EKSPRESS GRUPP

AS Ekspress Grupp

CONSOLIDATED ANNUAL REPORT

2016

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GENERAL INFORMATION

Beginning of reporting period	1 January 2016
End of reporting period	31 December 2016
Company name	AS Ekspress Grupp
Registration number	10004677
Address	Parda 6, 10151 Tallinn
Phone	+372 669 8381
Fax	+372 669 8180
E-mail	egrupp@egrupp.ee
Internet homepage	www.egrupp.ee
Main field of activity	Publishing and related services (5814)
Management Board	Mari-Liis Rüütsalu (chairman from 01.01.2017) Gunnar Kobin (chairman until 31.12.2016) Andre Veskimeister Pirje Raidma
Supervisory Board	Hans H. Luik Harri Helmer Roschier Indrek Kasela Marek Kiisa (from 26.10.2016) Peeter Saks (from 26.10.2016) Aleksandras Česnavičius (from 26.10.2016) Gunnar Kobin (from 01.01.2017) Viktor Mahhov (until 26.10.2016) Kari Sakari Salonen (until 26.10.2016) Jaak Ennuste (until 26.10.2016)
Auditor	AS Deloitte Audit Eesti

The Annual Report consists of the Management Board's confirmation of the annual report, statement of the chairman of the Management Board, management report, report of corporate governance code, consolidated financial statements, independent auditor's report, proposal for profit allocation, and declaration of the Management Board and Supervisory Board. The document comprises 89 pages.

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the management report of AS Ekspress Grupp disclosed on pages 5 to 37 presents a true and fair view of the business developments, results and financial position of the Parent Company and its group companies. The Management Board confirms that the consolidated financial statements disclosed on pages 38 to 84 give to the best of its knowledge a true and fair view of the assets, liabilities, financial position and results of the issuer and its group companies in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission and include a description of major risks and uncertainties.

Mari-Liis Rüütsalu	Chairman of the Management Board	*signed digitally*	22 March 2017
Pirje Raidma	Member of the Management Board	*signed digitally*	22 March 2017
Andre Veskimeister	Member of the Management Board	*signed digitally*	22 March 2017

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

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

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

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

A major surprise was the strong performance of Delfi Latvia that has built momentum in recent years, increasing revenue 10% to EUR 3.4 million and EBITDA by 37% to EUR 413 thousand. This was achieved in spite of the exit of a long-term sales manager and part of the sales team in September and tough competition between online portals. In a year, Delfi Latvia has launched and tested several new products and has been kind of a start-up incubator. In July we acquired www.atverskapi.lv, the leading classified portal in its niche in Latvia. The editorial office continues to focus on publishing more long-read analytical articles and carrying out media projects, as reflected in our readership and recognised by press awards.

In a year, the revenue of Ekspress Meedia increased 5% and amounted to more than EUR 19.1 million. This includes 13% growth in Delfi online and newspaper digital revenue, totalling EUR 7.3 million. Print advertising grew 3%. This was achieved mainly as a result of focusing on the efficiency of the sales team, the increasingly versatile portfolio and innovative approach. Press subscriptions and single copy sales revenue increased 1% from the previous year, and the number of digital subscriptions is up by about 30% thanks to different cooperation projects. We constantly invest in new products and IT solutions. We also invest in our staff to enable them to increase the quality of journalism. This explains why the company's EBITDA was 24% lower than a year earlier. The annual result was also affected by the growth in print and delivery costs, resulting from the increase in advertising sales volumes.

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

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

This year SL Õhtuleht has been in the winds of change. There have been changes in the team, organizational and management structure. We have invested in increasing the efficiency of advertising sales, modernization of the company and development of new products. All this has helped to make Õhtuleht the newspaper with the largest circulation in weekdays, keep the level of subscribers and single-copy sales high and increase advertising revenue. The number of digital subscribers has more than tripled as compared to the start of the year. The revenue of SL Õhtuleht increased 4% in a year and amounted to EUR 8.7 million. EBITDA amounted to EUR 0.8 million and was 23% lower than in the previous year. Half of this is reflected in the consolidated figures of the Ekspress Group.

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

In July we signed a contract to acquire a 50% holding in OÜ Linna Ekraanid, which is engaged in the sale of **digital outdoor advertising** in Estonia. In September we acquired 49% holding in Babahh Media OÜ which is engaged in the **video production, media solutions and streaming related infrastructure sales** in Estonia. In the second quarter of 2019 we will acquire the remaining 50% of OÜ Linna Ekraanid, and thereby will become the company's sole shareholder. The purpose of the acquisition is to create preconditions for the Group to set off a new business line and thereby expand the Group's portfolio of business areas. The objective of AS Ekspress Grupp is to develop the business line of digital outdoor advertising in all three Baltic countries and take the leading role in this business segment. With regard to Babahh Media OÜ, the Group has an option to acquire an additional ownership in Babahh Media OÜ in 2021, thereby AS Ekspress Grupp would increase its ownership in Babahh Media OÜ to 70% in total. The purpose of the acquisition is to expand the business of AS Ekspress Grupp in the fast-growing market of online video production and video streaming. The acquisition of Babahh Media OÜ also helps to supplement the video production portfolio of our Delfis in all our markets through wide-based knowledge.

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

For the first time the Group has prepared a **corporate social responsibility report**, the results and summaries have been added to the respective subsections of the management report.

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

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

Our 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.

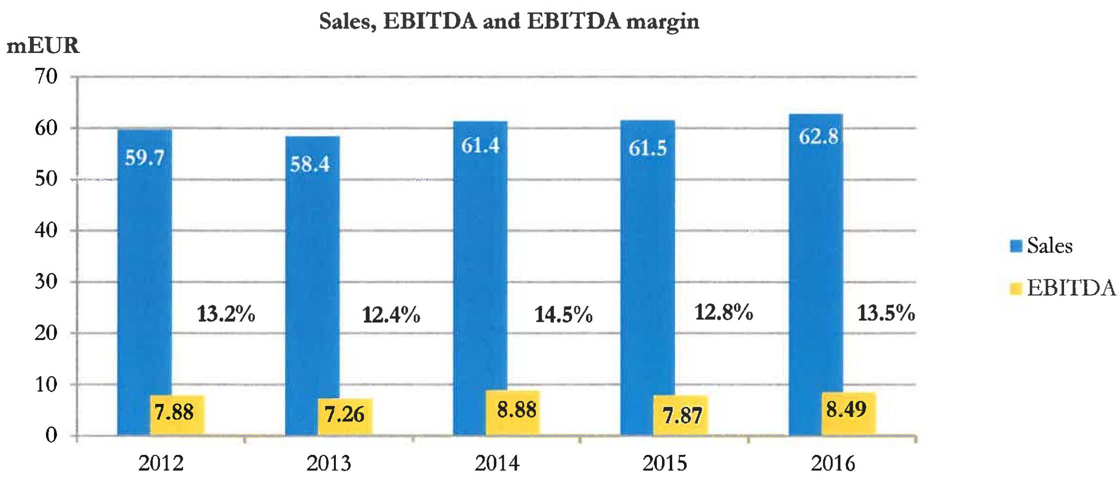
MANAGEMENT REPORT

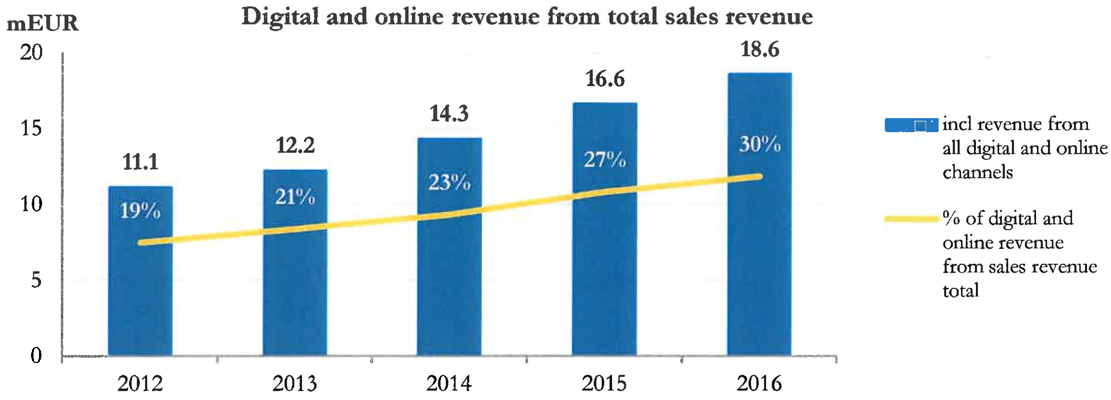
In consolidated financial reports 50% joint ventures are recognised under the equity method, in compliance with **international financial reporting standards (IFRS).** In its monthly reports, the management monitors the Group's performance on a basis of proportional consolidation of joint ventures and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

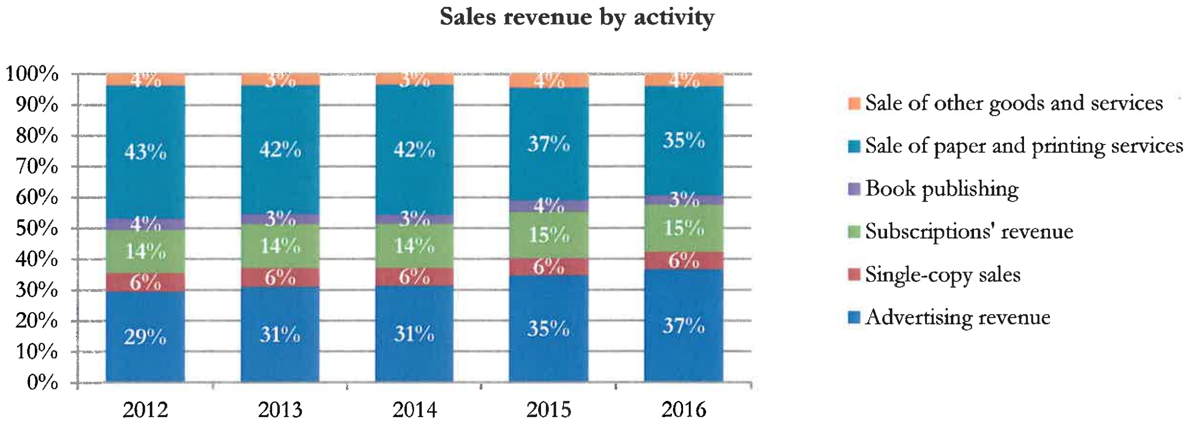
FINANCIAL INDICATORS AND RATIOS – joint ventures consolidated 50% line-by-line

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

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







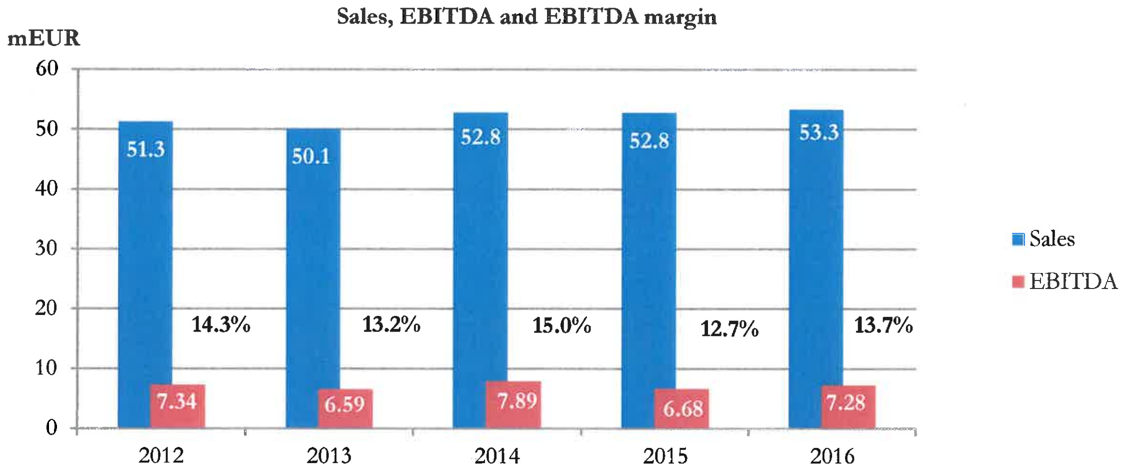
Balance sheet – joint ventures consolidated 50% (EUR thousand)	31.12.2016	31.12.2015	Change %	31.12.2014	31.12.2013	31.12.2012
At the end of the period						
Current assets	16 251	15 553	4%	15 189	14 447	13 545
Non-current assets	61 506	61 588	0%	65 665	63 019	66 754
Total assets	**77 757**	**77 141**	**1%**	**80 854**	**77 466**	**80 299**
incl. cash and bank	*4 572*	*4 666*	*-2%*	*6 788*	*4 501*	*3 280*
incl. goodwill	*38 904*	*38 232*	*2%*	*39 432*	*40 052*	*41 093*
Current liabilities	12 222	12 539	-3%	14 110	14 468	14 967
Non-current liabilities	14 462	15 928	-9%	19 569	20 673	24 233
Total liabilities	**26 684**	**28 467**	**-6%**	**33 679**	**35 141**	**39 200**
incl. borrowings	*16 603*	*18 787*	*-12%*	*24 592*	*24 432*	*28 580*
Equity	**51 073**	**48 674**	**5%**	**47 175**	**42 325**	**41 099**

