b>	<b>0</b>	<b>4 671</b>
<b>EBITDA margin (subsidiaries)</b>	<b>11%</b>	<b>16%</b>	<b>-</b>			<b>12%</b>
<i>EBITDA incl. joint ventures</i>	3 093	2 782	0	(672)	0	5 202
<i>EBITDA margin incl. joint ventures</i>	10%	16%	-			11%
Depreciation (subsidiaries) (Note 5)						2 055
Operating profit (subsidiaries)						2 635
Investments (subsidiaries) (Note 5)						1 185

Q3 2016 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
<b>Sales to external customers (subsidiaries)</b>	<b>7 435</b>	<b>5 130</b>	<b>0</b>	<b>34</b>	<b>(394)</b>	<b>12 205</b>
Effect of joint ventures	2 529	(269)	0	(16)	(12)	2 232
Inter-segment sales	1	768	0	517	(1 286)	0
<i>Total segment sales, incl. joint ventures</i>	9 965	5 629	0	535	(1 692)	14 437
<b>EBITDA (subsidiaries)</b>	<b>860</b>	<b>986</b>	<b>0</b>	<b>(213)</b>	<b>0</b>	<b>1 633</b>
<b>EBITDA margin (subsidiaries)</b>	<b>12%</b>	<b>18%</b>	<b>-</b>			<b>13%</b>
<i>EBITDA incl. joint ventures</i>	1 159	986	0	(213)	0	1 932
<i>EBITDA margin incl. joint ventures</i>	12%	18%	-			13%
Depreciation (subsidiaries) (Note 5)						766
Operating profit (subsidiaries)						867
Investments (subsidiaries) (Note 5)						799

9 months 2016 (thousand EUR)	Media	Printing services	Enter- tainment	Corporate functions	Elimi- nations	Total Group
<b>Sales to external customers (subsidiaries)</b>	<b>22 716</b>	<b>17 014</b>	<b>0</b>	<b>100</b>	<b>(1 251)</b>	<b>38 581</b>
Effect of joint ventures	7 675	(787)	0	(46)	(39)	6 803
Inter-segment sales	2	2 406	0	1 613	(4 021)	0
<i>Total segment sales, incl. joint ventures</i>	<i>30 394</i>	<i>18 633</i>	<i>0</i>	<i>1 667</i>	<i>(5 311)</i>	<i>45 384</i>
<b>EBITDA (subsidiaries)</b>	<b>1 953</b>	<b>3 317</b>	<b>(1)</b>	<b>(649)</b>	<b>0</b>	<b>4 620</b>
<b>EBITDA margin (subsidiaries)</b>	<b>9%</b>	<b>18%</b>	<b>-</b>			<b>12%</b>
<i>EBITDA incl. joint ventures</i>	<i>2 840</i>	<i>3 317</i>	<i>(1)</i>	<i>(649)</i>	<i>0</i>	<i>5 507</i>
<i>EBITDA margin incl. joint ventures</i>	<i>9%</i>	<i>18%</i>	<i>-</i>			<i>12%</i>
Depreciation (subsidiaries) (Note 5)						2 180
Operating profit (subsidiaries)						2 439
Investments (subsidiaries) (Note 5)						1 211

## Note 9. Earnings per share

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

EUR	Q3 2017	Q3 2016	9 months 2017	9 months 2016
Profit attributable to equity holders	812 871	902 093	2 443 686	2 538 153
Average number of ordinary shares	29 779 314	29 118 914	29 779 314	29 362 877
<b>Basic and diluted earnings per share</b>	<b>0.03</b>	<b>0.03</b>	<b>0.08</b>	<b>0.09</b>

As the Group had no instruments diluting earnings per share as of 30.09.2017 and 31.12.2016 **diluted net profit per share** was equal to regular net profit per share.

## Note 10. Share option plan

In June 2017, the General Meeting of Shareholders approved the new share option plan for the Group's key personnel. As of 30.09.2017, no option contracts had yet been entered into under this plan.

In November 2013, the General Meeting of Shareholders approved a share option plan for the Management Board. Under the plan, Gunnar Kobin who was the Chairman of the Management Board until 31.12.2016 was transferred 660 400 shares of AS Ekspress Grupp. The company acquired these treasury shares between April 2014 until May 2016 through SEB Bank from the Tallinn Stock Exchange and as an OTC buyback transaction in May 2016. The average purchase price was EUR 1.27 per share.

The cost related to the share option is recognised in the Company's income state from the date of the launch of the share option in 2013. As of 31.12.2016, the amount of this reserve was EUR 747 thousand. The option was exercised on 3 January 2017 and there were no additional costs related to it in 2017.