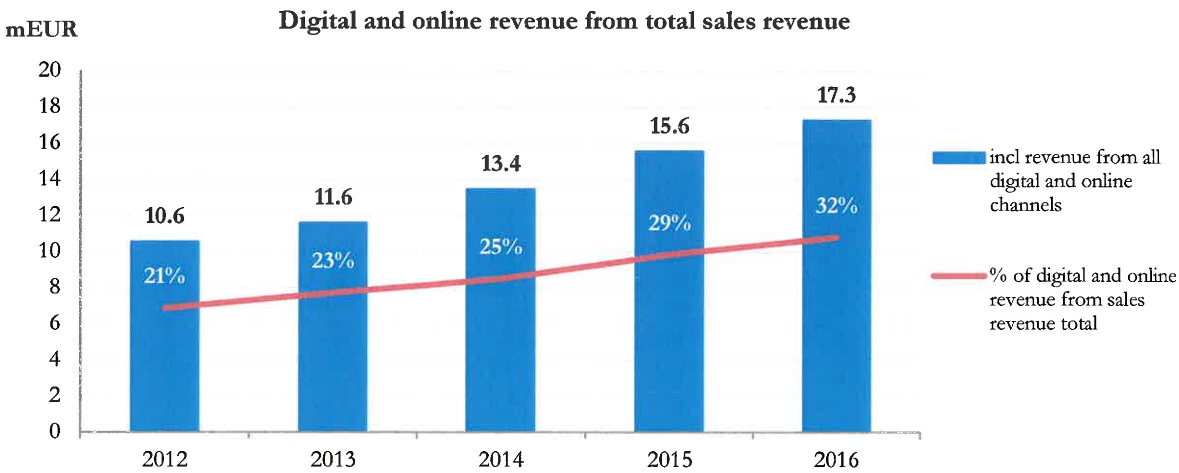
Financial ratios (%) – joint ventures consolidated 50%	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Equity ratio (%)	66%	63%	58%	55%	51%
Debt to equity ratio (%)	33%	39%	52%	58%	70%
Debt to capital ratio (%)	19%	22%	27%	32%	38%
Total debt/EBITDA ratio	1.96	2.39	2.61	3.36	3.63
Debt service coverage ratio	2.75	1.79	1.90	1.66	1.52
Liquidity ratio	1.33	1.24	1.08	1.00	0.90

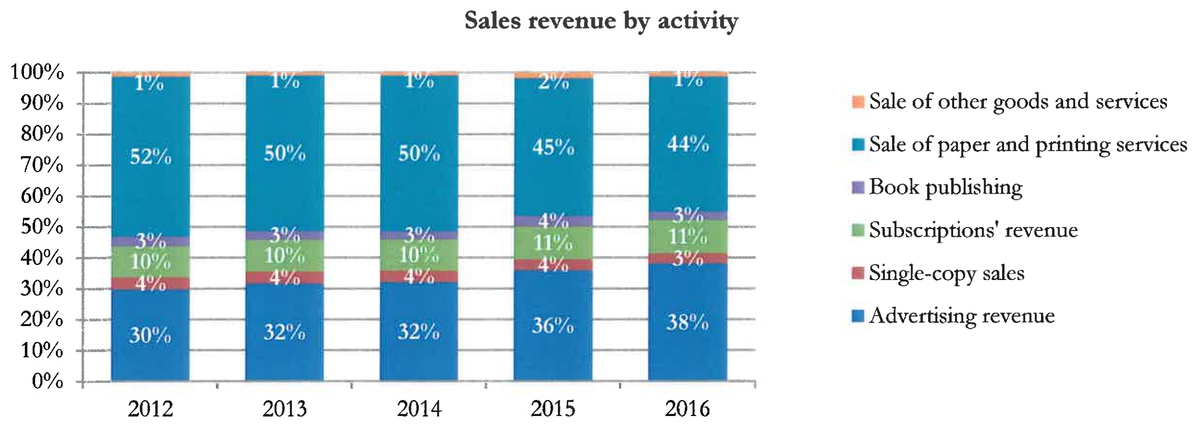
FINANCIAL INDICATORS AND RATIOS – joint ventures recognised under the equity method

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

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







Balance sheet– joint ventures by equity method (EUR thousand)	31.12.2016	31.12.2015	Change %	31.12.2014	31.12.2013	31.12.2012
As at the end of the period						
Current assets	13 094	12 386	6%	12 303	11 357	10 747
Non-current assets	61 074	60 794	0%	64 292	63 899	67 470
Total assets	**74 168**	**73 180**	**1%**	**76 595**	**75 256**	**78 217**
incl. cash and bank	*2 856*	*2 927*	*-2%*	*5 275*	*2 209*	*1 291*
incl. goodwill	*36 953*	*36 953*	*0%*	*38 153*	*39 596*	*40 637*
Current liabilities	9 591	9 033	6%	11 481	12 259	12 885
Non-current liabilities	13 504	15 473	-13%	17 939	20 672	24 233
Total liabilities	**23 095**	**24 506**	**-6%**	**29 420**	**32 931**	**37 118**
incl. borrowings	*15 784*	*17 687*	*-11%*	*23 152*	*24 432*	*28 580*
Equity	**51 073**	**48 674**	**5%**	**47 175**	**42 325**	**41 099**

Financial ratios (%) – joint ventures by the equity method	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Equity ratio (%)	69%	67%	62%	56%	53%
Debt to equity ratio (%)	31%	36%	49%	58%	70%
Debt to capital ratio (%)	20%	23%	27%	34%	40%
Total debt / EBITDA ratio	2.17	2.65	2.93	3.71	3.89
Debt service coverage ratio	2.67	1.67	1.77	1.50	1.36
Liquidity ratio	1.37	1.37	1.07	0.93	0.83

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

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

Cyclicality

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

Seasonality

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

CORPORATE STRUCTURE

EKSPRESS GRUPP

Ekspress Meedia 100%	The main activity of AS Ekspress Meedia is publishing of the biggest Estonian weekly newspapers - Eesti Ekspress and Maaleht, as well as the publishing of the daily newspaper Eesti Päevaleht. Ekspress Meedia also publishes Delfi - the largest internet portal whose websites are according to Gemius Audience visited by more than 600,000 people a month.
Delfi (Läti) 100%	In Latvia Delfi is the largest news portal whose websites are according to Gemius Audience visited by more than 800,000 people a month.
Delfi (Leedu) 100%	In Lithuania Delfi is the largest internet portal whose websites are according to Gemius Audience visited by more than 1,200,000 people a month. In addition, Delfi publishes several magazines that are the leading titles in their segments in Lithuania.
SL Õhtuleht 50%	AS SL Õhtuleht publishes daily newspaper Õhtuleht. The company is owned in equal parts by Ekspress Grupp and Suits Meedia.
Ajakirjade Kirjastus 50%	Ajakirjade Kirjastus publishes more than 20 magazine titles for more than 600,000 readers. The company is owned in equal parts by Ekspress Grupp and Suits Meedia.
Hea Lugu 100%	Hea Lugu is the Group's book publishing company. The company publishes fiction, history books, children's books, reference books, handbooks and various series.
Zave Media 100%	Zave is the portal of sales offers of the largest retailers that operates in all three Baltic countries.
Adnet Media 49%	Adnet is an advertising network operating in the Baltic countries that mediates Internet advertising to end-consumers and re-sells international advertising space.
Express Post 50%	Express Post specialises in early-morning home delivery of periodicals, advertising materials and letters in Estonia. The company is owned in equal parts by Ekspress Grupp and Eesti Meedia.
Medipresa (Leedu) 40%	Delfi has 40% shares in Lithuanian magazines and newspapers wholesales company Medipresa.
Ekspress Digital 100%	Ekspress Digital is an IT development and management company that supports Group companies in developing and managing their IT solutions.
Printall 100%	The most contemporary printing plant in the Baltic countries. Large part of the Estonian newspapers, magazines and advertising materials is printed in Printall. Significant part of the production is exported.
Babahh 49%	Babahh Media is a company that provides video production and streaming services.
Linna Ekraanid 50%	Linna Ekraanid is an outdoor media company that operates several interactive screens all over Estonia

SEGMENT OVERVIEW

Key financial data of the segments 2012-2016

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

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

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

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

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

MEDIA SEGMENT

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

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

News portals owned by the Group

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

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

* Proportional share of joint ventures

ONLINE MEDIA and DELFI

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

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

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

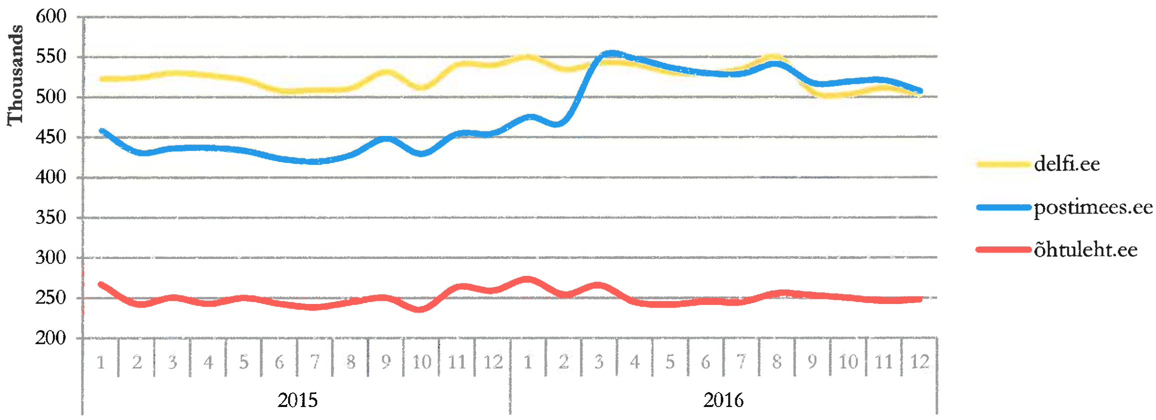
The range of vertical products continues to expand. This year, Delfi Estonia launched www.kinoveeb.ee dedicated to the film art and www.homme.ee that is targeted at men and refers to a supplement of newspaper Eesti Ekpress. Delfi Latvia launched an esoterics portal www.orakuls.lv and two video sub-verticals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

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

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

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

Estonian online readership 2015-2016

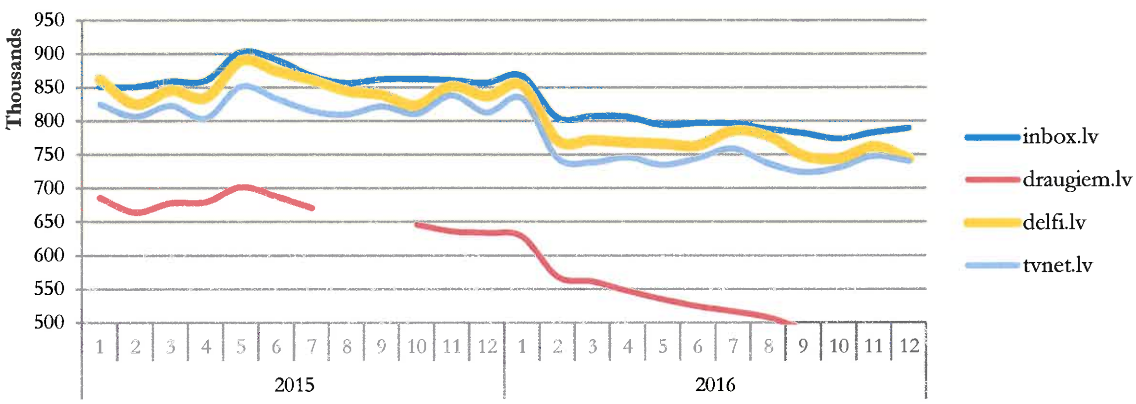


GemiusAudience monthly audience survey

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

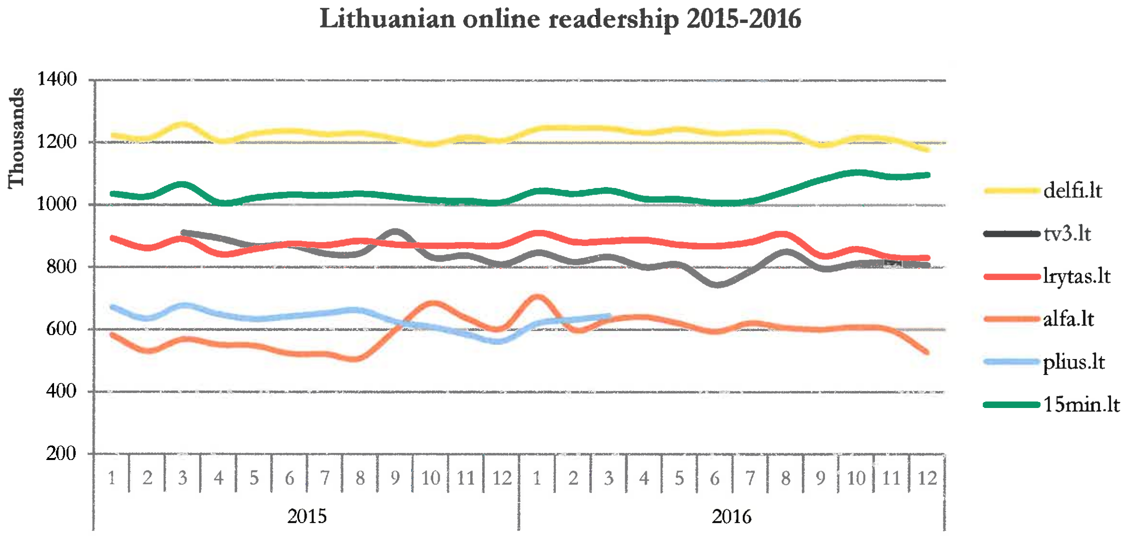
In the third quarter of 2016, Gemius changed the methodology of the online readership survey in Estonia, Latvia and Lithuania, as a result of which the readership of mobile devices and tablet PCs was added to the above readership of computer users. As a result of the change of methodology that was made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

Latvian online readership 2015-2016



GemiusAudience monthly audience survey

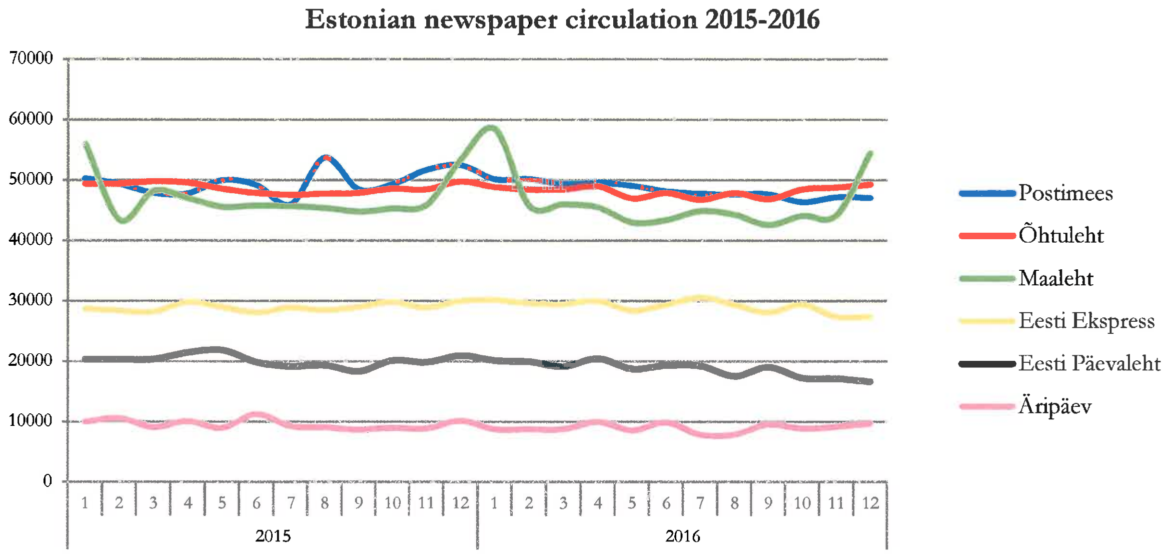
At the beginning of 2016, the research company Gemius changed its method of online surveys, and, as a result, the online readership figure decreased in February. This figure shows only the online readership of PC users. Inbox.lv remains Latvia's largest portal among PC users. Contrary to expectations,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



GemiusAudience monthly audience survey

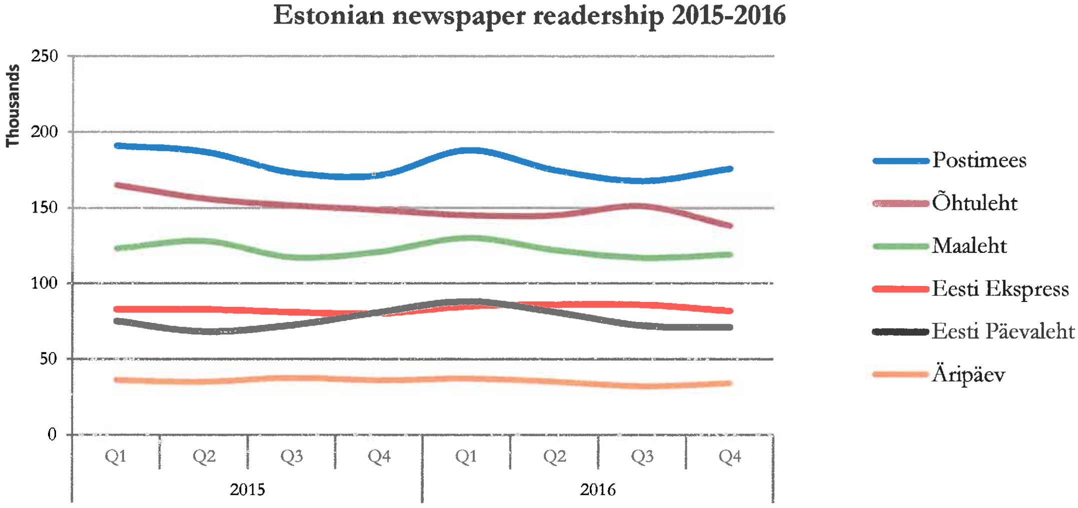
Delfi.lt remains Lithuania's largest online portal. In the third quarter 2016, 15min.lt added several portals that do not belong to this media group, which is why the readership of the 15min.lt domain increased in the fourth quarter of 2016. This growth does not mean growth in readership of media services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

PRINT MEDIA



Estonian Newspaper Association data

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



Turu-uuringute AS

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

MEDIA AWARDS in 2016

Professionalism, ambition and dedication of journalists of Ekspress Group is outstanding and their work has won many awards. In ensuring the sustainability of free and strong press, the organisation and the employees consider real and positive social impact of their work more important than the prize.

Press awards of the Estonian Newspaper Association

- Winner of investigative journalism aka the Bonnier Award: Tuuli Jõesaar (Eesti Päevaleht) with her stories on parents who feed toxic chlorine dioxide to their children (so-called MMS scandal).
- Winner of Lifetime Achievement Award (first issued in 2016): senior journalist and journalism lecturer Priit Hõbemägi.
- Winner of Young Journalist Award: Urmas Jaagant (Eesti Päevaleht).
- Winners of Video Award: Tiit Blaat and Kairi Prints with a video story of a man who lives in a tree in Lasnamäe.
- Winner of Web Design Award: Eesti Ekspress.

Awards of the Latvian Press Association

- Delfi Latvia won the Latvian Press Association's Excellence Award 2015 for the multimedia project "#10memories".
- In 2016 Delfi Latvia won The Most Influential Brand in Social Media Award.

Awards in Lithuania

- Delfi Sports was awarded a special prize for the best media outlet in Lithuania during "Lithuanian Sports Management Awards 2016".

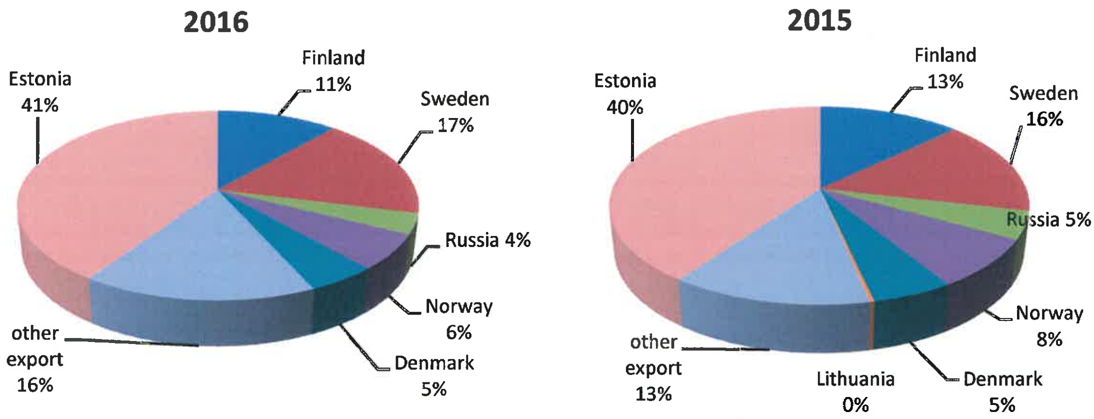
PRINTING SERVICES SEGMENT

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

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

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

Geographical break-down of printing services by year



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. The Company has not received any environmental non-compliance claims or complaints, and has neither been fined nor sanctioned.

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 in 2016. 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 in 2016. 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 will be launched in the first quarter of 2017.
- With the investments made in 2015, Printall significantly improved the control of the ventilation system and reduced gas consumption by 8% per thousand sheets printed in magazine print.

- In cooperation with Ajakirjade Kirjastus, new solutions were developed for the introduction of environmentally friendly materials. In mid-2015 it was decided to end varnishing of magazine covers, as a result of which about 2.5 to 3 million magazine covers are not varnished in a calendar year. This 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.

Procurement activities

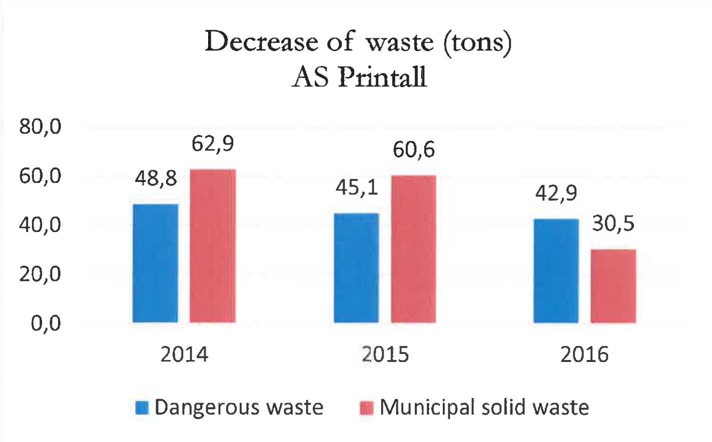
In Printall, procured materials account for almost all volume of procured goods. The Company uses annually almost 90 suppliers, including distributors and manufacturers. Local suppliers account for 7%. The Company's procurement is based on its management handbook, which contains rules for the subcontracting and purchasing process (supplier selection, acceptance and control of materials, etc.). 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. The company systematically accounts for its goods; less than 1% of printed volume is classified as unusable.

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. In 2016 significant decrease of municipal solid waste was achieved due to more efficient sorting and more precise mapping of colletion of paperdust. This has helped to reduce Printall's annual waste volume year-on-year (graph: reduction of waste).

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.



PROMOTION OF THE SECTOR

IN COOPERATION WITH PROFESSIONAL ORGANISATIONS

As a responsible Group we have taken the role of the spokesman of the media and printing sector and contribute to their sustainable development. For achieving a lasting impact, the group companies actively participate in the work of local as well as international umbrella organisations.

Subsidiaries and joint ventures of AS Ekspress Grupp are members of the following organisations:

- Estonian Newspaper Association (and through this organisation also a member of News Media Europe)
- INMA (The International News Media Association)
- Estonian Press Photographers Association
- Estonian Magazine Association
- Estonian Direct Marketing Association
- E-Commerce Association
- PARE (Estonian Personnel Management Association)
- Estonian Taxpayers' Association
- UN Global Compact (Delfi Lithuania)
- Internet Media Association (Delfi Lithuania)
- Latvian Association of Journalists (Latvijas Žurnal asociācija) (Delfi Latvia)
- EPMA (Estonian Project Management Association)(Ekspress Digital)
- Finance Estonia (Ekspress Digital)
- Estonia Association of Printing and Packaging Industries (Printall)
- NOPA (The Nordic Offset Printing Association (Printall))
- Estonian Chamber of Commerce and Industry (Printall)
- EstBAN (Estonian Business Angels Network) (parent company)

For promoting certain sectors or socially important topics in general, companies and structural units of Ekspress Group are involved in CSR initiatives.

- Maaleht in cooperation with the Estonian Chamber of Agricultural and Commerce gives out of the Farmer of the Year Award. The tradition began in 2001 and has developed into the most prestigious event of the agricultural sector, attended also by the President of Estonia.
- On the initiative of Ekspress Media, a contest is held that ranks persons who have had the most positive impact on the Estonian society in various fields.
- Maakodu magazine recognises the most beautiful homes in Estonia and awards the most outstanding of them with the title "The Most Beautiful Rural Home in Estonia."
- Delfi Lithuania is actively involved in the project "Heroes Among Us" whose patron is the President of Lithuania. The aim is to notice and recognise people who have accomplished extraordinary deeds for the society.
- On the international level, Ekspress Group has collaborated with St Antony's College in Oxford, sharing knowledge about media development trends in Eastern Europe.
- To generate revenue, international online platforms are increasingly using content generated by other organisations. Ekspress Group has accepted the challenge to protect the rights of media houses to fair remuneration via various umbrella organisations and contributes to the clarification and resolution of the issues in Estonia and in the European Union.

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 (motivational trainings, 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, 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.

In 2016, 560 new employees joined the team of Ekspress Group. 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. Employee development and recognition.

Development and ackowledgment of our 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. In 2016, 14 managers participated in the programme.

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.

Internal training courses where training is provided by own staff have become routine. For example, Ekspress Meedia has been organising special evening events since 2015 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 Press Quality 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.

Main training areas in the media segment in 2016

- Law: competition law, data protection, consumer protection, advertising law, civil law issues
- Language studies
- Information technology and computer studies
- Social media
- Courses and conferences held by the Estonian Newspaper Association and the Estonian Magazine Association.

Main training areas in the print service segment in 2016

- Occupational safety
- First aid
- Fire safety
- New machinery and technology
- Environment

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. For instance, once a month Delfi Latvia selects a colleague who has achieved exceptional results. Ekspress Media recognises employees twice a year, giving out press prizes in 6 categories, in addition to recognising Employees of the Year once a year. The criteria for recognition of the best employees are the impact of their reporting on the society and changes for the better.

Employees

In 2016, the Group employed 1570 employees in average including 623 men and 947 women.

- Labour turnover was 35,7%
- 4 work disputes were held
- There was 13 accidents at work, of which 3 were severe.

Ekspress Group pays attention to fair and equal treatment of its employees. The Group does not accept discrimination on grounds of sex, race, language, political beliefs or age.

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.

In promoting **sports and healthy lifestyle**, the biggest cooperation project of 2016 was the basketball match between veterans of Tallinn Kalev and Kaunas Zalgiris, celebrating 25th anniversary of Kalev's victory in the USSR basketball championship. This sports event attracted the largest audience in Estonia during the year. Part of the participation fees were donated to the Estonian Basketball Federation. Delfi Latvia and Delfi Lithuania have established long-term cooperation with major local sports organisations and support the organisation of several major sporting events.

The employees of Ekspress Group contribute their time, knowledge and skills in the following **community projects**:

- 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.
- Delfi Estonia launched the series "1 Estonia. 98 Nations" dedicated to the 98th anniversary of the Republic of Estonia in which contemplations of 98 persons of different nationalities living in Estonia were published. The project was also mentioned by the President of Estonia in the anniversary speech.
- Eesti Päevaleht and Delfi are jointly carrying out a summer project "Every Estonian counts/reads", whose goal was by the end of the summer to reduce the number of deaths caused by carelessness in road accidents, drowning, etc.
- In 2016 Eesti Päevaleht 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. The results of the initiative are expected in 2017.
- 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. In 2016, ca 60 young persons spent their traineeship in Ekspress Group companies.
- The annual project of Ekspress Group's Newspaper Boys and Girls are well accepted in public and 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. In 2016 for the first time, managers of companies also participated in the project to give young people an even better example and inspiration. The results of newspaper boys and girls in 2016 were 20% better than a year earlier.
- Printall provides regular trainee programme for students studying printing technology.

SHARES AND SHAREHOLDERS OF AS EKSPRESS GRUPP

As of 31.12.2016, the company's share capital is EUR 17 878 105 and it consists of 29 796 841 shares with the nominal value of EUR 0.60 per share. The share capital and the total number of shares have remained unchanged since 31.12.2011.