## Note 11. Equity and dividends

### Share capital and share premium

As of 30 September 2017 and 31 December, 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 Management Board's share option plan, the company has purchased treasury shares through SEB Bank between April 2014 and May 2016 and in an OTC buyback transaction in May 2016. As of 31.12.2016, AS Ekspress Grupp had purchased ca 678 thousand treasury shares at the average price of EUR 1.27 per share for the total of EUR 863 thousand. The option was exercised on 3 January 2017 and the option owner was transferred 660 400 shares. As a result, the balance of treasury shares decreased by EUR 841 thousand, of which EUR 747 thousand was covered from the option reserve and the retained earnings were reduced by EUR 94 thousand.

### Dividends

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

### Reserves

The reserves include statutory reserve capital required by the Commercial Code, a general-purpose equity contribution by a founding shareholder and a share option reserve issued to the management (see Note 10).

(thousand EUR)	EUR	
	30.09.2017	31.12.2016
Statutory reserve capital	892	672
Additional cash contribution from shareholder	639	639
Share option reserve	0	747
<b>Total reserves</b>	<b>1 531</b>	<b>2 058</b>

## Note 12. Related party transactions

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

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

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



<b>SALES (thousand EUR)</b>	<b>9 months 2017</b>	<b>9 months 2016</b>
<b>Sales of goods</b>		
Associates	245	371
<b>Total sale of goods</b>	<b>245</b>	<b>371</b>
<b>Sale of services</b>		
Members of Supervisory Board and companies related to them	11	8
Associates	68	0
Joint ventures	1 894	1 737
<b>Total sale of services</b>	<b>1 973</b>	<b>1 745</b>
<b>Total sales</b>	<b>2 218</b>	<b>2 116</b>

<b>PURCHASES (thousand EUR)</b>	<b>9 months 2017</b>	<b>9 months 2016</b>
<b>Purchase of services</b>		
Members of Management Board and companies related to them	6	31
Members of Supervisory Board and companies related to them	221	227
Associates	100	0
Joint ventures	620	752
<b>Total purchases of services</b>	<b>947</b>	<b>1 010</b>

<b>RECEIVABLES (thousand EUR)</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>Short-term receivables</b>		
Members of Management Board and companies related to them	0	1
Members of Supervisory Board and companies related to them	3	2
Associates	371	338
Joint ventures	286	391
<b>Total short-term receivables</b>	<b>660</b>	<b>732</b>
<b>Long-term receivables</b>		
Joint ventures	875	898
<b>Total long-term receivables</b>	<b>875</b>	<b>898</b>
<b>Total receivables</b>	<b>1 535</b>	<b>1 630</b>

<b>LIABILITIES (thousand EUR)</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>Current liabilities</b>		
Members of Management Board and companies related to them	1	2
Members of Supervisory Board and companies related to them	9	13
Associates	7	6
Joint ventures	63	96
<b>Total liabilities</b>	<b>80</b>	<b>117</b>

According to the decision of the General Meeting held on 2 June 2009 and 4 May 2012, Hans H. Luik will be paid a guarantee fee of 1.5% per annum on the guarantee amount for the personal guarantee of EUR 4 million on the syndicated loan and overdraft agreements until the guarantee expires. In the first nine months of 2017, a payment of EUR 45 thousand was made (2016: EUR 45 thousand) there are no outstanding liabilities as of 30 September 2017 and 31 December 2016.

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

**Remuneration of members of the Management Boards of the consolidation group**

(thousand EUR)	9 months 2017	9 months 2016
Salaries and other benefits (without social tax)	946	971
Termination benefits (without social tax)	42	0
Share option	0	102
<b>Total (without social tax)</b>	<b>988</b>	<b>1 073</b>

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 7 months' salary. Upon termination of an employment relationship, no compensation shall be usually paid if a member of the Key Management leaves at his or her initiative or if a member of the Key Management is removed by the Supervisory Board with a valid reason. As of 30.09.2017, the maximum gross amount of potential Key Management termination benefits was EUR 533 thousand (31 December 2016: EUR 463 thousand). No remuneration is paid separately or in addition to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

**Note 13. Contingent assets and liabilities****Contingent assets and liabilities arising from pending court cases**

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

The Management Board of AS Ekspress Grupp and its independent auditors are of an opinion that the financial statements for all the years, present fairly, in all material respects, the financial position and the financial performance of the company in accordance with the International Financial Reporting Standards as adopted by the European Union. All the above court cases are in different phases and the decisions made by the court so far have confirmed the opinion of the Management Board.

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