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

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

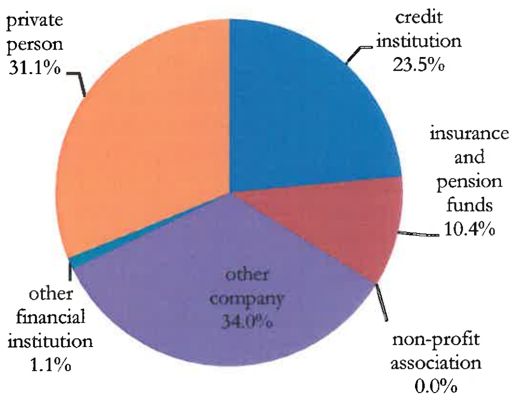
Name	Number of shares	%
Hans Luik	16 597 532	55.70%
Hans Luik	*7 963 307*	*26.73%*
Hans Luik, OÜ HHL Rühm	*8 627 325*	*28.95%*
Hans Luik, OÜ Minigert	*6 900*	*0.02%*
ING Luxembourg S.A.	4 002 052	13.43%
LHV Bank and funds managed by LHV Varahaldus	2 551 908	8.56%
SEB S.A. CLIENT ASSETS UCITS	1 273 394	4.27%
Members of the Management and Supervisory Boards and their close relatives	1 900	0.01%
Pirje Raidma, OÜ Aniston Trade	*1 900*	*0.01%*
Other minority shareholders	4 692 128	15.75%
Treasury shares	677 927	2.28%
Total	**29 796 841**	**100.0%**

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

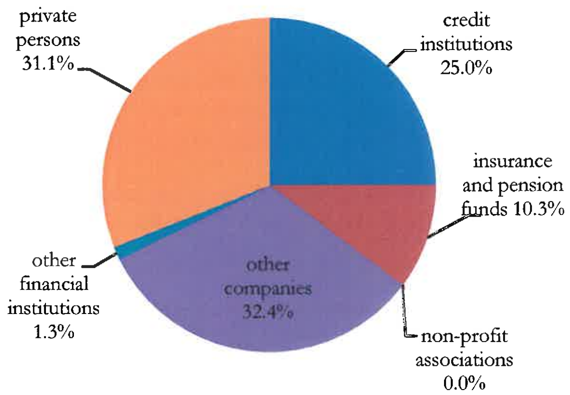
Distribution of shareholders by category according to the Estonian Central Register of Securities

Category	31.12.2016		31.12.2015	
	Number of shareholders	Number of shares	Number of shareholders	Number of shares
Private persons	2 731	9 268 573	2 862	9 253 538
Other companies	231	10 119 455	247	9 652 351
Other financial institutions	44	318 078	51	378 925
Credit institutions	14	7 005 889	13	7 448 318
Insurance and pension funds	10	3 084 427	11	3 063 290
Non-profit associations	2	419	2	419
TOTAL	**3 032**	**29 796 841**	**3 186**	**29 796 841**

31.12.2016



31.12.2015



AS Ekspress Grupp share information and dividend policy

Share information

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

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

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

The table below shows the stock trading history 2012-2016

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

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

The share price comparison (%) with OMX Tallinn Stock Exchange index from 1 January 2012 until 31 December 2016.

CORPORATE GOVERNANCE

Ethics

As the leading media group in the Baltic countries, Ekspress Group acknowledges that its actions and decisions influence the economic and social development, people's quality of life and formation of public opinion.

The Group's objective is to ensure the sustainability of business through successful operations. For remaining profitable, it is important to have a sense of responsibility for the parties influenced by business activities. To this end, Ekspress Group adheres to the principles of free press and respect for journalistic ethics, open dialogue with the stakeholders and fair competition.

Ekspress Group is open and honest in publishing its business results. The Group's aim is to show the way for transparent and ethical business in all of its areas of operation. The company acknowledges that an independent, objective and ethically compliant behaviour creates trust and is the only way for the company to operate viably and meet the expectations of its target groups.

Media segment

Ekspress Group's publications in Estonia, Latvia and Lithuania belong to media self-regulatory bodies of their host countries and in their daily work the journalists of the publications adhere to local press code of ethics.

Estonian periodicals Eesti Päevaleht, Delfi, Eesti Ekspress, Maaleht, Õhtuleht and Linnaleht are members of the media self-regulatory body Press Council. The Press Council is an extrajudicial remedy for people who feel that the press has violated their rights. Ekspress Group admits its mistakes frankly and complies with the guidelines of the Press Council. In 2016, 33 complaints were submitted to the Press Council against Group companies, of which 19 were satisfied and 12 new cases were filed to the court.

Editorial departments are also implementing additional in-house self-regulation measures and in case of doubt, review them in more detail. There is zero tolerance for corruption. Editorial departments adhere to the recommendations of self-regulatory bodies on how journalists can avoid the risk of corruption. Adherence to press ethics is also being monitored by competitors from other media publications - ethics violations will be taken seriously and, if necessary, attention will be paid on offenders of self-regulatory or ethical standards. Information provided by sources must be verifiable and journalists do not report on activities of their relatives, friends and acquaintances.

The periodicals of the Group offer balanced and trustworthy content for readers, while editorial departments comply with the principles of multiple sources of information and verifiability. Representatives of editorial departments stand for the promotion of professional ethics of press organisations. In situations that are not regulated companies make decisions based on public interest and integrity.

Printing industry segment

Group's printing house Printall is member of the Estonian Association of Printing and Packaging Industry whose main objective is to bring together Estonian printing industry enterprises and contribute to creating fair competition and favourable business environment. The association also provides peer reviews on the principle of self-regulation for disputes between customers and printing houses. In situations not regulated by the association, Printall observes the company's management manual or makes decisions based on public interest and integrity.

REPORT OF THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code (CGC) is a set of guidelines which is primarily intended to be followed by the companies listed on the stock exchange. Compliance with the provisions of CGC is not mandatory, the company has the obligation to disclose and substantiate as to whether and to which extent CGC is not complied with. Listed companies are subject to the requirement "fulfil or explain" since 1 January 2006.

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

Clause 2.2.7 of CGC
Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Code Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of an expense to the Issuer or the amount of a foreseeable expense as of the day of disclosure.

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

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

In November 2013, the General Meeting of Shareholders approved a share option plan for the CEO of the Group. Under the plan, in the first quarter 2017 the Chairman of the Management Board was entitled to acquire up to 700 000 shares of AS Ekspress Grupp that the company had to buy from the securities market at the market price. The share option was exercised and 660 400 shares earned as a bonus for the fulfilment of set goals by CEO were transferred on 3 January 2017.

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

Clause 2.3.2 of CGC
The Supervisory Board shall approve the transactions which are significant to the Issuer and concluded between the Issuer and a member of its Management Board or another person connected or close to them and shall determine the terms of such transactions. Transactions approved by the Supervisory Board between the Issuer and a member of the Management Board, a person close to them or a person connected to them shall be published in the Corporate Governance Code Report.

In 2016, no significant transactions were conducted between the Group and the members of the Management Board.

Clause 3.2.5 of CGC
The amount of remuneration of a member of the Supervisory Board determined at a General Meeting and the terms of payment shall be published in the Corporate Governance Code Report, indicating separately basic and additional remuneration (incl. termination and other payable benefits).

In 2016, remuneration was neither assigned to the Supervisory Board members of the Issuer nor to the members of the Supervisory Boards of the Group's subsidiaries and associates.

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

GENERAL MEETING

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

The annual General Meeting of Ekspress Group was held on 13 June 2016 at the location of the company. The meeting was attended by all Management Board members. The annual General Meeting:

- Approved Ekspress Group's consolidated annual report for the year 2015 and profit distribution proposal as presented by management according to which the net profit for 2015 in the amount of EUR 2 707 thousand was allocated as following: EUR 135 thousand was transferred to statutory reserve capital, dividends of five euro cent per share were declared in total amount of EUR 1 456 thousand and the remaining amount of EUR 1 116 thousand was transferred to retained earnings. The shareholders who had been included in the list of shareholders of AS Ekspress Grupp as of 29 June 2016 at 23:59 were entitled to receive dividends. The dividends were paid out on 6 July 2016.
- Approved amendments of Articles of Association allowing electronical participation in the Shareholder's Meeting.

The extraordinary General Meeting of Ekspress Group was held on 26 October 2016 at the location of the company. The meeting was attended by Supervisory Board member Hans Luik and Management Board members Pirje Raidma and Andre Veskimeister. The General Meeting decided a removal of the members of the Supervisory Board Viktor Mahhov, Kari Sakari Salonen and Jaak Ennuste and appointed new members Marek Kiisa, Peeter Saks and Aleksandras Česnavičius with immediate effect and Gunnar Kobin from 1 January 2017 after resigning as a member of the Management Board.

SUPERVISORY BOARD

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

In accordance with the articles of association, the Supervisory Board shall comprise three to seven members. The number of the members shall be determined by the General Meeting. The members of the Supervisory Board shall be elected by the General Meeting for a term of five years. The Supervisory Board of Ekspress Group had six members until 31.12.2016 and seven members onwards.

In 2016, two Supervisory Board meetings were held. First Supervisory Board meeting was not attended by Viktor Mahhov and Indrek Kasela, second one of the year was not attended by Peeter Saks and Indrek Kasela. On five occasions, decision was adopted without calling a meeting of the Supervisory Board.

Information about members of the Supervisory Board:

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 from 26.10.2016 until 26.10.2021) – independent supervisory board member
- Member of the Supervisory Board since 2016
- Member of the Management Board of telecommunication infrastructure company Astrec Baltic OÜ
- Member of the Management Board of Miss Mary of Sweden OÜ
- Member of the Management Board of Dynaplay Estonia OÜ
- Member of the Management Board of Fitek AS which provides solutions for financial process automation
- Founding member and a board member of a Nordic Business Angels Network NordicBAN
- Graduated from Swedish KTH Royal Institute of Technology with a masters degree in engineering in 1995 and Estonian Business School with a degree in Business Administration in 2004.

Peeter Saks (appointed from 26.10.2016 until 26.10.2021) – independent supervisory board member
- Member of the Supervisory Board since 2016
- Managing partner of Baltics private equity and venture capital company AS BaltCap
- Member of the Management Board of BC EKT HoldCo OÜ and Surroundings OÜ
- Member of the Supervisory Board of AS Epler & Lorez, AS Adam Bd, Intrac Eesti AS, Magnetic MRO AS, BPT Real Estate AS, Fitek AS, Eesti Keskkonnateenused AS, Radix Hoolduse OÜ, OÜ Kudjape Ümberlaadimisjaam and Radix Rent OÜ
- Graduated from Tallinn University of Technology in 1993, specialising in economics.

Aleksandras Česnavičius (appointed from 26.10.2016 until 26.10.2021)
- Member of the Supervisory Board since 2016
- General Manager of Central European Media Enterprises Ltd. Romanian region
- Managing Director of Delfi Lithuania between 2011-2013
- Graduated from Vilniaus Universitetas in Lithuania with a PhD in Media in 2010

Gunnar Kobin (appointed from 01.01.2017 until 01.01.2022)
- Board member since 2017
- Has been the chairman of the management board of AS Ekspress Grupp since 2009 until 31 December 2016
- The board member of the companies Griffen Management OÜ, Griffen Invest OÜ, Jolanthe OÜ, Griffen Holding OÜ and Feedback wizards

Viktor Mahhov (recalled on 26.10.2016)
- Chairman of the Supervisory Board since 2006
- AS Scandagra Estonia Finance Director
- Completed graduate studies in economics at St. Petersburg University in 1992

Kari Sakari Salonen (recalled on 26.10.2016)
- Member of the Supervisory Board since 2012
- Member of the Board of (Directors) KJK Management SA
- Chairman of the Board of (Directors) KJK Capital Oy
- Chairman of the Board of (Directors) KJK Invest Oy
- KJK Fund Sicav-SIF Member of the Management Board
- Member of the Board of (Directors) KJK Fund II Sicav-SIF
- Member of the Supervisory Board of UAB "D Investuciju Valdymas"
- Graduated from Espoo School of Economics in 1983

Jaak Ennuste (recalled on 26.10.2016) - independent supervisory board member
- Member of the Supervisory Board since 2014
- Member of the Supervisory Board and partner of e-marketing agency ADM Interactive
- Member of the Supervisory Board and partner of Mediabrands Digital
- Graduated *cum laude* from Tallinn University of Technology in 1989 with a degree in engineering and finished Accelerated Development programme at London Business School in 2001.

MANAGEMENT BOARD

The authorities of the Management Board of the Company are specified in the Commercial Code and they are limited to the extent determined in the articles of association of the company. The Management Board of Ekspress Group does not have any right to issue shares of the company. The election of the members of the Management Board is the authority of the Supervisory Board. The members of the Management Board are elected for a period of up to 5 years. In order to elect and remove the members of the Management Board, a simple majority of the votes of the Supervisory Board is required. In order to resign from the position of a member of the Management Board, the member shall give one month's notice to the Supervisory Board. There are no agreements between Ekspress Group and the members of the Management Board which would deal with the benefits in connection with a takeover of a public limited company provided for in Chapter 19 of the Securities Market Act. In accordance with the articles of association, the Management Board shall comprise one to five members. The Management Board of Ekspress Group has three members as of the year-end and preparation of the financial statements. The Chairman of the Management Board until 31 December 2016 was Gunnar Kobin and from 1 January 2017 onwards Mari-Liis Rüütsalu. The members of the Management Board are Pirje Raidma and Andre Veskimeister.

Information about the members of the Management Board:

Mari-Liis Rüütsalu (term of contract from 01.01.2017 until 01.01.2022)
- Chairman of the Management board since 2017
- Chief Executive Officer of the Group
- Managing director of AS Ekspress Meedia 2015-2016
- Managing director of AS Delfi 2012-2015
- Marketing and development director of AS Estravel 1998-2012
- Graduated from Eesti Majandusjuhtide Instituut in 1998 specializing in business administration and University of Tartu Pärnu College in 1995 specializing in entrepreneurship and business management

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

Andre Veskimeister (term of contract until 16.12.2017)
- Member of the Management Board since 2009
- Development Manager of the Group
- Head of development of AS Ülemiste City in 2006-2009
- Director of Finance and Support Services of Enterprise Estonia in 2003-2006
- Graduated from Estonian Business School in 2004, specialising in business management

Pirje Raidma (term of contract until 16.12.2017)
- Member of the Management Board since 2010
- Chief Financial Officer of the Group
- Finance and Administrative Director of the investment bank GILD Bankers in 2006 - 2010
- Finance and Administrative Director of LHV Group in 2005 - 2006
- Auditor at auditing company PwC (worked in Estonia and the Channel Islands) in 1997 - 2005
- Graduated from University of Tartu in 1996 with a degree in international economy
- Certified Auditor and fellow of the Association of Chartered Certified Accountants, FCCA

Audit Committee

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

Selection and pay of auditors

An auditor is selected and approved by the General Meeting of Shareholders. Usually the auditor is selected for the period of three years after which new tender is organised. The basis for selection is the experience of the audit team, reputation of the audit company, its access to international network, the independence of the auditor and price for the services. For the period 2014-2016 the General Meeting of the Shareholders approved AS Deloitte Audit Eesti to be an auditor of the Group. Latvian operations are audited by the local audit firm and joint venture AS Express Post by Ernst & Young Baltic AS. The total fee to be paid for 2016 audits (including all joint ventures) is EUR 65 thousand. In 2016 additional tax consultancy and due diligence services have been purchased from Deloitte network in amount of EUR 52 thousand. Between 2006-2013 AS PricewaterhouseCoopers audited the consolidated annual reports of the Group.

Other information

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(EUR thousand)	31.12.2016	31.12.2015	Notes
ASSETS			
Current assets			
Cash and cash equivalents	2 805	2 927	5
Term deposits	51	0	5
Trade and other receivables	7 468	6 741	6
Inventories	2 770	2 718	10
Total current assets	**13 094**	**12 386**	
Non-current assets			
Trade and other receivables	982	1 149	11
Deferred tax asset	34	42	
Investments in joint ventures	2 435	1 007	13
Investments in associates	591	215	14
Property, plant and equipment	12 722	13 791	15
Intangible assets	44 310	44 590	16
Total non-current assets	**61 074**	**60 794**	
TOTAL ASSETS	**74 168**	**73 180**	
LIABILITIES			
Current liabilities			
Borrowings	2 313	2 240	18
Trade and other payables	7 170	6 679	17
Corporate income tax payable	108	114	
Total current liabilities	**9 591**	**9 033**	
Non-current liabilities			
Long-term borrowings	13 471	15 447	18
Deferred tax liability	33	26	
Total non-current liabilities	**13 504**	**15 473**	
TOTAL LIABILITIES	**23 095**	**24 506**	
EQUITY			
Share capital	17 878	17 878	30
Share premium	14 277	14 277	30
Treasury shares	(863)	(176)	30
Reserves	2 058	1 787	30
Retained earnings	17 723	14 908	
TOTAL EQUITY	**51 073**	**48 674**	
TOTAL LIABILITIES AND EQUITY	**74 168**	**73 180**	

The Notes presented on pages 42 to 84 form an integral part of the consolidated financial statements

Signed for identification purposes:
AS Deloitte Audit Eesti

Consolidated statement of comprehensive income

(EUR thousand)	2016	2015	Notes
Sales revenue	53 324	52 773	22
Cost of sales	(42 122)	(41 781)	23
Gross profit	**11 202**	**10 992**	
Other income	1 085	659	28
Marketing expenses	(2 488)	(2 377)	24
Administrative expenses	(5 357)	(5 236)	25
Other expenses	(114)	(118)	
Impairment of goodwill	0	(1 200)	26
Operating profit	**4 328**	**2 720**	
Interest income	32	42	
Interest expense	(471)	(550)	
Foreign exchange gains (losses)	(10)	(6)	
Other finance costs	(56)	(71)	
Net finance cost	**(505)**	**(585)**	
Profit (loss) on shares of joint ventures	772	785	13
Profit (loss) from investments in associates	113	86	14
Profit before income tax	**4 708**	**3 006**	
Income tax expense	(302)	(299)	8
Profit for the reporting period	**4 406**	**2 707**	
Net profit for the reporting period attributable to:			
Equity holders of the parent company	4 406	2 707	
Other comprehensive income	0	0	
Total other comprehensive income for the period	**4 406**	**2 707**	
Comprehensive income for the reporting period attributable to:			
Equity holders of the parent company	4 406	2 707	
Basic and diluted earnings per share	0.15	0.09	30

The Notes presented on pages 42 to 84 form an integral part of the consolidated financial statements.

Signed for identification purposes:

AS Deloitte Audit Eesti

Consolidated statement of changes in equity

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total equity
Balance on 31.12.2014	**17 878**	**14 277**	**(64)**	**1 440**	**13 644**	**47 175**
Increase of statutory reserve capital	0	0	0	256	(256)	**0**
Dividend paid	0	0	0	0	(1 187)	**(1 187)**
Purchase of treasury shares	0	0	(112)	0	0	**(112)**
Share option	0	0	0	91	0	**91**
Total transactions with owners	*0*	*0*	*(112)*	*347*	*(1 443)*	***(1 208)***
Net profit for the reporting period	0	0	0	0	2 707	**2 707**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*2 707*	***2 707***
Balance on 31.12.2015	**17 878**	**14 277**	**(176)**	**1 787**	**14 908**	**48 674**
Increase of statutory reserve capital	0	0	0	135	(135)	**0**
Dividend paid	0	0	0	0	(1 456)	**(1 456)**
Purchase of treasury shares	0	0	(687)	0	0	**(687)**
Share option	0	0	0	136	0	**136**
Total transactions with owners	*0*	*0*	*(687)*	*271*	*(1 591)*	***(2 007)***
Net profit for the reporting period	0	0	0	0	4 406	**4 406**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*4 406*	***4 406***
Balance on 31.12.2016	**17 878**	**14 277**	**(863)**	**2 058**	**17 723**	**51 073**

Additional information about changes in equity is disclosed in Note 30.

The Notes presented on pages 42 to 84 form an integral part of the consolidated financial statements.

Signed for identification purposes:

AS Deloitte Audit Eesti

Consolidated cash flow statement

(EUR thousand)	2016	2015	Notes
Cash flows from operating activities			
Operating profit for the reporting year	4 328	2 720	
Adjustments for:			
Depreciation, amortisation and impairment	2 953	2 760	15,16
Loss on trademark and goodwill impairment	0	1 200	26
(Gain)/loss on sale and write-down of property, plant and equipment	37	(4)	
Change in value of share option	136	91	
Cash flows from operating activities:			
Trade and other receivables	(709)	(191)	
Inventories	(53)	(645)	
Trade and other payables	484	361	
Cash generated from operations	**7 175**	**6 292**	
Income tax paid	(293)	(118)	
Interest paid	(519)	(525)	
Net cash generated from operating activities	**6 363**	**5 649**	
Cash flows from investing activities			
Term deposit (placement)/release	0	1 600	
Acquisition of joint ventures	(868)	0	
Acquisition of associate	(311)	0	
Purchase and receipts of other investments	5	(50)	
Interest received	32	33	
Purchase of property, plant and equipment	(1 335)	(1 575)	15,16,19
Proceeds from sale of property, plant and equipment	39	33	15,16
Loans granted	(25)	0	
Loan repayments received	175	74	
Net cash used in investing activities	**(2 289)**	**115**	
Cash flows from financing activities			
Dividends paid	(1 456)	(1 187)	
Dividend received from joint ventures	246	278	
Finance lease repayments	(72)	(89)	19
Change in use of overdraft	0	(1 117)	18
Loan received	11	687	
Repayments of bank loans	(2 186)	(4 952)	18
Purchase of treasury shares	(687)	(112)	
Net cash used in financing activities	**(4 144)**	**(6 492)**	
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(71)**	**(729)**	
Cash and cash equivalents at the beginning of the year	2 927	3 656	5
Cash and cash equivalents at the end of the year	2 856	2 927	5

The Notes presented on pages 42 to 84 form an integral part of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The main fields of activity of AS Ekspress Grupp and its subsidiaries consist of media operations including online, newspaper, magazine and book publishing, home delivery and other media related activities; and provision of printing services. AS Ekspress Grupp (registration number 10004677, address: Parda 6, 10151 Tallinn) is a holding company registered and operating in the Republic of Estonia. Pursuant to the Commercial Code of the Republic of Estonia, the annual report, including the consolidated financial statements prepared by the Management Board and approved by the Supervisory Board, shall be approved by the General Meeting of Shareholders. This annual report was approved by the Management Board on 22 March 2017.

The consolidated financial statements of AS Ekspress Grupp (hereinafter the Group) for the year 2016 reflect the results of the following group companies.

Company name	Status	Ownership interest 31.12.2016	Ownership interest 31.12.2015	Main field of activity	Domicile
Operating segment: corporate functions					
Ekspress Grupp AS	Parent company			Holding company and support services	Estonia
Ekspress Digital OÜ	Subsidiary	100%	100%	Provision of IT services	Estonia
Ekspress Finance OÜ	Subsidiary	100%	100%	Provision of financing for the Group	Estonia
Operating segment: media (online and print media)					
Ekspress Meedia AS (former Delfi AS)	Subsidiary	100%	100%	Online media, publishing of daily and weekly newspapers (from 1 July 2015 merged with AS Eesti Ajalehed)	Estonia
Delfi A/S	Subsidiary	100%	100%	Online media	Latvia
Delfi UAB	Subsidiary	100%	100%	Online media and magazine publishing	Lithuania
Sport Media UAB	Subsidiary	51%	51%	Currently dormant	Lithuania
Medipreza UAB	Associate	40%	40%	Wholesale of magazines and books	Lithuania
Delfi Holding SIA	Subsidiary	100%	100%	Holding company (previously parent company to Delfi companies in different countries)	Latvia
Zave Media OÜ	Subsidiary	100%	100%	Developer of portal incorporating retailers' sales offers throughout Baltics (operations moved to Delfi local companies)	Estonia
Hea Lugu OÜ	Subsidiary	100%	100%	Book publishing	Estonia
Ajakirjade Kirjastus AS	Joint venture	50%	50%	Magazine publishing	Estonia
SL Õhtuleht AS	Joint venture	50%	50%	Newspaper publishing	Estonia
Express Post AS	Joint venture	50%	50%	Home delivery of periodicals	Estonia
Linna Ekraanid OÜ	Joint venture	50%	-	Sale of digital outdoor advertising (acquired in July 2016)	Estonia
Babahh Media OÜ	Associate	49%	-	Sale of video production, media and infra-structure solutions (acquired in Sept 2016)	Estonia
Babahh Productions OÜ	Associate	49%	-	Video production (in the merger process with a parent company Babahh Media OÜ))	Estonia
Adnet Media UAB	Associate	49%	49%	Online advertising solutions and network	Lithuania
Adnet Media OÜ	Associate	49%	49%	Online advertising solutions and network	Estonia
Adnet Media SIA	Associate	49%	49%	Online advertising solutions and network	Latvia
Operating segment: printing services					
Printall AS	Subsidiary	100%	100%	Printing services	Estonia
Operating segment: entertainment					
Delfi Entertainment SIA	Subsidiary	100%	100%	Arrangement of exhibitions (currently dormant)	Latvia

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

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

Basis of preparation

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

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

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

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

Comparability

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

Amendments to the existing standards and new standards and interpretation effective for current financial period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

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- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

In 2015 the parent company has used early adoption of **Amendments to IAS 27 "Separate Financial Statements"**. This change had a significant impact on the parent company's separate financial statements for the year ended 31 December 2015 which are presented as a Note to the Consolidated financial statements as required by the Estonian Accounting Act.

The adoption of other amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

The Group has not yet analysed the impact of those new standards and amendments on its accounting policies and financial statements.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at 20 March 2017 (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

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- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Group has not yet analysed the impact of the above mentioned new standards and amendments on its accounting policies and financial statements.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

Principles of consolidation

Subsidiaries

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

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

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

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

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

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

Joint ventures and associates

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

Group companies

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

Inventories

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

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Group has no held-to-maturity investments or available-for-sale financial assets. It does have insignificant amount (ca EUR 80 thousand) of assets measured at fair value through profit or loss. The management determines the classification of its financial assets at initial recognition and reviews the asset's classification at each balance sheet date. The Group's management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The purchases and sales of financial assets are recognised at the trade date – the date at which the Group commits to purchase or sell the asset.

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Loans and receivables

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

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

Derecognition of financial assets

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Intangible assets

Goodwill

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

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

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

Trademarks

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

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

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Development costs

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

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

Other intangible assets

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

Impairment of assets

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

Financial liabilities

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

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

Provisions

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

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sheet date. The provision expense is included in the income statement of the period. Provisions are not recognised for future operating losses.

Contingent liabilities

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

Payables to employees

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

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

Share-based transactions

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

Finance and operating lease

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

The Group as a lessee

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

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

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Revenue recognition

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

Retail sales of periodicals and books

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

Sales of subscribed periodicals and books

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

Sale of services

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

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

Interest income

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

Dividend income

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

Goverment Grants

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

Earnings per share

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

Statutory reserve capital

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

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Dividend distribution

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

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

Events after the balance sheet date

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

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

Segment reporting

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

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

Corporate income tax and deferred income tax

Corporate income tax in Estonia

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

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

Corporate income tax for companies registered in Latvia and Lithuania

In accordance with the local income tax laws the net profit of companies located in Latvia and Lithuania adjusted for the permanent and temporary differences as stipulated by law is subject to corporate income tax. The income tax rate is 15% in Latvia (2015: 15%) and 15% in Lithuania (2015: 15%).

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

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

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

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Note 3. Critical accounting estimates and judgements

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

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

Management estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year include assessment of useful lives of intangible assets identified (Note 16), valuation of inventories (Note 10), valuation of goodwill (Note 16), determination of useful lives of property, plant and equipment (Note 15) and valuation of receivables and loans granted (Notes 4, 6, 7), evaluation of derivative instruments (Notes 4, 29).

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

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

As of 31.12.2016, no impairment losses were recognised for goodwill. In 2015 an impairment loss related to the goodwill of Delfi Latvia was recognised in the total amount of EUR 1 200 thousand.

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

b) Estimation of useful lives of intangible assets

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

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

Carrying amount of trademarks as of 31.12.2016 is EUR 6 506 thousand (31.12.2015: EUR 6 911 thousand). If useful lives of online trademarks increased or decreased by 10%, the annual amortisation charge would increase or decrease, respectively, by EUR 40/48 thousand.

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

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

If the useful lives increased/decreased by 10%, the annual depreciation charge would decrease/increase by EUR 20/24 thousand, EUR 140/171 thousand and EUR 30/37 thousand of 'Buildings', 'Machinery and equipment' and 'Other equipment', respectively. The total decrease/increase in the depreciation charge in case of an increase/decrease of 10% in useful lives would be EUR 190/232 thousand.

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

e) Inventory valuation

Upon valuation of inventories, the management will rely on its best estimates taking into consideration historical experience, general background information and assumptions and preconditions of the future events. For determining the impairment of finished goods (carrying amount as of 31.12.2016, EUR 241 thousand and as of 31.12.2015, EUR 262 thousand), the sales potential as well as the net realisable value of finished goods is considered. Upon valuation of raw materials and materials (carrying amount as of 31.12.2016, EUR 2 208 thousand and as of 31.12.2015, EUR 2 210 thousand) their potential use in producing finished goods and generating income is considered. Upon valuation of work in progress (carrying amount as of 31.12.2016, EUR 313 thousand and as of 31.12.2015, EUR 238 thousand) their stage of completion that can reliably be measured is considered.

Note 4. Financial risk management

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

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

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

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

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Credit risk

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

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

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

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

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

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

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

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

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

31.12.2015 (EUR thousand)	Due date	Overdue >= 7 days	Overdue >7 days and <=60 days	Overdue > 60 days	Total receivables
Trade receivables	4 103	935	886	25	5 949
Other short-term receivables	504	0	0	0	504
TOTAL	**4 607**	935	886	25	6 453

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In 2016, the Group has written down doubtful receivables in the amount of EUR 547 thousand (31.12.2015: EUR 520 thousand), in accordance with the rules for valuation of trade receivables applicable at the Group based on estimated cash flows.

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

Liquidity risk

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

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

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

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

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

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

31.12.2015 (EUR thousand)	Undiscounted				Carrying amount
	<= 1 month	> 1 month and <=3 months	> 3 months and <= 1 year	>1 year and <=5 years	
Bank loans	217	434	1 955	16 507	**17 621**
Finance lease payments	7	14	35	10	**65**
Trade payables	1 564	0	3	0	**1 567**
Other payables	399	0	0	0	**399**
TOTAL	**2 187**	**448**	**1 993**	**16 517**	**19 652**

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

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

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

Type of interest	Interest rate	31.12.2015 (EUR thousand)	<= 1 year	>1 year and <=5 years	Carrying amount
Floating interest	3-month Euribor + 2.5%	Syndicated loan *(Parent Company)*	1 507	9 449	10 955
	3-month Euribor + 2.5%	Syndicated loan *(Printall)*	678	5 988	6 666
	1-month Euribor + 2.3%	Finance lease *(Printall)*	56	9	65
	1-month Euribor + 1.9%	Overdraft	0	0	0

Foreign exchange risk

The Group's operating activities have an international dimension and therefore, the Group is to some extent exposed to foreign exchange risk. Foreign exchange risk arises when future business transactions or recognised assets or liabilities are fixed in a currency which is not the functional currency of the Group. Group companies are required to manage their foreign exchange risk with regard to the functional currency. The Group's income is primarily fixed in local currencies, i.e. the euros in Estonia, Latvia and Lithuanian. The Group also pays most of its suppliers and employees in local currencies. The subsidiaries are typically required to use the euro as the currency in foreign contracts. The subsidiary Printall exports outside of euro-zone and it also issues invoices denominated in Norwegian kroner and Swedish kronor. In 2016 such foreign exchange risk was on a level of ca 4% of Group's revenue (in 2015: ca 6%). The Russian clients pay also in Russian roubles, although the invoices issued have been denominated in euros and hence carry no exchange risk. The amounts received in foreign currencies are converted into euros immediately after their receipt in order to reduce open foreign currency positions. No other means are used for hedging foreign exchange risk.

As of 31.12.2016, the Group had foreign currency risk related to the Swedish krona in the amount of EUR 141 thousand and other currencies (NOK, USD, RUB) in the amount of EUR 96 thousand. As of 31.12.2015, the Group had foreign currency risk related to the Swedish krona in the amount of EUR 465 thousand and other currencies (GBP, NOK, USD) in the amount of EUR 21 thousand.

Price risk

The price of paper affects the activities of the Group the most. In a situation where the majority of paper used in the production is purchased directly from producers at the base price without any commissions and the price is fixed for half a year in advance, and given that the volume of paper in the international scale is insignificant, the Group does not use derivative instruments to hedge the paper price risk.

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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. All 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 regular 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. During the year, the equity ratio of the Group has been in compliance with conditions set in the syndicate loan contract.

Equity ratios of the Group

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

Fair value

The Group's management estimates that the fair values of the financial assets (Notes 5,6,7,9,11) and financial liabilities (Notes 17,18,19) recognised in the balance sheet at amortised cost do not significantly differ from their carrying amounts presented in the Group's consolidated balance sheet on 31 December 2016 and 31 December 2015. The Group's interest bearing liabilities were refinanced in 2015 and are related to Euribor and thus reflect the adequate situation of current market interest rates. Also, the Group's risk margins correspond to market conditions. Based on that, the management estimates that the fair value of long-term borrowings does not significantly differ from their carrying amounts. The fair value of financial liabilities is determined on the basis of discounted future contractual cash flows, using a market interest rate which is available for the Group upon using similar financial instruments. Trade receivables and trade payables are recognised at amortised cost, due to which the management estimates that their carrying amount approximates their fair value.

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Note 5. Cash and bank

(EUR thousand)	31.12.2016	31.12.2015
Cash in hand	14	12
Cash at bank	2 791	2 915
Cash and cash equivalents	**2 805**	**2 927**
Term deposit	51	0
Total cash and bank	**2 856**	**2 927**

Note 6. Trade and other receivables

(EUR thousand)	31.12.2016	31.12.2015
Trade receivables (Note 7)	6 337	5 949
Other receivables (Note 9)	803	504
Prepayments	328	288
Total trade and other receivables	**7 468**	**6 741**

Note 7. Trade receivables

(EUR thousand)	31.12.2016	31.12.2015
Trade receivables	6 687	6 280
Allowance for doubtful receivables	(350)	(331)
Total trade receivables	**6 337**	**5 949**

(EUR thousand)	31.12.2016	31.12.2015
Allowance for doubtful receivables at the beginning of the period	(331)	(497)
Proceeds from doubtful receivables during the period	329	358
Allowance for doubtful receivables recognised during the period	(547)	(520)
Receivables written off from balance sheet during the period	199	328
Allowance for doubtful receivables at the end of the period	**(350)**	**(331)**

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

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Note 8. Corporate income tax and deferred tax

Group's income tax expense (EUR thousand)	2016	2015
Corporate income tax expense	295	270
Deferred income tax expense	7	29
Total income tax expense	**302**	**299**

Corporate income tax

(EUR thousand)	2016	2015
Latvia		
Profit (loss) before tax	406	16 639
Tax rate	15%	15%
Estimated income tax	(61)	(2 496)
Impact of not taxable income/expenses not deductible for tax purposes	9	2 604
Deferred tax asset not recognised	-	(168)
Current income tax expense	**(45)**	**(31)**
Deferred income tax gains (losses)	**(7)**	**(29)**
Lithuania		
Profit (loss) before tax	1 607	1 382
Tax rate	15%	15%
Estimated income tax	(241)	(207)
Impact of income not taxable/expenses not deductible for tax purposes	(9)	(32)
Current income tax expense	**(250)**	**(239)**
Deferred income tax gains (losses)	**0**	**0**

Note 9. Other short-term receivables

(EUR thousand)	31.12.2016	31.12.2015
Receivables from associates (Note 32)	**338**	**232**
Trade receivables	323	232
Loans granted	15	0
Receivables from joint ventures (Note 32)	**391**	**247**
Accounts receivable	357	218
Other receivables	34	29
Receivables from related parties (Note 32)	**3**	**6**
Other receivables	3	6
Other short-term receivables	**71**	**19**
Loans granted	5	0
Other receivables	66	19
Total other short-term receivables	**803**	**504**

As of 31.12.2016 no allowance was recognised for the receivable from the associate Medipresa UAB. In 2015 an allowance has been recognised in the amount of EUR 13 thousand in accordance with the ownership interest in the negative equity of Medipresa UAB.

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Note 10. Inventories

(EUR thousand)	31.12.2016	31.12.2015
Raw materials	2 208	2 210
Work in progress	313	238
Finished goods	241	262
Goods for resale	8	8
Total inventories	**2 770**	**2 718**

(EUR thousand)	2016	2015
Impairment of finished goods	55	44
Allowance for impairment recognised in profit and loss	**55**	**44**

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

Note 11. Long-term trade and other receivables

(EUR thousand)	31.12.2016	31.12.2015
Loans granted to related parties (Note 32)	0	160
Receivables from joint ventures (Note 32)	898	907
Prepayments	4	2
Other investments	80	80
Total long-term receivables	**982**	**1 149**

Note 12. Business combinations

On 22 July 2016, AS Ekspress Grupp acquired a 50% ownership interest in **Linna Ekraanid OÜ** engaged in digital outdoor advertising in Estonia. A payment of EUR 868 thousand was made for the ownership interest. In the 2nd quarter of 2019, AS Ekspress Grupp will also acquire the remaining 50% of the shares of Linna Ekraanid OÜ and will thus become the sole shareholder of the company. The acquisition price of the remaining 50% of the ownership interest is tied to the company's actual target results which will become known at the beginning of 2019. As at the end of the year the fair value of the liability to purchase remaining 50% ownership is estimated the same as it was at the time of acquisition.

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

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

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

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

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

Note 13. Joint ventures

Company name	Ownership interest %		Co-owner
	31.12.2016	31.12.2015	31.12.2016
AS SL Õhtuleht	50	50	OÜ Suits Meedia
AS Ajakirjade Kirjastus	50	50	OÜ Suits Meedia
AS Express Post	50	50	AS Eesti Meedia
Linna Ekraanid OÜ	50	-	Private individuals

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Linna Ekraanid OÜ	Total
31.12.2016					
Net assets of the joint venture	1 356	1 210	566	158	3 290
Proportion of ownership in the joint venture	50%	50%	50%	50%	
Goodwill	0	0	0	672	672
Other adjustments	0	0	0	119	119
Carrying amount of interest in the joint venture	**677**	**605**	**283**	**870**	**2 435**
Profit on shares of joint ventures	376	222	171	2	**772**
31.12.2015					
Net assets of the joint venture	604	768	644	-	2 016
Proportion of ownership in the joint venture	50%	50%	50%	-	
Carrying amount of interest in the joint venture	**302**	**384**	**321**	**-**	**1 007**
Profit on shares of joint ventures	258	332	195	-	**785**

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Financial information of joint ventures

(EUR thousand)	AS Ajakirjade Kirjastuse	AS SL Õhtuleht	AS Express Post	Linna Ekraanid OÜ	Total
31.12.2016					
Current assets	3 150	1 846	1 882	146	7 024
Non-current assets	2 088	2 782	50	134	5 054
Total assets	**5 238**	**4 628**	**1 932**	**280**	**12 078**
Current liabilities	2 332	2 188	1 366	88	5 974
Non-current liabilities	1 550	1 230	0	34	2 814
Total liabilities	**3 882**	**3 418**	**1 366**	**122**	**8 788**
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	*778*	*1 379*	*1 210*	*66*	*3 432*
Current financial liabilities (excluding trade and other payables and provisions)	*240*	*372*	*0*	*11*	*623*
Non-current financial liabilities (excluding trade and other payables and provisions)	*500*	*482*	*0*	*34*	*1 016*
31.12.2015					
Current assets	3 004	1 598	2 250	-	6 852
Non-current assets	1 546	2 888	76	-	4 510
Total assets	**4 550**	**4 486**	**2 326**	**-**	**11 362**
Current liabilities	2 878	2 970	1 682	-	7 530
Non-current liabilities	1 068	748	0	-	1 816
Total liabilities	**3 946**	**3 718**	**1 682**	**-**	**9 346**
The above amounts of assets and liabilities include the following:					
Cash and cash equivalents	*856*	*1 203*	*1 420*	-	*3 479*
Current financial liabilities (excluding trade and other payables and provisions)	*980*	*1 220*	*0*	-	*2 200*
Non-current financial liabilities (excluding trade and other payables and provisions)	*0*	*0*	*0*	-	*0*

(EUR thousand)	AS Ajakirjade Kirjastus	AS SL Õhtuleht	AS Express Post	Linna Ekraanid OÜ	Total
2016					
Revenue*	9 531	8 658	5 219	331	23 739
Depreciation and amortisation	(269)	(277)	(46)	(14)	(606)
Interest expense	(63)	(58)	0	(0)	(120)
Profit before income tax	**752**	**444**	**449**	**29**	**1 674**
Income tax expense	0	0	(106)	0	(106)
Profit for the reporting period	**752**	**444**	**343**	**29**	**1 568**
Other comprehensive income	**0**	**0**	**0**	**0**	**0**
Total comprehensive income	**752**	**444**	**343**	**29**	**1 568**
2015					
Revenue*	8 694	8 308	4 953	-	21 956
Depreciation and amortisation	(174)	(264)	(49)	-	(487)
Interest expense	(89)	(84)	0	-	(173)
Profit before income tax	**516**	**663**	**529**	**-**	**1 709**
Income tax expense	0	0	(139)	-	(139)
Profit for the reporting period	**516**	**663**	**390**	**-**	**1 569**
Other comprehensive income	0	0	0	-	0
Total comprehensive income	**516**	**663**	**390**	**-**	**1 569**

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

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Note 14. Associates

(EUR thousand)	31.12.2016	31.12.2015
Additional contribution to associate	311	0
Dividend paid	34	0
Impairment loss recognised for the receivables of associates (Note 32)	13	36
Shares of associates in the balance sheet	591	215
Share of loss in associates recognised in statement of comprehensive income		
Profit (loss) under the equity method	113	86
Total profit (loss) of associates	**113**	**86**

Company name	Ownership %	
	31.12.2016	31.12.2015
UAB Medipresa	40	40
Adnet Media UAB	49	49
Babahh Media OÜ	49	-

Financial information of associate

(EUR thousand)	UAB Medipresa	Adnet media UAB	Babahh Media OÜ
31.12.2016			
Total assets	4 357	801	170
Total liabilities	4 286	614	125
Total revenue	8 001	3 125	105
Total expenses	7 870	2 980	106
Net profit (loss)	**131**	**146**	**-1**
31.12.2015			
Total assets	3 771	765	-
Total liabilities	3 804	655	-
Total revenue	7 313	2 822	-
Total expenses	7 219	2 718	-
Net profit (loss)	**95**	**104**	-

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Note 15. Property, plant and equipment

(EUR thousand)	Land	Buildings	Machinery and equipment	Other fixtures	Prepayments	Total
31.12.2014						
Cost	409	5 806	21 035	2 205	2 376	**31 832**
Accumulated depreciation	0	(2 170)	(13 518)	(1 637)	0	**(17 326)**
Carrying amount	**409**	**3 636**	**7 518**	**566**	**2 376**	**14 506**
Acquisitions and improvements	0	12	165	194	879	**1 250**
Disposals (at carrying amount)	0	0	(12)	(10)	0	**(22)**
Write-offs (at carrying amount)	0	0	(1)	(6)	(1)	**(8)**
Reclassification	0	30	3 084	131	(3 246)	**(1)**
Depreciation	0	(218)	(1 424)	(292)	0	**(1 934)**
31.12.2015						
Cost	409	5 831	24 195	2 101	7	**32 542**
Accumulated depreciation	0	(2 371)	(14 865)	(1 516)	0	**(18 752)**
Carrying amount	**409**	**3 460**	**9 329**	**585**	**7**	**13 791**
Acquisitions and improvements	0	4	112	253	699	**1 068**
Disposals (at carrying amount)	0	0	0	(9)	0	**(9)**
Write-offs (at carrying amount)	0	0	(40)	(2)	0	**(42)**
Reclassification	0	37	496	179	(712)	**0**
Depreciation	0	(219)	(1 538)	(330)	0	**(2 087)**
31.12.2016						
Cost	409	5 872	24 708	2 184	(6)	**33 166**
Accumulated depreciation	0	(2 589)	(16 348)	(1 508)	0	**(20 446)**
Carrying amount	**409**	**3 282**	**8 359**	**676**	**(6)**	**12 722**

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

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Note 16. Intangible assets

(EUR thousand)	Goodwill	Trademarks	Development costs	Customer relationships	Computer software	Prepayments	Total intangible assets
31.12.2014							
Cost	47 750	11 046	392	2 379	2 242	80	**63 889**
Accumulated amortisation and impairments	(9 597)	(3 577)	(162)	(2 379)	(1 886)	0	**(17 602)**
Carrying amount	**38 153**	**7 469**	**230**	**0**	**356**	**80**	**46 287**
Purchases and improvements	0	0	0	0	73	257	**330**
Impairment loss (Note 26)	(1 200)	0	0	0	0	0	**(1 200)**
Write-offs (at carrying amount)	0	0	0	0	(1)	(3)	**(4)**
Reclassification	0	0	(78)	0	390	(312)	**0**
Amortisation	0	(559)	(37)	0	(230)	0	**(826)**
31.12.2015							
Cost	47 750	11 046	589	2 379	2 046	23	**63 834**
Accumulated amortisation and impairments	(10 797)	(4 135)	(475)	(2 379)	(1 456)	0	**(19 244)**
Carrying amount	**36 953**	**6 911**	**114**	**0**	**590**	**23**	**44 590**
Purchases and improvements	0	30	8	0	330	244	**612**
Write-offs (at carrying amount)	0	0	(2)	0	0	(23)	**(25)**
Reclassification	0	0	46	0	119	(165)	**0**
Amortisation	0	(435)	(75)	0	(356)	0	**(866)**
31.12.2016							
Cost	47 750	11 076	639	2 379	2 406	79	**64 329**
Accumulated amortisation and impairments	(10 797)	(4 571)	(548)	(2 379)	(1 723)	0	**(20 018)**
Carrying amount	**36 953**	**6 506**	**91**	**0**	**683**	**79**	**44 310**

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

Goodwill by cash-generating units and segments

(in thousands)	EUR	
	31.12.2016	31.12.2015
Delfi Estonia	15 281	15 281
Delfi Latvia	7 007	7 007
Delfi Lithuania	12 848	12 848
Maaleht	1 816	1 816
Total goodwill	**36 953**	**36 953**

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

The impairment test of Delfi Estonia includes the cash flows of the Delfi related product in AS Ekspress Meedia. The impairment test of Delfi Latvia includes the cash flows of Latvian legal entity AS Delfi adjusted for any internal management fees. The impairment test of Delfi Lithuania includes the cash flows of Lithuanian entity UAB Delfi, which comprise Delfi related products and magazine publishing business which was merged with UAB Delfi in July 2014. The results are also adjusted for any internal management fee. The impairment test of Maaleht is based on the future cash flows of business of newspaper Maaleht (including all related activities and their results) and magazine Maakodu in AS Ekspress Meedia. All cash flows are based on group accounting principles and adjusted for any internal management or similar fee where applicable.

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The applied revenue growth rates are as follows:

Cash-generating unit	Average revenue growth pa Next 5 years		Terminal value growth	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Delfi Estonia	9.3%	9.0%	3.5%	3.5%
Delfi Latvia	9.5%	11.1%	3.5%	3.5%
Delfi Lithuania	6.5%	6.7%	3.5%	3.5%
Maaleht	0.9%	-1.1%	0%	0%

The present value and the terminal value of the cash flows for the following five years were determined using the weighted average cost of capital as the discount rate, where the expected ROE is 12.4%-12.8% (2015: 12.5%-13.3%) and the return on debt is 2.8%-3.6% (2015: 3.6%-4%). The debt to equity ratio is based on the latest average debt to equity ratio in publishing and newspapers sector provided by the database of Damodaran Online. The cost of equity has been calculated using CAPM (Capital Asset Pricing Model). The latest average unleveraged beta of the publishing and newspaper industry based on Damodaran Online database has been used as one component. The yields on long-term government bonds with maturities of close to ten years issued by Latvia and Lithuania provided by the European Central Bank have been used as the basis for determining the risk rates of these countries. In respect of Estonia, the country's risk rate is based on the long-term euro bond yield of Germany, plus the default spread for Estonia according to the database of Damodaran Online.

In 2016 there has been a decline in publishing industry average unleveraged beta back to level of two years ago though industry average debt to equity ratio has increased more compared to the level in prior years. As a result there has been some decrease in applied discount rates used in valuation tests.

The applied discount rates are as follows:

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

The table below shows the recoverable and carrying amounts of cash-generating units, and the differences between them prior to recognition of an impairment loss. **The carrying amounts** include in addition to goodwill also trademarks, property, plant and equipment, other intangible assets and working capital. Impairment losses recognised during the year are disclosed in Note 26.

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

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

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

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

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

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

Note 17. Trade and other payables

(EUR thousand)	31.12.2016	31.12.2015
Trade payables	1 944	1 567
incl. payables to related parties (Note 32)	15	17
Payables to employees	1 574	1 645
Other taxes payable	1 407	1 296
Deferred income	1 806	1 772
Payables to joint ventures (Note 32)	96	87
Payables to associates (Note 32)	6	0
Accrued interest	4	5
Other accrued liabilities	333	307
Total trade and other payables	**7 170**	**6 679**

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

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Note 18. Bank loans and borrowings

(EUR thousand)	Total amount	Repayment term	
		Up to 1 year	Between 1-5 years
Balance as of 31.12.2016			
Long-term bank loans	**15 446**	2 243	13 203
incl. syndicated loan (AS Ekspress Grupp)	**9 448**	1 546	7 902
incl. syndicated and mortgage loan (AS Printall)	**5 998**	697	5 301
Finance lease (Note 19)	**338**	70	268
Total	**15 784**	**2 313**	**13 471**
Balance as of 31.12.2015			
Long-term bank loans	**17 621**	2 184	15 437
incl. syndicated loan (AS Ekspress Grupp)	**10 955**	1 507	9 449
incl. syndicated and mortgage loan (AS Printall)	**6 666**	678	5 988
Finance lease (Note 19)	**65**	56	9
Total	**17 686**	**2 240**	**15 447**

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

Long term bank loan

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

The syndicated loan is still guaranteed by the shares of the subsidiaries, the guarantees of Estonian subsidiaries in the amount of EUR 37 million, the commercial pledge on the assets of AS Printall in the amount of EUR 19 million, the trademarks of Delfi, Eesti Ekspress, Maaleht, Eesti Päevaleht and Eesti Ekspressi Kirjastus in the amount of EUR 5 million, the value of all of which is included within the net assets of the Group. As of 31.12.2016, the carrying amount of the building was EUR 3.2 million and that of the registered immovable was EUR 0.4 million. The ultimate controlling shareholder has also given a personal guarantee in the amount of EUR 4 million to cover the syndicated loan and overdraft agreements.

According to the conditions of the loan agreement, the borrower must comply with certain loan covenants, such as the equity ratio (equity/total assets), total debt/EBITDA ratio and the debt-service coverage ratio. As of the end of each quarter in 2016, all financial ratios were in compliance with the loan covenants set in the loan contract.

Overdraft facilities

As of 31.12.2016, the Group had entered into a long-term overdraft facility with SEB Bank in the amount of EUR 3 million with the due date of 25.10.2020, which had not been used as of the balance sheet date and 31.12.2015.

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Note 19. Finance lease

(EUR thousand)	Machinery and equipment
Balance as of 31.12.2016	
Cost	436
Accumulated depreciation	(22)
Carrying amount	**414**
Balance as of 31.12.2015	
Cost	273
Accumulated depreciation	(89)
Carrying amount	**184**

(EUR thousand)	2016	2015
Finance lease liabilities at the end of the year	**338**	**65**
Principal payments in the financial year	72	89
Interest expenses in the financial year	2	3
Average annual interest rate p.a.	1.95%	2.55%

(EUR thousand)	2016	2015
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	75	56
Later than 1 year and not later than 5 years	276	10
Total	**352**	**66**
Future finance charges on finance leases	14	1
Present value of finance lease liabilities	338	65

Note 20. Operating lease

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

(EUR thousand)	2016	2015
Operating lease payments (Notes 23, 24, 25)	**1 264**	**1 171**
Office rental	516	545
Motor vehicles and other machinery and equipment	748	626
Future minimum lease payments under non-cancellable operating leases	**1 563**	**1 804**
Not later than 1 year	580	593
Later than 1 year but not later than 5 years	983	1 182
Later than 5 years	0	28

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Note 21. Segment reporting

The management has determined the operating segments based on the reports reviewed by the Management Board of the Parent Company AS Ekspress Grupp. The Management Board considers the business from the company's perspective.

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

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

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

The revenue of the **media segment** is derived from sale of advertising banners and other advertising space and products in its own portals, sales of advertising space in newspapers and magazines, revenue from subscriptions and single copy sales of newspapers and magazines, sales of books and miscellaneous series, service 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. No business took place under this segement in 2016.

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.

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2016 (EUR thousand)	Media	Printing services	Enter-tainment	Corporate functions	Elimi-nations	Total Group
Sales to external customers (subsidiaries)	**31 568**	**23 409**	**0**	**162**	**(1 816)**	**53 324**
Effect of joint ventures	10 651	(1 054)	0	(75)	(53)	9 469
Inter-segment sales	11	3 230	0	2 146	(5 387)	0
Total segment sales, incl. joint ventures	42 229	25 585	0	2 233	(7 256)	62 793
EBITDA (subsidiaries)	**3 572**	**4 645**	**(2)**	**(936)**	**0**	**7 280**
EBITDA margin (subsidiaries)	**11%**	**18%**	**-**			**14%**
EBITDA incl. joint ventures	*4 779*	*4 645*	*(2)*	*(936)*	*0*	*8 487*
EBITDA margin incl. joint ventures	*11%*	*18%*	*-*			*14%*
Depreciation (subsidiaries) (Note 15,16)						2 953
Operating profit (subsidiaries)						4 328
Investments (subsidiaries) (Note 15,16)						1 680

2015 (EUR thousand)	Media	Printing services	Enter-tainment	Corporate functions	Elimi-nations	Total Group
Sales to external customers (subsidiaries)	**30 053**	**23 728**	**517**	**65**	**(1 590)**	**52 773**
Effect of joint ventures	9 879	(996)	0	(16)	(113)	8 755
Inter-segment sales	10	3 110	0	1 888	(5 008)	0
Total segment sales, incl. joint ventures	39 943	25 842	517	1 937	(6 711)	61 528
EBITDA (subsidiaries)	**3 724**	**4 966**	**(1 110)**	**(899)**	**0**	**6 680**
EBITDA margin (subsidiaries)	**12%**	**19%**	**-215%**			**13%**
EBITDA incl. joint ventures	*4 913*	*4 966*	*(1 110)*	*(899)*	*0*	*7 869*
EBITDA margin incl. joint ventures	*12%*	*19%*	*-215%*			*13%*
Depreciation (subsidiaries) (Note 15,16)						2 760
Trademarks and goodwill impairment						(1 200)
Operating profit (subsidiaries)						2 720
Investments (subsidiaries) (Note 15,16)						1 580

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

- In Latvia, EUR 2.1 million as of 31.12.2016 (EUR 2.1 million as of 31.12.2015)
- In Lithuania, EUR 2.0 million as of 31.12.2016 (EUR 2.1 million as of 31.12.2015)

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

- Delfi Latvia EUR 7.0 million as of 31.12.2016 (EUR 7.0 million as of 31.12.2015)
- Delfi Lithuania EUR 12.8 million as of 31.12.2016 and 31.12.2015

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Note 22. Sales revenue

(EUR thousand)	2016	2015
Sales revenue by activity		
Advertising revenue	20 361	18 957
incl. barter deals	518	*490*
Single-copy sales	1 792	1 891
Subscriptions' revenue	5 754	5 562
Book publishing	1 516	1 866
Sale of paper and printing services	23 179	23 516
Sale of other goods and services	722	981
Total	**53 324**	**52 773**
Sales revenue by geographical area		
Estonia	27 232	26 582
Scandinavia	10 249	10 909
Lithuania	7 226	7 216
Latvia	3 984	3 277
Russia	902	1 178
Other Europe	3 721	3 604
Other countries	9	6
Total	**53 324**	**52 773**

Note 23. Cost of sales

(EUR thousand)	2016	2015
Raw materials and consumables used	13 469	13 927
Services purchased	5 530	5 387
Salaries and social taxes	18 060	16 548
Rental expenses (Note 20)	518	536
Other expenses	2 274	3 430
Depreciation and amortisation (Note 15,16)	2 271	1 953
Total expenses	**42 122**	**41 781**

Other expenses in 2015 include costs related to installation, operating and de-installation of M/S Titanic exhibition in Riga and license fees paid for exhibition rights in Vilnius in total amount of EUR 1.6 million.

Note 24. Marketing expenses

(EUR thousand)	2016	2015
Marketing	1 562	1 539
Salaries and social taxes	891	813
Rental expenses (Note 20)	31	22
Depreciation and amortisation (Note 15,16)	4	3
Total marketing expenses	**2 488**	**2 377**

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Note 25. Administrative expenses

(EUR thousand)	2016	2015
Raw materials and consumables used	94	103
Repairs and maintenance	451	436
Communication expenses	112	108
Rental expenses (Note 20)	715	613
Services purchased	910	795
Salaries and social taxes	2 397	2 377
incl. cost of the share option issued to the Management Board	*136*	*91*
Depreciation and amortisation (Note 15,16)	678	804
Total administrative expenses	**5 357**	**5 236**

Note 26. Impairment loss for goodwill and trademarks

(EUR thousand)	2016	2015
Impairment loss for goodwill related to Delfi Latvia	0	1 200
Total loss from goodwill and trademarks impairment	**0**	**1 200**

More detailed information about impairment losses for goodwill is disclosed in Note 16.

Note 27. Expenses by type

(EUR thousand)	2016	2015
Salaries and social taxes	21 348	19 738
Raw materials and consumables used	13 563	14 030
Rental expenses (Note 20)	1 264	1 171
Services purchased	6 440	6 182
Marketing expenses	1 562	1 539
Repairs and maintenance	451	436
Communication expenses	112	108
Other expenses	2 274	3 430
Depreciation and amortisation	2 953	2 760
Total cost of sales, marketing and administrative expenses	**49 967**	**49 394**
Average number of employees	**806**	**780**

Other expenses in 2015 include costs related to installation, operating and de-installation of M/S Titanic exhibition in Riga and license fees paid for exhibition rights in Vilnius in total amount of EUR 1.6 million

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Note 28. Other income

(EUR thousand)	2016	2015
Government projects	849	366
Subsidized projects	126	178
Other income	110	115
Total other income	**1 085**	**659**

Note 29. Share option plan for Chairman of the Management Board

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

Upon approving the share option, the option was recognised at its fair value and recognised as a staff cost in the income statement and, on the side, as a share option reserve in equity. As of 31.12.2016 this reserve totalled EUR 747 thousand and the number of earned shares was 660 400 shares. As of 31.12.2015, this reserve totalled EUR 611 thousand and the number of earned shares was 540 400. See also Note 30.

For finding the fair value of the share option upon the issuing of the option (i.e. when it was approved by the General Meeting of Shareholders in November 2013), the Black-Scholes-Merton model was used. The assumptions used in the model were as follows: share price at the time of issuing the option: 1.16 euros, dividend rate: 0.01 euros per share, risk-free rate 2.96%, option term: slightly over 3 years. For subsequent exercising the option, see note 33.

Note 30. Equity

Share capital and share premium

As of 31 December 2016 and 31 December 2015, the share capital of AS Ekspress Grupp was EUR 17 878 105 and it consisted of 29 796 841 shares with the nominal value of EUR 0.60 per share. The maximum amount of share capital as stipulated by the articles of association is EUR 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 a OTC buyback transaction in May 2016. As of 31.12.2016, AS Ekspress Grupp had purchased ca 678 thousand treasury shares at the average price of EUR 1.27 per share for the total of EUR 863 thousand. As of 31.12.2015, AS Ekspress Grupp had purchased 149 thousand at the average price of EUR 1.18 per share for the total of EUR 178 thousand.

Dividends

At the Ordinary General Meeting of Shareholders held on 13 June 2016, it was decided to pay dividends to shareholders in the amount of five euro cents per share in the total amount of EUR 1 456 thousand. Dividends were paid out on 6 July 2016. There will be no accompanying income tax liability because the Company paid out dividends it has received from its joint ventures and subsidiaries that have already paid corporate income tax on dividends or the profit which has already been taxed in its domicile. Therefore, there will be no additional tax to be paid on distribution of dividends from the Parent Company.

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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 29).

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

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	2016	2015
Profit attributable to equity holders of the Parent Company	4 405 875	2 707 166
The average number of ordinary shares (pc)	29 301 553	29 680 551
Basic and diluted earnings per share	**0.15**	**0.09**

Diluted earnings per share equal basic earnings on 31.12.2016 and 31.12.2015 as the Group has no any dilutive potential ordinary shares.

Note 31. Contingent assets and liabilities

Contingent income tax liability

As of 31.12.2016, the consolidated retained earnings of the Group amounted to EUR 17 723 thousand (31.12.2015: EUR 14 908 thousand). Income tax of 20/80 of net dividend paid is imposed on the profit distributed as dividends. When an entity pays dividends it has received from its joint ventures and subsidiaries that have already paid income tax on those dividends or the profit of which has already been taxed in the domicile of the entity, the payment of those dividends by the Parent Company is not subject to additional income tax. As of 31.12.2016, AS Ekspress Grupp (Parent Company) may pay out dividends tax-free in the amount of EUR 23 214 thousand (as of 31.12.2015: EUR 6 016 thousand). Upon the payment of all possible retained earnings as at 31.12.2016, no potential income tax liability occurs.

Contingent liabilities related to the Tax Board

Tax authorities have the right to review the Group's tax records for up to 3 years after submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The tax authorities have not performed any tax audits in any of the group companies during 2014-2016. The management of the Group's Parent Company believes that there are not any circumstances which may lead the tax authorities to impose significant additional taxes on the group companies.

Contingent assets and liabilities arising from pending court cases

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

The Management Board of AS Ekspress Grupp and its independent auditors are of an opinion that the financial statements for all the years, present fairly, in all material respects, the financial position and the financial performance of the company in accordance with the International Financial Reporting Standards as adopted by the European Commission.

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

Contingent assets and liabilities arising from guarantees given

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

Note 32. Related party transactions

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

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

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

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

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

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RECEIVABLES (EUR thousand)	31.12.2016	31.12.2015
Short-term receivables		
Members of Management Board and companies related to them	1	0
Members of Supervisory Board and companies related to them	2	6
Associates (Note 9)	338	245
Joint ventures (Note 9)	391	247
Total short-term receivables	**732**	**498**
Long-term receivables		
Members of Supervisory Board and companies related to them	0	160
Joint ventures (Note 11)	898	907
Total long-term receivables	**898**	**1 067**
Total receivables	**1 630**	**1 565**

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

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

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

Remuneration of members of the Management of all group companies

(EUR thousand)	2016	2015
Salaries and other benefits (without social tax)	1 376	1 334
Termination benefits (without social tax)	0	52
Share option (Note 29)	136	95
Total (without social tax)	**1 512**	**1 481**

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

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amount of potential Key Management termination benefits was EUR 463 thousand (31.12.2015: EUR 508 thousand). No remuneration is paid separately or in addition to the members of the Supervisory Boards of the Group companies and no compensation is paid if they are recalled.

Chairman of the Management Board of the Group Gunnar Kobin (who authorities ceased on 31.12.2016) also participated in share option plan described in Note 29.

Note 33. Subsequent events

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

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

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Note 34. Financial information about the Parent Company

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

Balance sheet of AS Ekspress Grupp (Parent Company)

(EUR thousand)	31.12.2016	31.12.2015
ASSETS		
Trade receivables		
Other receivables	1 948	15 130
Prepayments	65	54
Total trade and other receivables	**2 013**	**15 184**
Total current assets	**2 013**	**15 184**
Non-current assets		
Long-term financial investments	978	1 147
Investments in subsidiaries	105 393	117 461
Loans to subsidiaries	220	1 293
Investments in joint ventures	2 435	1 007
Investments in associates	563	215
Property, plant and equipment	27	34
Intangible assets	60	74
Total non-current assets	**109 676**	**121 231**
TOTAL ASSETS	**111 689**	**136 415**
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	1 546	1 507
Trade and other payables		
Trade payables	43	31
Payables to employees	103	88
Tax payables	68	56
Other liabilities towards subsidiaries	50 954	76 610
Total trade and other payables	**51 168**	**76 785**
Total current liabilities	**52 714**	**78 292**
Long-term borrowings	7 902	9 449
Total trade and other payables	**7 902**	**9 449**
Total current liabilities	**60 616**	**87 741**
Equity		
Share capital at nominal value	17 878	17 878
Share premium	14 277	14 277
Treasury shares	(863)	(176)
Statutory reserve capital	672	537
Other reserves	1 386	1 250
Retained earnings	17 723	14 908
Total equity	**51 073**	**48 674**
TOTAL LIABILITIES AND EQUITY	**111 689**	**136 415**

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

(EUR thousand)	2016	2015
Sales revenue	470	536
Cost of sales	0	(443)
Gross profit	**470**	**93**
Other income	1	0
Marketing expenses	(1)	(19)
Administrative expenses	(1 484)	(1 316)
Other expenses	(7)	(4)
Finance income and costs on shares of subsidiaries	6 056	4 233
Finance income and costs on shares of joint ventures	772	785
Finance income and costs on shares of associates	71	51
Interest income	75	547
Interest expenses	(1 492)	(1 613)
Other finance income and costs	(55)	(60)
Financial income and expense	**5 427**	**3 953**
PROFIT FOR THE YEAR	**4 406**	**2 707**
Other comprehensive income (expense) for the year	0	0
Total comprehensive income for the year	**4 406**	**2 707**

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

(EUR thousand)	Share capital	Share premium	Treasury shares	Reserves	Retained earnings	Total equity
Balance on 31.12.2014	**17 878**	**14 277**	**(64)**	**1 440**	**13 644**	**47 175**
Increase of statutory reserve capital	0	0	0	256	(256)	**0**
Dividend paid	0	0	0	0	(1 187)	**(1 187)**
Purchase of treasury shares	0	0	(112)	0	0	**(112)**
Share option	0	0	0	91	0	**91**
Total transactions with owners	*0*	*0*	*(112)*	*347*	*(1 443)*	***(1 208)***
Net profit for the reporting period	0	0	0	0	2 707	**2 707**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*2 707*	***2 707***
Balance on 31.12.2015	**17 878**	**14 277**	**(176)**	**1 787**	**14 908**	**48 674**
Increase of statutory reserve capital	0	0	0	135	(135)	**0**
Dividend paid	0	0	0	0	(1 456)	**(1 456)**
Purchase of treasury shares	0	0	(687)	0	0	**(687)**
Share option	0	0	0	136	0	**136**
Total transactions with owners	*0*	*0*	*(687)*	*271*	*(1 591)*	***(2 007)***
Net profit for the reporting period	0	0	0	0	4 406	**4 406**
Other comprehensive income	0	0	0	0	0	**0**
Total comprehensive income for the reporting period	*0*	*0*	*0*	*0*	*4 406*	***4 406***
Balance on 31.12.2016	**17 878**	**14 277**	**(863)**	**2 058**	**17 723**	**51 073**

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Cash flow statement of AS Ekspress Grupp (Parent Company)

(EUR thousand)	2016	2015
Cash flows from operating activities		
Operating profit (loss) for the period	**(1 021)**	**(1 245)**
Adjustments for:		
Depreciation, amortisation and impairment	34	38
Change in value of share option	136	91
Changes in working capital:		
Trade and other receivables	55	(273)
Trade and other payables	42	(46)
Cash generated from operations	**(754)**	**(1 434)**
Interest paid	(1 426)	(1 636)
Net cash generated from operating activities	**(2 180)**	**(3 070)**
Cash flows from investing activities		
Term deposit (placement)/release	0	1 600
Investment in joint ventures	(868)	0
Acquisition of associate	(311)	0
Reduction / increase of share capital of subsidiaries	13 920	(3)
Purchase and receipts of other investments	5	(50)
Interest received	295	695
Dividends received	18 653	278
Purchase of property, plant and equipment	(13)	(110)
Disposal of property, plant and equipment	0	120
Loans granted	(250)	(620)
Loan repayments received	171	91
Net cash from investing activities	**31 603**	**2 001**
Cash flows from financing activities		
Change in overdraft used	0	(1 117)
Change in cash pool account	(8 312)	7 600
Repayments of borrowings	(18 967)	(4 115)
Dividends paid	(1 456)	(1 187)
Purchase of treasury shares	(687)	(112)
Net cash generated from financing activities	**(29 422)**	**1 069**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**0**	**0**
Cash and cash equivalents at beginning of the period	0	0
Cash and cash equivalents at end of the period	0	0

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Ekspress Grupp

Opinion

We have audited the consolidated financial statements of AS Ekspress Grupp and its subsidiaries (the "Group") set out on pages 38 to 84, which comprise the consolidated balance sheet as of 31 December 2016, the consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Ekspress Grupp as of 31 December 2016, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by European Commission.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (parts A and B), together with other ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill assessment	
Goodwill with a carrying value of EUR 36 953 th as of 31 December 2016 comprises 49.8% of the total assets of the Group. The goodwill has been recognised in the consolidated balance sheet as a consequence of the acquisition of Delfi business units. As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 16, there are a number of sensitive key judgments made in determining the inputs into these models which include:	We focused our testing of the impairment of goodwill on the key assumptions made by management. Our audit procedures included: Engaging our internal valuation specialist to assist with: ✓ Critically evaluating whether the valuation model used by management to calculate the fair value of Delfi businesses in each country (Cash Generating Units) complies with the requirements of IAS 36 Impairment of Assets.

- ✓ Revenue growth
- ✓ The discount rates applied to the projected future cash flows.
- ✓ Identification of cash generating units.

Due to significant judgment involved, goodwill impairment assessment was considered to be a key audit matter.

- ✓ Validating by comparing to established benchmarks and market data to determine whether the assumptions used to calculate the discount rates have been adequate and recalculating these rates.
- ✓ Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the Cash Generating Unit.
- ✓ Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy and reliability of management's projections.

We found that the assumptions used by management were comparable with historical performance and the expected future outlook and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of consolidated financial statements of the current period and are therefore the key audit matters.

22 March 2017

/signed digitally/

Kersti Ruut
Certified Auditor, No. 604
AS Deloitte Audit Eesti
Licence No. 27
Roosikrantsi 2, 10119 Tallinn, Estonia

PROPOSAL FOR PROFIT ALLOCATION FOR THE YEAR 2016

The Management Board of AS Ekspress Grupp proposes to allocate the consolidated net profit for the financial year ended 31 December 2016 in the amount of EUR 4 406 thousand as follows:

(EUR thousand)	
Consolidated net profit attributable to equity holders of AS Ekspress Grupp	**4 406**
Payment of dividends	1 788
Increase in statutory reserve (1/20 from the profit)	220
Profit for the financial year to be transferred to retained earnings	2 398
Statutory reserve before increase	672
Statutory reserve after the increase	**892**
Retained earnings before profit allocation	17 723
Total consolidated retained earnings after profit distribution	**20 121**

DECLARATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board has prepared the management report and the consolidated financial statements of AS Ekspress Grupp for the year ended on 31 December 2016.

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

Management Board

Signed digitally	*Signed digitally*	*Signed digitally*
Chairman of the Management Board	Member of the Management Board	Member of the Management Board
Mari-Liis Rüütsalu	Andre Veskimeister	Pirje Raidma

Supervisory Board

....	....	....	....
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Hans H. Luik	Marek Kiisa	Indrek Kasela	Harri Helmer Roschier

....	....	....
Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
Aleksandras Česnavičius	Peeter Saks	Gunnar Kobin